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COMMISSION STAFF WORKING DOCUMENT

North Macedonia 2021 Report

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Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions

2021 Communication on EU Enlargement Policy

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1. INTRODUCTION

1.1. CONTEXT

The Stabilisation and Association Agreement (SAA) between the Republic of North Macedonia and the European Union entered into force in April 2004 and continues to be implemented. Since 2009, the Commission has continuously recommended to the Council to open accession negotiations with North Macedonia, a candidate country since 2005. Based on the progress achieved and the conditions having been met, the European Council endorsed the Council's decision to open accession negotiations with North Macedonia in March 2020¹. Overall, the country has continued to maintain a steady and determined pace in advancing EU reforms, focusing on the fundamentals. Pending bilateral issues between Bulgaria and North Macedonia need to be resolved as a matter of priority. The authorities in North Macedonia continued to demonstrate publicly their commitment to advance on their EU path. The delays in the official launch of accession negotiations are having a negative impact on the credibility of the EU.

The COVID-19 pandemic continued throughout the reporting period. By early October 2021, North Macedonia had recorded in total around 193,000 cases and about 6,750 deaths related to the pandemic. Around 35% of the population were fully vaccinated in early October.

The authorities have taken measures to protect public health and mitigate the socio-economic impact of the COVID-19 crisis. The EU has provided substantial support to North Macedonia since the pandemic began and mobilised a package of EUR 66 million of non-repayable financial aid for immediate needs, emergency medical equipment and socio-economic response to the pandemic. This was complemented by EUR 160 million in macro-financial assistance for North Macedonia. The EU, as Team Europe has also supported the country's vaccination campaign by providing almost 350,000 doses by early October as either donations or re-sales covered by an EU grant.

1.2. SUMMARY OF THE REPORT^{2 3}

On the **political criteria**, North Macedonia continued its efforts to strengthen democracy and the rule of law, including by activating existing checks and balances and through an outreach on key policy and legislative issues. The country has shown its commitment to deliver in the key areas of the fundamentals, including through the 'Europe at Home' agenda and the 'Action Plan 21' on the fight against corruption. The first round of the local elections took place on 17 October. The Office for Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) has deployed an Election Observation Mission. Limited progress was made in addressing the outstanding recommendations from OSCE/ODIHR and the Venice Commission over the reporting period. The comprehensive review of electoral legislation and the adoption of the relevant laws still need to be finalised in a timely and inclusive manner.

¹ <https://www.consilium.europa.eu/media/43076/26-vc-euco-statement-en.pdf>

² This report covers the period from June 2020 to June 2021. It is based on input from a variety of sources, including contributions from the government of North Macedonia, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. This also includes the results of comparative assessments and indices produced by other stakeholders, in particular in rule of law.

³ For the state of play the report uses the following assessment scales: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. For progress made during the reporting period, the following scale has been used: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, also interim steps have been used.

Opposition parties remained actively engaged in Parliament and on some occasions supported key EU related laws. Parliamentary work was nevertheless impeded by political polarisation, compounded by COVID-19, which on occasion affected its ordinary functions. Efforts are needed to strengthen the role of Parliament as a forum for constructive political dialogue, particularly on the EU reform agenda. Parliament continued to exercise its legislative functions. Great care should be taken in the use of fast track procedures, which need to be limited to ensure effective scrutiny and consultation of legislation. Parliament continued to exercise proper oversight of the executive. The proposals for internal reform of Parliament, agreed during the third round of the ‘Jean Monnet Dialogue’⁴ in early 2020, have yet to be put in place. The criminal responsibility for those who orchestrated or committed violence in the attack on Parliament on 27 April 2017 continued to be established, including through first instance verdicts. The government needs to keep up the reform momentum and focus on the implementation of the existing legal framework rather than launching sporadic new initiatives. Timely and substantial implementation of the reform agenda requires sustained support from society as a whole. Inter-ethnic relations remained stable and the Ohrid Framework Agreement continued to be implemented.

Civil society organisations continued to be active and have an important role to play in the reform process. Further efforts are needed to ensure a more timely, meaningful and transparent consultation process with civil society. In the context of the challenges faced in recovering from the COVID-19 crisis, governmental and non-governmental actors are expected to build long-term partnerships and to strengthen existing cooperation.

The reform of the intelligence sector, resulting in new structures being established and a legal framework being developed, has almost been completed. The country needs to strengthen the capacity for parliamentary oversight over the intelligence services.

North Macedonia is moderately prepared in the reform of its public administration. **Some progress** was made in finalising the horizontal functional review of the state administration. It is important that the horizontal functional review is adopted by the government. Recommendations were made for the new organisation of state administrative bodies with improved lines of accountability. These need to feed into the relevant legislation, which should be adopted and implemented. North Macedonia is currently reviewing the legislative framework on human resources management through the revision of the Law on Administrative Servants and the Law on Public Service Employees, and is introducing a new Law on Top Management Service. The new framework should improve the management of human resources across the administration and will contribute to ensuring better respect for merit-based recruitments, promotions and dismissals, including at senior management level. The monitoring reports on implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme were presented. The State Commission for the Prevention of Corruption (SCPC) continued to address cases of alleged nepotism, cronyism and political influence in the process of recruitment of public sector employees and in the process of appointment of members of supervisory and management boards. Its findings and recommendations need to be systematically followed-up by the concerned institutions.

The **judicial system** of North Macedonia has some level of preparation/ is moderately prepared. Some progress was achieved regarding the implementation of the judicial reform

⁴ The objective of the ‘Jean Monnet Dialogue’, initiated by the European Parliament in 2018 with the Parliament of North Macedonia, aims at building confidence amongst political parties and strengthening democratic culture and practices in Parliament.

strategy, thereby further addressing the recommendations from the Venice Commission and the Senior Experts' Group on systemic Rule of Law issues. Efforts are still needed to ensure systematic implementation of the updated action plan on the judicial reform strategy and the human resources strategies for the judiciary and prosecution. Judicial institutions continue applying the new rules for the appointment, promotion, discipline and dismissal of judges and prosecutors. Most of the implementing legislation of the revised Law on the Council of Public Prosecutors was adopted. It is important to continue implementing the legal framework and strategic plans related to the reform of the Judicial Council and the Council of Public Prosecutors. A new draft Law on the Academy for Judges and Prosecutors should maintain the Academy as the sole entry point to the judiciary and prosecution and should secure a fair and transparent access to these professions

North Macedonia has some level of preparation / is moderately prepared in the **prevention and fight against corruption**. Some progress has been made, as the country continued to consolidate its track record on investigating, prosecuting and trying several corruption cases, including at high level, and strengthened its institutional framework, especially the State Commission for Prevention of Corruption (SCPC) and the Prosecutor for Organised Crime and Corruption (OCCPO). In April 2021, Parliament adopted the 2021-2025 National Strategy for the Prevention of Corruption and Conflict of Interest and related Action Plan, consolidating the country's commitment to prevent corruption and sanction corrupt behaviour. The cases initiated by the former Special Prosecutor's Office (SPO) continued to move forward, thereby establishing accountability for the illegal wiretaps. A number of cases were subject to first instance rulings and new cases were opened on the basis of investigative material from the former Special Prosecutor's Office. The State Commission for the Prevention of Corruption has been pro-active in preventing corruption and opened several cases, including against high-level officials. The State Commission was allocated new premises. Nonetheless, the efforts to improve its functioning should continue, especially by allocating extra funding for the recruitment of expert staff.

The country has some level of preparation in **the fight against organised crime**. The legislative framework is broadly in line with European standards and efforts to implement strategies against organised crime must continue. Some progress was made at the operational level, but more needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes. Coordination remains crucial for all stakeholders involved in combatting organised crime.

Some progress has been made in the **fight against terrorism and preventing/countering violent extremism** in line with the objectives set out in the Joint Action Plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement. A national plan for reintegration, resocialisation and rehabilitation of foreign fighters returnees and members of their families was adopted in June 2020, in order to implement the identified priorities for preventing violent extremism and radicalisation.

The legal framework on the protection of **fundamental rights** is largely in line with European standards. The Law on the Prevention and Protection against Discrimination and the Commission for the Prevention and Protection against Discrimination are in place. The deinstitutionalisation process made real progress and almost all of the children concerned were resettled to community-based care. The Ministry of Labour and Social Policy is investing in community services, including supporting victims of gender-based violence. Important progress was achieved with the adoption of the Law on Prevention and Protection from Violence against Women and Domestic Violence, with cross-party support. An improvement is noted in terms of gender mainstreaming and women's rights, although women are among the categories most severely affected by the pandemic. Recommendations of

European and international human rights bodies, particularly regarding the treatment of detained and convicted persons must be fully implemented without delay. It is also important for the country to enhance the implementation of the legislation on hate speech and of the national action plan for the implementation of the Istanbul Convention's provisions. The civilian external oversight mechanism over the police is not fully functional, and the absence of genuinely independent investigators impedes efforts to address police impunity and effective prosecution. The country should continue to improve the situation in prisons and to further increase alternatives to detention.

North Macedonia has achieved some level of preparation/ is moderately prepared in the area of **freedom of expression**. Overall, there was limited progress during the reporting period. The general context is favourable to media freedom and allows for critical media reporting although there have been increased tensions during the COVID-19 crisis. Self-regulation efforts need to be resumed and followed by concrete results for the advancement in professional standards of journalism. Greater transparency should be ensured regarding media advertising by state institutions and political parties. The authorities need to increase their efforts to reform the public service broadcaster, ensuring its independence and financial sustainability. The public service broadcaster adopted a five-year development strategy but the reform process is hampered by delays in appointing the members in its managing council and of the council of the Agency for Audio and Audio-visual Media Services. The COVID-19 crisis had a strong economic impact on the media sector, especially on the regional and local actors. Media outlets were included in the relief package, but the labour rights of journalists still need to be addressed.

On **regional cooperation**, the country maintained its good relations with other enlargement countries and maintained its engagement in regional initiatives. Existing bilateral agreements, including the Prespa Agreement between North Macedonia and Greece as well as the Treaty of Friendship, Good Neighbourliness and Cooperation with Bulgaria, need to be implemented in good faith by all parties.

On the **economic criteria**, North Macedonia has made some progress and is at a good level of preparation in developing a functioning market economy. Severely hit by the pandemic, the economy slipped into a recession in 2020. A gradual recovery set in as of spring 2021. The government implemented a strong fiscal response to mitigate the crisis impact on households and firms. The fiscal deficit rose to 8.2 % of GDP in 2020 while the public debt level rose sharply to 60.2 % of GDP, as additional financing needs had to be covered. Capital expenditure was cut in a budget revision to create space for crisis-related transfer payments, yet it was still heavily under-executed. The authorities took some additional measures to improve fiscal transparency, although a fully operational state aid registry is yet to be developed. There has been little progress made in improving revenue mobilisation and collection, as well as public investment management, including through a stronger framework for public-private partnerships. The new organic budget law, which is expected to significantly improve fiscal governance, is yet to be adopted by Parliament, and its implementation is delayed. Bolstered by regulatory easing, the financial sector remained strong and lending to the private sector constant. The business environment continued to be impeded by the large size of the informal economy.

North Macedonia has made some progress in addressing last year's recommendations and is moderately prepared to cope with competitive pressure and market forces within the Union. Integration with the EU in trade and investment remained entrenched also during the pandemic. The level and structure of trade and manufacturing output were affected by lockdowns and supply chain disruptions, domestically and in trade partner countries. The

structure of the industry is continuously improving. The deterioration in labour productivity and price competitiveness in 2020 reflects to a large degree the economic impact of the pandemic and the government's job-retention measures. Vocational Educational Training (VET) curricula has improved. Still, skills shortages, reflecting shortcomings in education curricula, capital investment gaps, and limited integration of domestic firms in global supply chains are restricting potential growth. Digitisation of the economy is progressing.

As regards its ability to assume the obligations of membership, North Macedonia is moderately prepared in most of the areas covered by **Cluster 2 on internal market**, namely the free movement of goods, services and capital, intellectual property and competition policy. Meanwhile, the country has a good level of preparation on company law, although it is still at an early stage on freedom of movement for workers. In the reporting period, North Macedonia made limited or no progress in all areas, except on free movement of capital, company law and intellectual property where it made some progress. Overall, more progress is needed in the coming year in the areas covered by this cluster as it is relevant for North Macedonia's preparations to meet the requirements of the EU's internal market and for the development of the Common Regional Market.

Overall, North Macedonia is moderately prepared in most of the areas covered by Cluster 3 on competitiveness and inclusive growth, including in information society and media, taxation, enterprise and industrial policy, education and culture, and economic and monetary policy. However, additional efforts are needed to bring these areas to a higher degree of preparedness. It has a good level of preparation in the areas of science and research and customs union. Some progress was made in most of these areas. More efforts are needed, particularly in areas where limited progress was made, such as information society and media, science and research as well as education and culture.

On **Cluster 4 on the Green Agenda and sustainable connectivity**, North Macedonia has a good level of preparation in trans-European networks. It is moderately prepared on transport policy and energy and as some level of preparation on environment and climate change. North Macedonia is actively participating in meetings of the Transport Community and Energy Community. It has a high level of compliance with the Energy Community Treaty, notably on electricity. As all Western Balkans, North Macedonia endorsed the Green Agenda for the Western Balkans at the Sofia Summit in December 2020. This year, some progress was made in the energy sector, notably with the progress made towards the adoption of the National Energy and Climate Plan. However, limited progress were made in transport, environment and climate change. The country needs to substantially step-up its ambition to properly implement the *acquis* of chapters 14 and 27. These efforts will increase the efficiency of the Economic and Investment Plan and speed up the implementation of the Green Agenda for the Western Balkans. Administrative capacities need to be strengthened in all sectors. In addition, strategies, action plans and legislation in these sectors need to be coherent with the principles and priorities of the Green Agenda and to ensure consistency between relevant sectoral documents. North Macedonia is moderately prepared in most areas of **Cluster 5 on resources, agriculture and cohesion**. It has a good level of preparation in the area of food safety, veterinary and phytosanitary policy and is at an early stage of preparation in financial and budgetary provisions. Over the reporting period, good progress was made in food safety, veterinary and phytosanitary⁵ policy and some progress was made in agriculture and rural development. However, further efforts are needed, in particular in areas where limited or no

⁵ Measures for the control of plant diseases, especially of agricultural crops.

progress was made such as fisheries, regional policy and the coordination of structural instruments as well as financial and budgetary provisions.

North Macedonia is moderately prepared in the areas covered by **Cluster 6 on external relations** and has made some progress during the reporting period. In its common commercial policy, North Macedonia continued its efforts to coordinate its positions and closely align its commercial policies with those of the EU, including within the WTO. However, no progress was made in development policy and humanitarian aid. North Macedonia is moderately prepared in the area of common foreign, security and defence policy. The country has increased its alignment with the EU common foreign and security policy to 96% and its participation in EU crisis management missions and operations.

North Macedonia remains on one of the main transit routes for migration movement. The country continues to play a constructive role in the management of **mixed migration flows**. It cooperates effectively with neighbouring countries and EU Member States, including with guest officers from the EU Member States on the ground. Efforts to ensure basic living conditions and services for all migrants staying in the country continued. The registration of migrants and adequate protection-sensitive profiling improved but needs to be carried out in a more systematic manner. The Status Agreement with the EU, that would allow the deployment of standing corps of the European Border and Coast Guard Agency (Frontex) in the country, has not yet been signed due to a bilateral issue. The country should take a more methodical approach to fighting the smuggling of migrants.

2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1. Democracy

North Macedonia continued its efforts to strengthen democracy and the rule of law, including by activating existing checks and balances and through an outreach on key policy and legislative issues. Opposition parties remained actively engaged in Parliament and on some occasions supported key EU related laws. North Macedonia has shown its commitment to deliver in the key areas of the fundamentals, including through the ‘Europe at Home’ agenda and the ‘Action Plan 21’ on the fight against corruption. Measures were taken to protect public health and contain the COVID-19 pandemic.

Elections

The first round of the local elections took place on 17 October 2021. Overall, the legal framework remains conducive to the organisation of democratic elections. Limited progress was made in addressing the outstanding recommendations from the OSCE/ODIHR and the Venice Commission over the reporting period. The Electoral Code was amended during the electoral process in September 2021. As mentioned in the previous reports, the comprehensive review of the electoral legislation and the adoption of the relevant laws needs to be finalised in a timely, inclusive and transparent manner. The state institutions and bodies, notably the Ministry of the Interior and the State Election Commission, should make further efforts to systematically improve the accuracy of the voters’ lists.

The first round of the **local elections** took place on 17 October. In municipalities where no mayoral candidate receives the required absolute majority, the second round will be organised on 31 October 2021 between the two candidates with the most votes. OSCE/ODIHR has deployed an Election Observation Mission. Overall, preparations for the local elections have

been carried out in line with the calendar of the State Election Commission (SEC). Some parties have announced cooperation agreements between them, including across ethnic lines. Among a total of 299 mayoral candidates, 8% are women. Women comprise some 45% of all councillor candidates and head 111 candidate lists (19%).

The **legal framework** supports the conduct of democratic elections. The working group on electoral reform met several times, but it has not yet finalised the comprehensive legal changes in line with OSCE/ODIHR recommendations. Its work was conducted without meaningful participation from political parties. The electoral code was amended twice in 2021. In April 2021, amendments were adopted to supplement provisions on biometric voter identification. In September 2021, Parliament amended the Electoral Code with a large majority. Some amendments aim to address previous recommendations of OSCE/ODIHR, including on permanent composition and tenure of the SEC, safeguards against the misuse of public resources, campaigning in the media, deadlines for the submission and review of complaints. However, last minute changes in legislation led to uncertainties. The reform of electoral legislation should continue in order to address the remaining recommendations of OSCE/ODIHR and the Venice Commission, including the harmonisation of the Electoral Code internally and with other relevant laws. This comprehensive process needs to be completed well in advance of the next elections, in a broad consultation process.

Parliament appointed unanimously the members of the **State Election Commission** (SEC). Its composition and tenure of mandate were addressed by the latest amendments to the Electoral Code. On the voters' list, further efforts are needed to address structural issues related to the voter register, such as the lack of standardisation of address data, harmonisation and interoperability across institutions.

Parliament

The work of Parliament was impeded by political polarisation compounded by COVID-19, which on occasions affected its ordinary functions. Efforts are needed to strengthen its role as a forum for constructive political dialogue, particularly on the EU reform agenda. Parliament continued to exercise its legislative functions, including through the work of parliamentary committees. Great care should be taken in the use of fast-track procedures, which need to be limited to ensure effective scrutiny and consultation of legislation. Parliament continued to exercise proper oversight of the executive. The proposals for the internal reform of Parliament agreed during the third round of the 'Jean Monnet Dialogue' in early 2020 have yet to be put in place. Criminal responsibility for those who orchestrated or committed violence in the attack on Parliament on 27 April 2017 continued to be established, including with first instance verdicts. Steps were taken by some political parties to enhance their internal political process, but further efforts are needed, including by increasing the transparency of the funding of political parties.

Parliament has remained the main institution for **political dialogue**, with the participation of all parliamentary parties. Implementation of Parliament's 2018-2022 strategic plan continued. However, its work was challenged by the polarisation between the ruling parties and the opposition on some issues, the thin ruling majority as well as frequent absences of the Members of Parliament (MPs) infected by COVID-19 or in self-isolation. A lack of quorum prevented the adoption of amendments to the rules of procedure to allow MPs affected by COVID-19 to work online. The National Council for EU Integration, led by the opposition, started working in June 2021 and has a responsibility to ensure a broad consensus over EU

related reforms. In July 2021, Parliament adopted with cross-party support a Resolution⁶, submitted by the main opposition party. Parliament carried out a transparent selection for members of the Commission for Protection and Prevention against Discrimination and elected unanimously the new members of the State Election Commission. The selection of three new judges of the Constitutional Court, of five Deputy Ombudspersons and of a member of the Judicial Council needs to proceed in a timely and inclusive manner.

Parliament continued to face challenges in better planning and coordinating its work to ensure a more predictable **law-making process**. The adoption of some laws such as the package of economic measures designed to address the consequences of COVID-19 was delayed. To prevent filibustering, the government proposed numerous draft laws for adoption in shortened procedure, which reduced the time for a substantial consultation process with the stakeholders. The opposition criticised the use of the ‘EU flag’ procedure, i.e. a fast track procedure aiming at aligning legislation with the EU *acquis*. A total of six public debates were held. Parliament adopted 159 laws, out of which 67 in regular legislative procedure, 79 in shortened procedure and 13 ratifications. The number of laws adopted in fast track procedures remains a concern – see 2.1.2. *Public Administration Reform*. These need to be significantly reduced as they prevent proper participation of stakeholders on the legislative processes and democratic debates.

Parliament exercised its **oversight** of the executive through sessions for parliamentary questions. Over the reporting period, four motions of no confidence were introduced against four Deputy Prime Ministers and Ministers, of which two were rejected and two are pending. The plenary and relevant committees debated the annual reports of regulatory, controlling and supervisory bodies, including those submitted after the dissolution of Parliament in February 2020.

The working group on the ‘**Jean Monnet Dialogue**’, chaired by the Speaker, held two meetings in spring 2021 to discuss the implementation of the commitments made during the third round of the ‘Jean Monnet Dialogue’ in early 2020, notably amending the **rules of procedure**. Little progress was made and these commitments have yet to be put in place.

Under the new composition of Parliament, the number of women Members of Parliament (47 out of 120, i.e. 39%) decreased by one compared to the previous legislature. The number of MPs from the non-majority communities is the highest ever (42, i.e. 35%). The Committee on Inter-Ethnic Relations held regular sessions.

As regards the **protection of human rights** and fundamental freedoms, Parliament adopted with cross-party support the Law on the prevention and protection against discrimination, the Law on prevention and protection from violence against Women and Domestic Violence and amendments to the Law on the rights of the child. The Club of Women MPs, and inter party parliamentary groups on youth, LGBTIQ, people with disabilities and Roma started their work.

The accountability for the violent attacks in Parliament in **April 2017** continued to be established. In July 2021, the first instance Criminal Court sentenced to imprisonment the former Speaker, two former Ministers as well as the former Director of the Bureau of Security and Counterintelligence (UBK) for organising the violent attacks on Parliament.

⁶ ‘Resolution on Determining the Macedonian State Positions in the Context of Blockages of the European Integrations’

Work should continue on improving the efficiency of the democratic system, including transparency on the **funding of political parties**, along the lines of the recommendations of the Group of States against Corruption (GRECO) – see *Chapter 23 – Judicial and fundamental rights*. Political parties should also improve their internal democratic processes. SDSM⁷ held the first-ever direct elections for a party leader.

Governance

The government worked on the EU reform agenda and on addressing the consequences of the COVID-19 pandemic. It needs to keep up the reform momentum and focus on the implementing the existing legal framework rather than launching sporadic new initiatives. Timely and substantial implementation of the reform agenda requires sustained support from society as a whole. Inter-ethnic relations remained stable. The Ohrid Framework Agreement, the 20th anniversary of which was celebrated in August 2021, continued to be implemented.

In March 2021, all 62 coalition Members of Parliament confirmed their support for the government in a vote of confidence initiated by the Prime Minister. The government adopted the reform plan ‘Europe at Home’, aiming at streamlining reforms under the fundamentals cluster and based on the revised enlargement methodology, as well as the ‘Action 21’, an action plan on the fight against corruption. The National Plan for Adoption of the *Acquis* (2021-2025) was adopted in June 2021.

In light of the COVID-19 situation, the Prime Minister and the leader of the biggest opposition party agreed to postpone the census from April to September 2021 and the local elections from the first to the second half of October 2021.

Women constitute 20% of the Ministers, 7% of the Deputy Ministers and 25% of the State Secretaries.

Inter-ethnic relations remain stable overall. Further commitment is needed, both at the local and the national level, to increase trust between ethnic communities. All political actors should further engage in a constructive and open dialogue with relevant stakeholders to meet the obligations arising from the 2001 Ohrid Framework Agreement, including by preserving the multi-ethnic character of the society. In August 2021, the country marked the 20th anniversary of the Ohrid Framework Agreement.

The reform process of the system of **local self-government** launched in 2019 has stalled. The government should show active leadership, promoting coordination and a systemic dialogue between ministries and local self-government. Efforts to improve municipal finances produced mixed results. Revenue collected at local level increased as a percentage of total revenue of municipalities and transparency of local budgets improved. Ad hoc financial transfers from the central to the local level provide short term relief but do not contribute to build a sustainable financial framework based on predictable resources. More efforts are needed to strengthen public finance management capacities and internal audit at the local level.

Civil society

Civil society organisations (CSOs) continue to operate, overall, in an enabling environment. They continued to be active and have an important role to play in the reform process. Further efforts are needed to ensure a more timely, meaningful and transparent consultation process with civil society. In the context of the challenges faced in recovering from the COVID-19 crisis, governmental and non-governmental actors are expected to build long-term

⁷ *Social Democratic Union of Macedonia*

partnerships and to strengthen existing cooperation. The financial framework under which CSOs operate still needs to be improved.

Civil society is a crucial component of any democratic system and continues to be recognised as such by the state institutions.

Civil society organisations continued to play the role of watchdog and participated in the decision-making process on key laws, including the laws on prevention and protection against discrimination and on prevention and protection against violence against women and domestic violence. Civil society significantly contributed to ensuring the protection of human rights and fundamental freedoms, especially with respect to assistance provided to the most vulnerable categories.

Civil society engaged on a regular basis with public institutions and bodies such as the Council for Cooperation between the Government and Civil Society and the Council for Open Government Partnership. Continued efforts are needed to further strengthen the existing structured dialogue, coordinated by the government unit for cooperation with NGOs.

Mechanisms for dialogue such as the inter-party parliamentary groups and the sectoral working groups need to be fully exploited. A systematic follow-up of exchanges with civil society is needed. Actors from the entire political spectrum are encouraged to enhance cooperation with civil society, based on a timely, meaningful and transparent consultation process. Similarly, local authorities are encouraged to further involve grassroots civil society organisations in policy and decision-making processes.

The COVID-19 pandemic had an economic impact on civil society actors. The ongoing reform of the state funding for the civil society organisations is expected to further regulate the current legal framework and to ensure that sufficient means are put at the disposal of the sector. The process should be conducted in a transparent and inclusive manner.

In order to maintain the positive trend, the government should finalise the 2021-2023 Strategy for Cooperation with Civil Society, together with a realistic action plan to implement the measures programmed in the Strategy. All relevant institutions should ensure the transparent and timely implementation of the objectives included in the Strategy.

Civilian oversight of the security/intelligence sector

The reform of the intelligence sector, resulting in new structures being established and a legal framework being developed, has almost been completed.

However, the National Security Agency (NSA) is still located inside the premises of the Ministry of Interior. The Operational Technical Agency (OTA) continued to acquire the necessary tools to fulfil its role. However, some authorised bodies have yet to be connected to the OTA. In January 2021, the Law on the Intelligence Agency was revised to harmonise its legal framework with the country's new security system arrangements. It is essential that all these structures act according to the relevant laws and in an independent manner.

Parliamentary oversight of the intelligence services was exercised after the establishment of the new Parliament. The relevant committees performed inspections in the institutions from the security sector. The procedure for the selection of technical experts for the Committee for Interception was completed. However, they have not been employed yet, which affected the performance of the committee's oversight mandate.

The work of the Civilian Oversight Council was impeded since the resignation of its president and deputy in 2020. There is an urgent need to provide all necessary administrative and financial resources for the Council to be fully functional.

2.1.2 Public administration reform

North Macedonia is **moderately prepared** in the reform of its public administration. **Some progress** was made in finalising the horizontal functional review of the state administration. Recommendations were made for the new organisation of state administrative bodies with improved lines of accountability. These need to feed into the relevant legislation, which should be adopted and implemented. North Macedonia is currently reviewing the legislative framework on human resources management through the revision of the Law on Administrative Servants and the Law on Public Service Employees, and is introducing a new Law on Top Management Service. The new framework should improve the management of human resources across the administration and will contribute to ensuring better respect for merit-based recruitments, promotions and dismissals, including at senior management level. The monitoring reports on the implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme were presented. The State Commission for the Prevention of Corruption (SCPC) continued to address cases of alleged nepotism, cronyism and political influence in the process of recruitment of public sector employees and in the process of appointment of members of supervisory and management boards. Its findings and recommendations need to be systematically followed-up by the concerned institutions.

Most of last year's recommendations have been partially implemented. In the coming period, the country should, in particular:

- adopt and implement the revised Law on Administrative Servants, the Law on Public Service Employees and the Law on Top Management Service;
- adopt and implement the Law on State Organisation and other related laws in line with the recommendations for the new organisation of state administrative bodies ;
- ensure full implementation of the Law on General Administrative Procedures.

Strategic framework for public administration reform

The implementation, monitoring and reporting of the 2018-2022 **public administration reform strategy** and the 2018-2021 **public financial management reform programme** continued. The high-level Public Administration Reform Council and the Public Financial Management Council ensured both **political support** for and supervision of reforms. To drive the process at the technical level, a properly staffed public administration sector is necessary within the Ministry of Information Society and Administration. The Ministry of Finance continues to be fully involved in the reform coordination efforts. Overall, managerial accountability in public institutions requires further strengthening (*see Chapter 32 – Financial Control*). The state budget includes a separate programme for public administration reform, but full implementation of both strategies continues to depend primarily on donor funding.

Policy development and coordination

The legal framework and institutional structures for a coherent **policy-making system** are in place. Efforts are ongoing to clarify the division of responsibilities between policy-making institutions to avoid overlaps, set out clear reporting lines and ensure their proper functioning. Medium-term budgetary planning and fiscal policies are in line with the government's strategic priorities. The central coordination and quality control role of the General Secretariat was slightly improved, but remains insufficient. The coordination system for EU integration is being revised to match the revised enlargement methodology. A new IT solution is being developed to improve the technical level quality of the EU integration coordination system for

policy measures and harmonisation with EU regulations. A new IT system for donor assistance measures was introduced.

Evidence-based policy and legislative development continue to be partially ensured. Administrative data collection further improved, but the quality of data remains an issue. The state institutions need to reinforce and simplify sharing of administrative data through the interoperability system and use this data more consistently in the decision-making process. The regulatory impact assessments continued to be used formally for all laws that the government sent to Parliament in regular procedure, but not for the laws that were adopted in shortened procedure. The quality of regulatory impact assessments needs to be further improved and quality control needs to be ensured. The budgetary impact assessments are either missing or are not comprehensive. There are inter-ministerial consultations at various levels, many of which take place online due to COVID-19 restrictions. **Public consultations** through the dedicated national electronic consultation system allow for inclusive participation of all stakeholders, however the electronic system is not used to its full potential. The quality control and the follow-up to the public consultation process needs to improve. The number of laws adopted under shortened procedures is still high, at 42% in 2020 (*see 2.1.1. Democracy*). The quality of legislative drafting continues to be an issue, with frequent legislative amendments creating legal uncertainty and impeding proper implementation. The use of ‘EU flag’ needs to be coherent and linked to laws, large part of which aim at being aligned with the EU *acquis* (*see 2.1.1 Democracy*).

Public scrutiny of government work is ensured through the publication of government monitoring reports and improved communication.

Public financial management

The national authorities continued to implement the 2018-2021 **public financial management (PFM) reform programme** and the 2020 action plan, with some delays occurring, including due to the COVID-19 crisis. The 2021-2023 fiscal strategy, with prospects until 2025 aiming to enhance fiscal predictability, was adopted in December 2020 together with the 2021 budget, following a limited public debate. The strategy is not yet sufficiently used as a tool in the preparation of the budgetary cycle. The government adopted the new Organic Budget Law in December, following public consultations, however it has not yet been adopted by Parliament. The new law covers a medium-term budgetary framework, improved budget classification, a fiscal council and fiscal rules. Following a Public Investment Management Assessment (PIMA), the government adopted a national action plan for the implementation of the PIMA recommendations in December 2020. A co-ordination structure has to be established involving all key institutions in order to ensure efficient implementation.

The Ministry of Finance continued its efforts to improve **transparency** in the management of public finances. The portal ‘Open Finance’ was enhanced by providing information on transactions made by municipalities. In addition, the Ministry of Finance launched a new transparency tool on public debt. A ‘SMART’ public finance system was promoted as one of the priorities of the government. Focus was put on replacing traditional budgeting with performance budgeting and the introduction of multi-annual budgetary framework. SMART key performance indicators were defined in order to assess the achievement of objectives and implementation of results. As of October 2020, the Ministry of Finance started to publish data on the revenue and expenditure of public and state-owned companies on a quarterly basis as well as data on the execution of the local government budget.

The publication of the 2021 Citizens’ Budget was delayed to February 2021. The Ministry of Finance has to invest further efforts in increasing public inclusion at every phase of budget

preparation, execution and reporting. In addition, the adoption and efficient implementation of the new Organic Budget Law as well as the foreseen development of an Integrated Financial Management Information System (IFMIS) will contribute to an increase in budgetary transparency.

Public service and human resources management

To ensure better respect for **merit-based recruitment and promotion** and have in place more objective criteria for **dismissal**, North Macedonia is currently revising the two major public service laws on Administrative Servants and on Public Sector Employees and is introducing a new Law on Top Management Service. The contradictory rules in the Law on Internal Affairs, which allow employees to be excluded from the provisions of the Law on Administrative Servants, are still in force. Procedures for temporary or service employment contracts, with lower criteria, continue to be used frequently, bypassing the criteria set in the Law on Administrative Servants. The grounds for dismissals need to be more transparent. A number of top management positions were filled with persons in an ‘acting’ capacity for an extended duration. Many of the managers in acting positions were appointed for a full mandate in the summer 2021. The State Commission for Prevention of Corruption continued to address cases of non-merit based appointments in 2020. The Commission issued a number of recommendations for the improvement of public sector recruitment procedures to eliminate nepotism, clientelism and cronyism, including for the appointment of managers and members of supervisory and management boards. *See Chapter 23 – Judiciary and fundamental rights.* These recommendations are not yet embedded in the respective legislation. The cooperation of some state institutions in providing data or following up on the Commission’s recommendations in individual cases is not sufficient.

The Ministry of Information Society and Administration continues to coordinate and monitor the **management of human resources** across the public administration. The engagement and capacity of all concerned institutions still needs to be increased to ensure that legislation is applied systematically and data is uploaded regularly in the human resources management application. Not all line institutions use the human resources management information system, whose potential could be further exploited. The **remuneration system** has yet to be revised to ensure more consistent levels of pay and to promote mobility. With the amendments to the law on 2021 budget execution, the amounts for salary supplements for number of institutions were increased sevenfold. This includes the 21 institutions at central level, for which some criteria for awarding salary supplements was adopted.

The representation of women in the public service remains over 50%, including in middle management. Women are, however, less represented in top management positions. The equitable representation of minorities is inconsistent across the public sector and across all categories of civil servants. A special law was adopted to transfer to various institutions public employees, who were recruited years ago and continued to receive a salary without a formal assignment and without having to show up for work. As of July 2021, more than 1,200 out of 1,349 such employees were assigned with new jobs in 237 different state institutions. Some institutions are reluctant to take over these employees as they are transferred to positions which do not match the needs of these institutions. This parallel recruitment procedure affects other institutions’ independence when selecting their employees according to institutions’ needs, following the requirements for equitable representation. The principle of fair representation of men, women and ethnic groups needs to be applied across the whole public sector.

Professional development remains unsystematic. Many institutions offer specialised training to their employees. Nevertheless, there is no centralised database of all trainings offered by

various institutions. Adequate regulations on **integrity in the public service** are in place, including through whistle-blower legislation. However, there is no data on how the integrity mechanisms are implemented in practice, nor on whether and how whistle-blowers are protected from retaliatory actions.

Accountability of the administration

In North Macedonia, the new Law on State Organisation, aiming at streamlining the institutional framework, eliminating overlapping competences and enhancing the administration's efficiency, has yet to be adopted. The functional review of 139 central government institutions was completed. During the reporting period, some institutions reported to both their line ministry and to the government in parallel. Delegation of decision-making authority to middle management remains limited both at central and at local level. Continued efforts are needed to efficiently mainstream managerial accountability across the entire public administration (*see Chapter 32 - Financial Control*).

The protection of the **citizens' right to good administration** by independent institutions, especially the Ombudsman and the State Audit Office, is provided for in the law. A systematic follow-up to their recommendations needs to be ensured. The legal framework safeguards the **citizens' right to access public information**. All institutions need to regularly provide and update the data on their websites. New IT tools are in testing phase and allow the Agency for Protection of Free Access to Public Information to monitor compliance with the rules on proactive disclosure of information. This reduces the grounds upon which requests for public information can be refused. The Agency's capacity to implement the new law was somewhat improved. All accrued appeals to the Agency were resolved. The COVID-19 crisis led to delays in responding to requests for public information by many institutions.

The legal framework for the **citizens' right to administrative justice** is in place. In practice, the appeal procedures are still onerous, complex and lengthy, comprising several appeal layers and numerous repetitions. Most of the decisions are not based on merit but on procedural considerations. Enforcing administrative court rulings, which were themselves rarely decided on merit, continued to be delayed by the respective institutions. The legislation regulates the **citizens' right to seek compensation** and the liability of public authorities in cases of wrongdoing.

Service delivery to citizens and businesses

The national e-portal for services is being upgraded in an attempt to make the administration more **user-oriented**, an encouraging development given the importance of digitalising the public administration and strengthening the provision of online services to citizens and businesses in the current COVID-19 context. State institutions must demonstrate more commitment to provide services through the national e-portal and encourage citizens to use the e-portal and the electronic register of population to their full potential. The electronic register of population will also be used to crosscheck census data. The use of electronic signatures for services to citizens and companies modestly increased. The interoperability framework improved in scope, but political will and funding are needed for it to reach its full potential. A number of basic key services, such as issuance of passports, driving licences, school certificates, registration of vehicles, incurred significant delays and caused dissatisfaction among citizens.

No developments were made towards **simplifying administrative procedures**. The Law on General Administrative Procedures (LGAP) is still not systematically implemented across the administration despite the recurrent recommendations of the European Commission. This creates legal uncertainty for the recipients of administrative services. Many legal deadlines set

in the LGAP were not respected due to the COVID-19 pandemic. The administration needs to reinforce training and awareness-raising for its employees to ensure legal certainty for citizens and businesses.

2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1 Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An effective (independent, quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is the respect for fundamental rights in law and in practice.

The country **has some level of preparation / is moderately prepared** to apply the EU *acquis* and European standards in this area. Overall, **some progress** has been made, including through strengthened judicial independence and addressing instances of police impunity. The implementation of the judicial strategy continues, including the Law on the Public Prosecutor's Office, ensuring accountability for the crimes arising from and related to the illegal wiretaps. The State Commission for the Prevention of Corruption, using its reinforced powers, continues to deliver results, including on high-level cases. Corruption is prevalent in many areas and remains an issue of concern. North Macedonia continue to meet its general obligations on fundamental rights but there are challenges in implementing the existing legislation. As regards the legal and policy framework, the new Parliament re-adopted the Law on the Prevention and Protection against Discrimination, after it had been struck down on procedural grounds by the Constitutional Court, and appointed the members of the Commission for the Prevention and Protection against Discrimination. The Ombudsman's Office needs an increase of its budget, allowing recruitment of specialised staff, in order to better accomplish its role. It is essential to complete the appointment of members of independent and regulatory bodies based on merit. The functional independence of these bodies must be guaranteed at all times, including through the appropriate financial resources.

Functioning of the judiciary

The judicial system of North Macedonia has **some level of preparation/ is moderately prepared**. **Some progress** was achieved regarding the implementation of the judicial reform strategy, thereby further addressing the recommendations from the Venice Commission and the Senior Experts' Group on systemic Rule of Law issues. Efforts are still needed to ensure systematic implementation of the updated action plan on the judicial reform strategy and the human resources strategies for the judiciary and prosecution. Judicial institutions continue applying the new rules for the appointment, promotion, discipline and dismissal of judges and prosecutors. Most of the implementing legislation of the revised Law on the Council of Public Prosecutors was adopted. It is important to continue implementing the legal framework and strategic plans related to the reform of the Judicial Council and the Council of Public Prosecutors. Any new draft Law on the Academy for Judges and Prosecutors should maintain the Academy as the sole entry point to the judiciary and prosecution and should secure a fair and transparent access to these professions

In the coming year, the country should, in particular:

- step up the consistent implementation of the judicial reform strategy and the updated action plan, with a specific focus on adopting a new law on civil procedure, in line with the European standards;
- implement the human resources strategies for the judiciary and public prosecution network, use them as an indicator for projections on next recruitments;

→ improve the automated court case management information system (ACCMIS) to ensure that it is fully functional and reliable.

Strategic documents

Implementation of the **Strategy on Judicial Reform** (2017-2022) has continued. The Council for Monitoring the Implementation of the Judicial Reform approved the bi-annual implementation report for 2019 and 2020. The implementation of the updated Action Plan adopted in October needs to be stepped up. The long awaited strategies for Human Resources Management in the courts and in the Public Prosecutor's Offices were adopted in November 2020 and December 2020 respectively with relevant action plans for their implementation.

Management bodies

In December 2020, Parliament elected a new member of the **Judicial Council**. The election of another member of the Judicial Council has been pending since July 2021. The Council elected its new president in April 2021 from among its lay members, in line with the Law on Judicial Council. The Judicial Council adopted several documents, in order to ensure its effective activity: a Strategic Plan 2020-2022; a Plan for Strategic Communication; methodologies for qualitative assessment of judges and of presidents of courts; and an Internal Plan for the assessment of the courts, judges and presidents of courts in 2021. The methodology for determining the complexity of court cases, by analysing the indicative number of cases to be addressed each month by a judge, was adopted in September 2021. The Council needs to maintain its role as a guardian of the independence and impartiality of judges, and to build on its efforts to operate in a transparent manner.

In December 2020, Parliament elected two new members of the **Council of Public Prosecutors**. The Council adopted rules for monitoring the performance of the work of the Public Prosecutor's Offices. The Strategic Plan 2021-2023 was adopted in August 2020. The Council should provide reasoning for its decisions, and ensure regular access of the media to its sessions. The Council received a budget allocation equivalent to EUR 320000 but still lacks the human and IT resources to perform its tasks effectively.

Independence and impartiality

Judicial independence is enshrined in the Constitution. The commitment to the full respect of the principle of independence of judiciary as well as increased transparency, notably in the work of the Council for Public Prosecutors, needs to continue. It is important to ensure that the judiciary is shielded from any risk or perception of undue external interference. The Association of Judges and the Judicial Media Council actively promoted strengthening transparency as one of the tools to restore public trust in the judiciary.

The proceedings in the so called 'racket case' continue. In July 2021, the Skopje Court of Appeals rejected as unfounded the appeal of the defendant, the former Special Prosecutor, and upheld the first instance conviction verdict. Public trust in the judicial system will be enhanced by handling and finally closing the trial cases of the former Special Prosecutor's Office (SPO).

The sustainability of the former SPO's work, in ensuring the accountability for the crimes arising from and related to the wiretaps, was enforced by the implementation of the Law on the Public Prosecutor's Office. The provisions of the law have to be properly implemented, in order to ensure a professional and impartial prosecutorial system, more resilient to risks of external interference.

The Law on Case Flow Management in the courts entered into force on February 2020. The provisions of the law regulate the automatic and random distribution of cases in the courts,

through the **automated court case management information system** (ACCMIS). In October 2021, the Court of Appeal in Skopje upheld the first instance judgement against the former president of the Skopje Criminal Court for manipulation of ACCMIS. The alleged wrongdoings were revealed during inspections, which were suspended due to COVID-19 and resumed in 2021. Full implementation of the law depends on the decision to upgrade the current software or to develop a new one. Continued commitment is needed to ensure the system's capacity to produce automatically reliable statistical data, in line with the recommendations and methodology of the CEPEJ, on the performance of both the judiciary and the prosecution.

Accountability

The Council for Judicial Ethics has met six times since February 2020. The initial training programme at the Academy for Judges and Prosecutors for 2020/21 includes 27 lectures on ethics, business culture and deontology.

The Judicial Council received 140 requests to determine the responsibility of a judge/president of court in 2020. Since June 2020, the Judicial Council has dismissed seven judges including a former president of the Supreme Court. The general reason provided for the dismissals is related to unprofessional performance. The Judicial Council established its Commission tasked to prepare an Action Plan for monitoring corruption in the judiciary by determining specific target groups, methods of monitoring, indicators and timelines. In 2020, the State Commission for the Prevention of Corruption issued misdemeanour payment orders against 15 judges or presidents of courts and 10 prosecutors (from the former Special Prosecutor's Office) for failing to submit asset declarations or reports on change of property status and interest.

Professionalism and competence

The Judicial Council started to apply the new methodology for **professional evaluation** in view of **appointments and promotions**. In February 2021, the Judicial Council elected the President of the Supreme Court. Since June 2020, the Judicial Council has appointed seven judges and eight Presidents of courts, and allowed 18 retired judges to perform their tasks for an additional year. In April 2021, it recruited the remaining six graduates of the Academy for Judges and Prosecutors. The Council of Public Prosecutors appointed five prosecutors each in the Higher Public Prosecutor's Office Skopje and in the Public Prosecutor's Office for Prosecuting Organised Crime and Corruption (OCCPO), and heads of two Basic Public Prosecutor's Offices. The Academy for Judges and Prosecutors organised 130 in-service training sessions for 2,858 professionals.

Quality of justice

A proposed draft Law on the **Academy for Judges and Prosecutors** should maintain the Academy as the sole entry point to the judiciary and prosecution, secure a fair and transparent access to these professions, and must follow the recommendations of the 2018 peer review mission on judicial training and address European Commission's concerns about possible limited restructuring of initial training. The first ever Deputy Director of the Academy was elected in March 2021. The training of 60 students of the seventh intake started in September 2020. The selection of 97 candidates of the eighth intake is still ongoing. The Academy is an observer to the European Judicial Training Network (EJTN) and it started to be more proactive in benefiting from the expertise of the network. The 2021 budget of the Academy saw an increase of approximately 35%. Three new employees were recruited in 2021.

The Supreme Court and the four Courts of Appeal have continued their efforts to improve the **consistency of judgements** and to harmonise court practices.

According to the European Commission for the Efficiency of Justice (CEPEJ), the implemented judicial system budget for 2020 was EUR 40 million. This amounts to EUR 19.5 per inhabitant, which is less than the Western Balkans median of EUR 37, 8. The Judicial System Budget (the budget for courts, public prosecution services and legal aid) has decreased by -8,3% since 2019.

At the end of 2020 there were 493 judges, (23 per 100 000 inhabitants) 61% female judges and 187 prosecutors (nine per 100 000 inhabitants), 55% female prosecutors. Compared with 2019, there is a slight decrease in the number of judges and prosecutors for 2020. It remains essential to ensure an adequate assessment of staffing needs, notably in the prosecution services, based on timely implementation of the adopted human resources strategies for the courts and Public Prosecutors' Offices. Implementation of the IT strategy in the judiciary remains predominantly funded by donors. Initial considerations for the digitalisation of all 34 courts will require the engagement of additional IT staff, a challenging task due to uncompetitive salaries on offer for such tasks in the public sector.

Permanent efforts are needed to promote the use of **alternative dispute resolution** including for commercial cases. In 2020, the number of mediation cases rose by 55% compared to 2019.

Efficiency

Nearly all courts continued a positive trend by maintaining a **clearance rate** of 100%. The number of unfinished cases under the old procedural laws decreased further. The Venice Commission recommendations to re-examine the provisions of the Law on the Use of Languages related to bilingualism in judicial proceedings have not yet been addressed. Judges have yet to receive all the supplements to their salaries, while claims in the judicial administration, including for career advancement, are still pending. The overall cost and duration of enforcement procedures should be addressed at all points of the enforcement chain. In October 2020, the Association of Judges prepared a detailed protocol for the implementation of Protection Measures in Courts concerning the COVID-19 pandemic. The protocol aims to protect the health of court employees and of all citizens who exercise their rights before the court.

Fight against corruption

North Macedonia **has some level of preparation / is moderately prepared** in the prevention and fight against corruption. **Some progress** has been made as the country continued to consolidate its track record on investigating, prosecuting and trying several corruption cases, including at high level, and strengthened its institutional framework, especially the State Commission for Prevention of Corruption (SCPC) and the Prosecutor for Organised Crime and Corruption (OCCPO). In April 2021, Parliament adopted the 2021-2025 National Strategy for the Prevention of Corruption and Conflict of Interest and related Action Plan, consolidating the country's commitment to prevent corruption and sanction corrupt behaviour. The cases initiated by the former Special Prosecutor's Office (SPO) continued to move forward, thereby establishing accountability for the illegal wiretaps. A number of cases were subject to first instance rulings and new cases were opened on the basis of investigative material from the former Special Prosecutor's Office. The State Commission for the Prevention of Corruption has been pro-active in preventing corruption and opened several cases, including against high-level officials. The State Commission was allocated new premises. Nonetheless, the efforts to improve its functioning should continue, especially by allocating extra funding for the recruitment of expert staff.

In the coming year, the country should, in particular:

- continue the efforts to fight corruption by increasing the support for the relevant bodies, implementing the National Strategy for the Prevention of Corruption and Conflict of Interests and providing clear policy guidance to state institutions;
- ensure that proper resources are allocated to the Office of the Basic Public Prosecutor for Organised Crime and Corruption in order to ensure the efficient accountability for the crimes arising from and related to the wiretaps as well as for new high-profile corruption cases;
- continue to increase the track record of convictions in high-level corruption cases, followed by confiscation of criminal assets, building upon last years' positive results.

Track record

Progress in investigating, prosecuting and trying corruption cases has continued, including high-level corruption cases, despite the fact that the hearings slowed down because of COVID-19. In addition, new high-level corruption cases were opened. The **cases of the former Special Prosecutor's Office** continued to be tried mostly under the Public Prosecutor for Organised Crime and Corruption. So far, there have been **final convictions** in seven cases against 17 defendants. Trials are ongoing for most of the remaining cases, with several dozen hearings having taken place throughout the year. The statute of limitations was reached for some charges against one defendant in one case, while other cases had to restart, because of the inconsistency of the proceedings. **First-instance verdicts** have been issued in nine cases. The Courts issued 39 imprisonment **sentences** including against prominent former government officials such as a former Prime Minister, former Minister of Transport, former Minister of Interior and former Director of the Bureau of Security and Counterintelligence (UBK). Three of those found guilty remain at large.

In February 2021, the Court ruled in first instance on the former Special Prosecutor's Office 'Monster' and 'Target-Fortress' cases. In the 'Monster case', the court ordered life imprisonment for three defendants, who were found guilty of terrorism, and ordered prison sentences of 15 and 9 years, respectively, to two others, accused of the murder of four teenagers and a fisherman near the Smiljkovci Lake, in Skopje in 2012.

In a core case brought by the former Special Prosecutor's Office called 'Target-Fortress', the court found the defendants guilty of abuse of official position, conducting illegal wiretapping of over 4,200 telephone numbers of citizens and illegally destroying the equipment used for these activities in an attempt to destroy evidence. A former UBK director was sentenced to 12 years in prison, the former Head of Cabinet to six years in prison and former Minister of Interior to four years in prison. Two former police officials who are currently at large, were given 15 years in prison in absentia. A former Head of Department at the Ministry of Interior, was given three years in prison. The remaining five defendants (UBK employees) were sentenced to two year suspended prison sentences.

In April 2021, the Court ruled in another case of the former Special Prosecutor's Office called the 'Treasury Case' and sentenced the former director of the UBK to eight years in prison, a former head of the fifth UBK directorate, to 15 years in prison in absentia; a former chief of staff to five years in prison; the former assistant of the Minister of Interior to five years in prison. They were charged with abuse of office and causing damage to the state budget in the amount of over 862,000 euros for the procurement of electronic-communication equipment and training for its use.

In July 2021, the Criminal Court froze the assets and accounts of the former Government Secretary General and extended his house detention until September 2021. The initial assessment of the fraud against the state budget is EUR 290,000.

The Office of the Public Prosecutor for Prosecuting Organised Crime and Corruption, on the basis of the Special Prosecutor investigations and pre-investigations, opened one new case and filed several indictments against high officials.

In 2020, the **Public Prosecutor for Prosecuting Organised Crime and Corruption** opened investigations into 14 cases of alleged corruption against 49 suspects (10 high profile investigations involving 55 individuals in 2019). Investigations are ongoing against 35 individuals regarding alleged abuse of official positions and against 14 individuals on alleged money laundering. Indictments were filed in ten cases against 28 individuals and one legal entity. Trials are ongoing in 36 cases against 189 individuals. 50 individuals were convicted in eight first instance judgments (first instance judgements against 7 individuals in 2019). Two individuals were convicted in two second instance judgements.

In 2020, following financial investigations of the Ministry of Interior, criminal charges for corruption were brought in two cases where temporary measures regarding the disposal of immovable property were adopted. In three cases valuable assets were confiscated after the first instance judgements.

The **State Commission for the Prevention of Corruption (SCPC)** has continued to be proactive in preventing corruption and opened several new cases. In regard to allegations of **conflict of interest**, in 2020, the SCPC processed a total of 86 cases, out of which six were initiated by the SCPC itself and 80 upon the request of other parties. In 2020, a total of 149 cases were closed (40 in 2019), out of which 116 dating from 2019 and 33 from 2020. In 2021, a conflict of interest was established in eight cases. Six cases were resolved upon follow up by institutions/individuals. In seven cases, the SCPC found grounds for suspicion of violation of the provisions of the Law on the Prevention of Corruption and Conflict of Interest (LPCCI) as a result of which it submitted initiatives to determine responsibility to the competent authority. In two cases, the suspects were dismissed from their institutions. A total of 47 cases were established based on 47 requests for opinions. In regard to violations of the LPCCI provisions on conflict of interest, the SCPC issued 20 misdemeanour payment orders. The SCPC also submitted five requests to initiate misdemeanour proceedings against officials to the SCPC Misdemeanour Commission, due to non-execution of payment after issuance of payment orders. In 2020, the SCPC submitted six indications/recommendations to various institutions in cases where there was a suspicion of potential conflict of interest. As of 24 August 2021, 7,672 asset declarations are accessible on the SCPC website (7275 in 2019). On irregularities in **asset declarations**, in 2020, 73 misdemeanour payment orders were issued by the SCPC, out of which 60 were related to non-submission/untimely submission and 13 to failure to report an increase in property. 16 requests to initiate misdemeanour procedures were submitted to the SCPC. In regard to **corruption cases**, in 2020, a total of 418 cases were initiated, 12 on the own initiative of the SCPC and 406 based on reports submitted by third parties. 378 cases were resolved. Out of the cases submitted on the basis of reports, the SCPC found ground for suspicion of violation of the criminal code in two cases and submitted initiatives to the public prosecutor (2 cases in 2019). The SCPC instigated initiatives before the competent authorities to determine the responsibility of officials in 11 cases.

According to the 2020 Council of Europe Group of States against Corruption (GRECO) activity report, North Macedonia implemented 52% and partially implemented 40% of the recommendations. Twelve of the implemented recommendations regarded judges, six regarded prosecutors and seven members of Parliament. According to the 2021 GRECO

Compliance Report to the fifth evaluation round, four recommendations were met and nine recommendations were partially met. These concerned the introduction of integrity checks for government advisers, increased transparency of police by enhancing access to information, the conducting of a study on post-employment activities of police employees and complaints against police staff being reflected in comprehensive statistics.

The adoption of a code of conduct for ‘persons entrusted with top executive functions’ from the central government was welcomed in the report. However, placing the implementation of the code of conduct in the hands of a Deputy Prime Minister was considered incompatible with GRECO practice, because the Deputy Prime Minister could at the same time investigate/sanction violations and provide confidential counselling on the code.

Concerns were also raised regarding the substantial number of cases of conflict of interest and asset disclosure involving top executive functions processed by the SCPC. Most of the ten non-implemented recommendations regarded the police.

Institutional framework

In 2020, the government appointed a Deputy Prime Minister responsible for anti-corruption, sustainable development and human resources. The Deputy Prime Minister is tasked with coordinating the anticorruption policies and the institutions involved in the fight against corruption. In March 2021, the government adopted an anti-corruption action plan titled ‘Action 21’ with priorities and measures related to digitalisation, the functioning of the investigation centres, the increased use of the National Interoperability Platform and amendments to anticorruption legislation. In January 2021, the Ministry of Interior also developed its own anti-corruption programme aimed at ensuring the integrity of employees, inter-institutional co-operation and fostering public trust.

Preventive measures

The State Commission for the Prevention of Corruption, appointed in February 2019, reinforced its capacity to verify statements of interest and assets and to initiate misdemeanour procedures. The State Commission finally received appropriate new premises. Its resources now need to be further consolidated and supplemented, in particular, through the provision of expert staff.

A new Code of Ethics for members of the government and public office holders appointed by the government was adopted in 2020 and amended in 2021. Efforts continue to improve the transparency of public institutions. The new National Strategy for the Prevention of Corruption and Conflict of Interest systematises measures in public procurement and employment in the public as well as other sectors.

Law enforcement

The main institutions dealing with law enforcement are the Public Prosecutor's Office for Prosecuting Organised Crime and Corruption within the Public Prosecutor's Office (OCCPO) and the Department for Serious and Organised Crime within the Ministry of the Interior. The OCCPO inherited most of the former Special Prosecutor's Office (SPO) high-profile cases and also deals with organised crime, often related to the smuggling of migrants. The OCCPO was allocated new premises, although it has not moved yet.

The State Commission for the Prevention of Corruption, the State Audit Office and the other institutions with competences in fighting corruption need an appropriate allocation of resource in order to be able to pursue high-profile cases. One of these key resources is represented by additional prosecutors, their appointment being described as a matter of urgency in the new Public Prosecutor Law. Five new prosecutors were appointed in April 2021. The newly

established investigative centre/judicial police in the Prosecutor's office still needs to demonstrate its capacity to support the office by increasing its investigations.

In 2020, accounts were frozen in one case, while in two cases temporary measures were adopted to prohibit the use, alienation or disposal of real estate. Three cases of alleged corruption were opened and assets, including money and luxury goods, were confiscated following a first instance verdict. Between January and March 2021, movable and immovable property, as well as shares of significant value, were frozen in one case.

Legal framework

The country is part of all international anti-corruption conventions, including the United Nations Convention against Corruption.

The Law on the **Financing of Political Parties** stipulates how financial means can be provided to political parties and managed correctly. The Electoral Code sets out the rules on the financing of electoral campaigns. The State Audit Office (SAO) exercises ex-post control. In 2020, according to SAO, 13 political parties failed to submit within the legally prescribed deadline one or all of the three types of financial reports – annual accounts, annual financial reports and reports from the register of donations received for 2019. A procedure was initiated before the Ministry of Justice and a measure of suspension of payment of funds for regular annual financing was pronounced. In 2020, audits of the financial statements for the regular operation of four political parties as well as audits of the financial statements of all 15 organisers of electoral campaigns for the 2020 early parliamentary election were performed. According to a new systematisation, the SAO established a new sector with competence to audit political parties, the State Commission for Prevention of Corruption, the State Election Commission and the Agency for Audio and Audiovisual Media Services.

The Law on **free access to public information** allows information to be obtained on the public financing of political parties.

The 2008 Law on **lobbying** regulates lobbying activities, the registration of lobbyists and includes a supervision mechanism. A new Law on lobbying was adopted by Parliament in June 2021. The law extends the competences of the SCPC adding the responsibility to keep a register of lobbyists and lobbying organisations. The Law on the Protection of **Whistle-blowers** still needs to be further aligned with the EU *acquis*. Recommendations for harmonisation of the Law with the EU Directive 2019/1937 were provided in the framework of an EU funded project.

Strategic framework

The National Strategy for the Prevention of Corruption and Conflict of Interest (2021-2025) and the related Action Plan is the main reference document. The strategy was drafted in an inclusive process, involving relevant stakeholders and experts. It was adopted by Parliament in April 2021.

Fundamental rights

The legal framework on the protection of fundamental rights is largely in line with European standards. The Law on the Prevention and Protection against Discrimination and the Commission for the Prevention and Protection against Discrimination are in place. The deinstitutionalisation process made real progress and most of the children concerned were resettled to community-based care. The Ministry of Labour and Social Policy is investing in community services, including supporting victims of gender-based violence. Important progress was achieved, with the adoption of the Law on Prevention and Protection from Violence against Women and Domestic Violence, with cross-party support. An improvement

is noted in gender mainstreaming and respect for women's rights, although women are part among categories most severely affected by the pandemic. Recommendations of European and international human rights bodies, particularly regarding the treatment of detained and convicted persons must be fully implemented without delay. It is also important for the country to enhance the implementation of the legislation on hate speech and of the national action plan for the implementation of the Istanbul Convention's provisions. The civilian external oversight mechanism over the police is not fully functional, and the absence of genuinely independent investigators impedes addressing police impunity and effective prosecution. The country should continue to improve the situation in prisons and to further increase alternatives to detention.

In the coming year, the country should, in particular:

- implement all the provisions of the Law on the Prevention and Protection against Discrimination, and allocate the necessary resources enabling the Commission for Prevention and Protection against Discrimination to become fully functional;
- address in a prompt and more systematic manner the recommendations of international monitoring bodies, especially with regard to the rights of persons in detention/prison; promote, protect and guarantee rights of persons in a disadvantaged or marginalised situations;
- further improve the quality of community services to identify children at risk and to provide adequate support to vulnerable categories of children, especially children victims of violence, Roma children and children with disabilities.

North Macedonia has ratified most **international human rights instruments**. In October 2020, the country informed the Committee on the Elimination of Discrimination against Women (CEDAW) of the measures to implement the recommendations contained in the Sixth Periodic Country Report.

In 2020, there were 320 applications pending before the **European Court for Human Rights**. The ECtHR found violations of the European Convention on Human Rights in 14 cases (against nine in 2019), relating mainly to the right to a fair trial, protection of property, respect for private and family life, and the prohibition of torture. According to CEPEJ, 11 cases were considered as closed after a judgement of the ECtHR, and the execution of judgements process (against 26 in 2019).

The Ombudsman Office remains the central body for the **promotion and protection of human rights**. The appointment of the new Ombudsman in January 2021 raised concerns due to the political affiliation of the selected candidate. Five Deputy Ombudspersons need to be appointed by Parliament. The Ombudsman's Office issued special reports and recommendations on online education, the rights of children, persons with disabilities and those in custodian-type institutions during the COVID-19 pandemic. The budget of the Office increased by 2.3% compared to 2019 and there were no additional recruitments. Out of 2,448 complaints received in 2020, the highest number again concerned the judiciary (notably bailiffs), followed by labour relations, consumers rights, detention conditions, social protection and property rights. The institutions responded to 63% of the Ombudsman's recommendations, which is a decrease compared to previous years.

The government continued to be committed to improving the **prevention of torture and ill-treatment** and to have a regular dialogue with the European Committee for the Prevention of Torture (CPT) on its recommendations. The latest CPT reports were published on 11 May 2021 and on 27 July 2021. Many of the past recommendations by the Committee are

outstanding and progress in their implementation remains slow. The main shortcomings of the prison system remain: the poor management and performance of staff, low staffing levels, poor quality of health-care provided to inmates, inter-prisoner violence, squalid material conditions and endemic corruption.

The external oversight mechanism for the police, including the prison police, is not fully functional, as the three civil society organisations' representatives selected in December 2019 did not join the Department of the Ombudsman's Office. Outstanding issues for the effective participation of civil society representatives must be resolved, including extension of their one-year mandate. Only two investigators were assigned to the dedicated section in the Public Prosecutors' Office for Organised Crime and Corruption. In 2020, the Ombudsman's civil control mechanism acted upon 21 complaints, 14 against police officers and seven against members of the prison police. It submitted a total of ten requests (eight concerning police officers and two members of the prison police) to the Public Prosecutor's Office to initiate a procedure for determining criminal responsibility. This led to two indictments against members of the police for the criminal offences of harassment in the performance of duty and torture and other cruel, inhuman treatment or punishment. The dedicated section in the Public Prosecutors' Office opened 80 new cases against 143 persons with police powers or members of the prison police upon suspicion of having committed criminal offences. As a result of investigations, ten indictment proposals and four criminal orders proposals were submitted, one police officer was indicted, and first-instance verdicts against ten persons (four imprisonment sentences and six suspended sentences) were issued in 2020. Cooperation between the main actors should intensify. Further awareness-raising of this mechanism, including with judges, law enforcement and legal professionals is still required to ensure a good understanding of the system.

Safeguards against ill-treatment by police and regular trainings of law enforcements agents must be implemented systematically, and reported cases must be thoroughly investigated. Cooperation with civil society organisations in the fight against ill-treatment has increased with the signature of a memorandum of cooperation with the Directorate for Execution of Sanctions, in February 2020, and the Ministry of Interior in March 2021. In 2020, the Department for Internal Control and Professional Standards at the Ministry of Interior handled 65 complaints on the use of excessive physical force by police officers, out of which 27 were found to be ungrounded and 30 lacked evidence. Two submissions were partially substantiated. In six cases, charges were filed for harassment in the performance of duty and one case for torture and other cruel and inhuman or degrading treatment or punishment. The Department has submitted 30 cases to the Section responsible for the investigation and prosecution of criminal acts committed by individuals with police authority. In 2020, 39 complaints were filed by the prisoners directly with the Directorate for Execution of Sanctions, including two complaints for ill-treatment.

The persistent issue of inadequate detention conditions in some prisons, police stations, social care and psychiatric facilities should be urgently addressed, in line with the recommendations of the last CPT report. The Ombudsman has reported that adequate resources were allocated for the activities of the National Preventive Mechanism against Torture and the civil control mechanism in 2020. The National Preventive Mechanism has drawn attention to important weaknesses in efforts to prevent ill-treatment, including the lack of information and access to a lawyer in police stations and the lack of adequate healthcare in prisons. The findings of its reports should be thoroughly addressed.

While the opening of the Bitola prison and the Educational-Correctional Facility near Tetovo at the end of 2020 are positive steps to improve overall conditions of detention in the **prison system**, the inhumane detention conditions in the Idrizovo Penitentiary-Correctional Facility

and in parts of other detention facilities remain. The rehabilitation of the most derelict buildings should be fast-tracked. The need for quarantine cells due to the COVID-19 pandemic puts additional pressure on some prisons, which are already overcrowded. The 2019 law on the execution of sanctions and related by-laws are not yet fully applied and have not led to an improvement in prisons' management and supervision. Inspection of prisons should be systematised, including to tackle the recurrent issue of corruption. In 2020, one member of the prison police was dismissed after a disciplinary procedure for corruption. At the Prison Training Centre in Idrizovo, there is still no structured training programme in place for initial and continuous professional trainings, allowing for the professionalisation of the staff. The new strategy for the development of the penitentiary system 2021-2025 was adopted in July 2021 and will require funds and additional staff for proper implementation. Inter-institutional coordination within prisons and for post-penal assistance should be developed, at the same time as preparations for releasing convicted persons back into the community. Healthcare and treatment of drug addictions in prisons continues to remain an issue of serious concern.

The probation system has steadily developed, including with the opening of two new probation offices and recruitment of probation officers. In 2020, 276 probation cases were recorded, an increase from 2019, most of which were for conditional release and cases of suspended sentences with protected supervision. A strategy for development of the probation services 2021-2025 was adopted in June 2021. The cooperation between the public and private sector and civil society, and interagency cooperation should continue. Coordination between probation officers, judges, public prosecutors, prison staff and other institutions before the release of a convicted person has developed and should continue, as well as awareness raising on the benefits of probation. Amendments to the legal framework regarding alternative sentences and alternative procedures have yet to be adopted to increase the application of alternative sanctions to detention, as a means to improve the resocialisation and rehabilitation of convicts and to decrease the risk of re-offending, including for juveniles. No meaningful progress has been made to address the overall lack of purposeful activities educational, recreational and vocational for sentenced and for remand prisoners. Educational and resocialisation services, as well as treatment programmes, should be implemented in all penitentiary facilities.

Regarding the **protection of personal data**, in June 2021 Parliament ratified the Protocol CETS No 223 of the modernised Convention for the Protection of Individuals and Personal Data Protection. In August 2021, the transitional period ended by which all controllers and processors had to align data processing in accordance with the February 2020 Law on Personal Data Protection.

The Personal Data Protection Agency is executing its enhanced tasks and powers created by the new law. Despite a temporary suspension in March 2020 due to the COVID-19 pandemic, the Agency conducted 235 supervisions in 2020, 45 more compared with 2019. Almost half of these supervisions (106) were conducted online and about 60% of them in the public sector. A supervision mission to the Operational Technical Agency (OTA), for interception of communications, was conducted and recommendations provided. Additionally, the Agency published a report on processing of personal data by municipalities.

In 2020, the Agency received 418 complaints, of which 65% were related to allegations of violation of personal data protection rights on social networks. The Agency received eight notifications and performed three supervisions in reaction to a reported data breach, a novelty in the new Law on Personal Data Protection. The Agency acted upon four cases of misdemeanour concerning breach of data protection laws, which resulted in two misdemeanour fines. Training of personal data controllers and processors is ongoing.

The Agency issued 15 opinions and 27 recommendations to other institutions on harmonising sectoral legislation with the Law on Personal Data Protection. Despite some progress, these recommendations have not been fully implemented and not all sectoral laws and by-laws regulating personal data processing have been submitted to the Agency before adoption.

The Agency overall functioning depends largely on the Ministry of Finance (MoF) and the Ministry of Information Society and Administration (MISA). For staff recruitment the Agency needs the approval of the MoF, while for promotion of staff and revision of the organisational chart it needs the approval of the MISA. This undermines, to a certain extent, the Agency's ability to perform effectively and fully independently.

Freedom of thought, conscience and religion is guaranteed in law and in practice, and discrimination on grounds of religion prohibited. Coordinated by the Commission for Relations with Religious Communities and Groups, the religious leaders jointly agreed to support the government in combating the spread of COVID-19, and to dissuade people from mass gatherings during the religious celebrations. The recently elected new head of the Islamic Religious Community played a positive role in improving inter-religious dialogue in the country.

Freedom of expression

North Macedonia has achieved **some level of preparation/ is moderately prepared** in the area of freedom of expression. Overall, there was **limited progress** during the reporting period. The general context is favourable to media freedom and allows for critical media reporting although there have been increased tensions during the COVID-19 crisis. Self-regulation efforts need to be resumed and followed by concrete results for the advancement in professional standards of journalism. Greater transparency should be ensured regarding media advertising by state institutions and political parties. The authorities need to increase their efforts to reform the public service broadcaster, ensuring its independence and financial sustainability. The public service broadcaster adopted a five-year development strategy but the reform process is hampered by delays in appointing the members of its managing council and of the council of the Agency for Audio and Audio-visual Media Services. The COVID-19 crisis had a strong economic impact on the media sector, especially on the regional and local actors. Media outlets were included in the relief package, but the labour rights of journalists still need to be addressed. Most of last year's recommendations remain valid. In the coming year, the country should:

- revise the legal framework in the area of media in accordance with the EU *acquis* and European standards in particular by continuing the efforts for the harmonisation of national laws with the revised European Directive on Audiovisual Media Services;
- make the necessary efforts for the implementation of the strategy for reforming the public broadcaster, and finalise appointments for the public service broadcaster's programme council and the media regulator's council;
- enforce a zero-tolerance approach regarding intimidation, threats and acts of violence against journalists in the exercise of their profession and ensure that the perpetrators are brought to justice.

The overall political context in which the media operates remained generally favourable to the promotion of freedom of expression and pluralistic viewpoints. Challenges remain in the implementation of the Law on Audio and Audiovisual Media Services. Instances of physical and verbal violence, and threats against journalists and media workers increased, while their

working conditions, especially labour and social rights, remain very difficult. The authorities continued to ensure support for media outlets in the context of the COVID-19 pandemic. Media reforms need to be enhanced, engaging all relevant stakeholders in a genuine consultation process.

Intimidation of journalists

In 2020, ten cases of intimidation of journalists were reported to the Ministry of Interior while the Association of Journalists registered two physical attacks and 12 various forms of verbal life-threats and intimidation. In five of those cases, female journalists were insulted and/or threatened. At the beginning of 2021, one physical attack and one death threat were also registered. Law enforcement authorities and the Public Prosecutor's Office follow up incidents involving journalists, but better coordination between different institutions to act faster on reported violations and prevent impunity of perpetrators is needed. Draft amendments to the Criminal Code are proposed, in order to enhance the protection of journalists and other media workers by placing them in the group of professions that would receive additional protection when exposed to attacks and threats due to the nature of their work.

National and international media associations noted that threats from politicians and public officials, online harassment and verbal attacks on journalists, including on social networks, have increased. The authorities/judicial system should demonstrate a more proactive and systematic condemnation of attacks.

Only a small percentage of the perpetrators of physical attacks against journalists have been brought to justice.

Legislative environment

To mitigate the impact of the COVID-19 pandemic, the government adopted several decrees supporting the media. In November 2020, the government submitted a proposal to Parliament to revoke Article 143 (para 3 and 4) of the Law on Audio and Audiovisual Media Services, to resolve the disagreement between cable operators and broadcasters related to copyrights for broadcasting or rebroadcasting TV channels. These provisions were previously assessed as unconstitutional by the Constitutional Court and were struck down. There is an ongoing revision of several laws that also encompass the work of media, such as amendments to the Criminal Code to ensure greater safety for journalists as well as amendments to the Law on Civil Liability for Defamation and Insult introducing provisions to reduce penalties for non-pecuniary damage. The authorities initiated the process of revision of the legal framework encompassing the work of media in line with the EU *acquis*. Appointments of the new members of the public service broadcaster's programme council and media regulator's council were further delayed in Parliament, thereby impeding the anticipated positive effects of reform to strengthen their independence. The Law on audio and audio-visual media services provides an option for authorities to limit the allocation of funds to the regulator, the public broadcaster and the public enterprise for broadcasting. The possibility for political parties to use state funding for political advertising in the media remains a concern among media associations, relating to possible influence on media independence. Hate speech is illegal both online and offline but remains prevalent online.

Implementation of legislation/institutions

As part of media monitoring during the 2020 early parliamentary elections, the Agency for Audio and Audiovisual Media Services initiated three misdemeanour procedures for violating the election silence and two misdemeanour procedures for failing to ensure just, balanced and unbiased coverage of the election campaign. The Agency also monitored the media on the

occasion of the early municipal elections in Shtip and Plasnica in December 2020, issuing a misdemeanour procedure against one regional media outlet. The regulator continued its engagement with civil society organisations and media outlets on promoting media literacy. The financial stability and independence of the media regulator need to be further ensured following the harmonisation of national legislation with the EU Audiovisual Media Services Directive. In 2020, the Council of Media Ethics received 140 complaints for disrespect of ethical standards, 90% of which concerned online cases. The self-regulatory body noted an increase of 69% of complaints compared to the previous year and the increasing trend continued in 2021. The Association of Journalists reported around 30 ongoing court cases of insult and defamation involving journalists.

Public service broadcaster

The reform of the public service broadcaster, which was further delayed, needs to be prioritised. According to the Law on Audio and Audiovisual Media Services, the amount of public funding for the public broadcaster is defined as a percentage of the state budget, with a gradual increase over time (up to 0.8% in 2019; up to 0.9% in 2020; 1% as of 2021). Due to the authorities' discretionary rights envisaged by law, the transfer of funds continued to be executed at a lower rate. In December 2020, the government decreased the monthly instalment by 50%, leading to a total budget for 2020 of EUR 13.1 million. The regulator market analysis published in September 2020 shows a continuous decline in financing of the public broadcaster over the last few years (the budget in 2015 was EUR 20.9 million). The public service broadcaster adopted a development strategy for a period of five years, in close consultation with media associations. The substantial decrease in funding hampers the successful implementation of the Strategy and affects the quality of performance. Solutions for the public service broadcaster's old debts towards state institutions were not found. The independence and sustainability of the public broadcaster, both financial and as regards the legal framework covering the public broadcaster, still needs to be ensured. Some media associations praised visible improvements in the quality of the public service broadcaster's reporting. However, challenges persist related to the modernisation of working procedures and technical equipment. During the COVID-19 outbreak, the public broadcaster continued to cooperate with relevant institutions to convey timely and accurate information. Programmes for children continued to be broadcast on two national channels, as a remedy for the disruption of the educational process.

Economic factors

The COVID-19 pandemic had a negative impact on already declining revenues in the media sector. The authorities introduced several measures supporting the sector, including both traditional and online media. The financial viability of media outlets and available funding continue to raise concerns over media integrity and independence. Additional measures supporting professional and investigative journalism are needed. In January 2021, the Central Registry set up a 90-day deadline for registration of data in the 'Register of Actual Owners', thus further ensuring transparency in the ownership of legal entities, including media. The media agency performs regular monitoring on media ownership. Efforts are needed to ensure the independence of the media from political interference.

Government advertising on commercial channels is banned. Concerns have been raised by media associations over possible amendment of article 102 of the Law on Audio and Audiovisual Media Services to allow state funded campaigns of public interest. The possibility for political parties to use state funding for advertisement in the media continue to cause concern among media associations about possible political influence on editorial lines.

There are five daily newspapers, including two in Albanian language. In December 2020, the authorities allocated EUR 500,000 to support the print media.

Internet

There are differing opinions in the media sector concerning the legal regulation of online media in particular as regards the emerging issue of disinformation. As a response, a self-regulation mechanism has been adopted, but there has been no other concrete follow-up. The established registry of online media (promedia.mk), which is voluntary and sets a number of minimum professional requirements, included 152 online media outlets in September 2021. Further efforts are needed to address issues related to disinformation and hate speech, including online. With regard to access to information, the Agency for the Protection of Free Access to Public Information has received 109 complaints, of which ten were from journalists. Complaints filed by investigative journalists refer to the lack of responses by the institutions.

Professional organisations and working conditions

The Independent Trade Union of Journalists and Media Workers is a full member of the International Federation of Journalists and of the European Federation of Journalists. The Union has a dialogue with the government, which needs to be more regular and better structured in addressing persisting challenges faced by the profession. Journalists' working conditions, especially their labour and social rights still need to be significantly improved, in particular at the local level. The survey conducted by the Independent Trade Union of Journalists showed that 23% of media workers have no health and social insurance, 19% answered that the media management does not allow workers to form a trade union. Low income, as well as disrespect of the law on labour relations by employers are the most common and persisting challenges for journalists. Due to poor labour conditions, journalists and media workers are vulnerable to self-censorship.

(See also Chapter 10 - Information society and media)

The right to **freedom of assembly and association** is guaranteed by the Constitution. In June 2020, following the end of the state of emergency due to the pandemic, the freedom of assembly and association were restored. Additional efforts are needed to implement all the rulings of the European Court of Human Rights in regards to the registration of associations. The provisions of the Constitution and the law on public assemblies provide a sound legal framework that ensures the right to hold public assemblies without administrative obstacles, despite the COVID-19 pandemic. The legislation is in line with the EU Charter of Fundamental rights and the European Convention on Human Rights. During the past year, political parties organised or joined gatherings and demonstrations on a regular basis. Numerous demonstrations took place to draw attention to social, economic and human rights matters. The numerous peaceful and lawful public gatherings were usually held in compliance with the health rules in force. However, incidents occurred during a protest organised to contest the verdict in the 'Monster' case, at the end of February. Nine people were arrested following a confrontation between a small group of protesters and law-enforcement forces, during which reportedly several police officers and one journalist were injured.

Issues of **labour and trade union rights** are further covered in *Chapter 19 - Social policy and employment*.

Procedures for enforcing **property rights** remain lengthy and expensive for citizens, due to the absence of a central institution and a lack of coordination between institutions dealing

with these rights. There is still no national strategy with regard to property rights. Existing registers are not regularly updated and are still kept in analogue format, particularly at the municipal level. The Cadastre Office maintained a satisfactory rate of over 90% of resolved cases. Registration of land and properties has been completed and laser-scanning has been conducted across the entire territory. The administrations that handle restitution, compensation, and legalisation processes still struggle to manage their caseload mainly due to understaffing. Although the denationalisation process was declared closed nine years ago, in reality there are still approximately 6,500 unsolved denationalisation cases, some of which were initiated more than a decade ago.

Regarding **non-discrimination**, in January 2021, the new equality body – the Commission for the Prevention and Protection against Discrimination was elected. Most of the Commissioners come from the civil society sector and are experienced professionals in anti-discrimination. However, there has been criticism concerning a perceived lack of diversity in the new Commission, notably as regards gender and persons with disabilities. The Commission has wide-ranging powers, including the right to initiate proceedings for the protection against discrimination upon its own initiative. In the first several months since the election, the new Commission faced numerous logistical and financial challenges that need to be addressed in order to become fully operational.

The main anti-discrimination legislation in North Macedonia is the Law on Prevention and Protection against Discrimination, which includes definitions of direct and indirect discrimination, harassment, incitement, encouragement and instruction to discriminate, victimisation and segregation. A new Strategy for Equality and Non-Discrimination 2021-2026 is still under preparation. The National coordinative body for equality and non-discrimination is well perceived by civil society organisations. The Ombudsman's Office received 62 complaints on discrimination, the majority of which in the field of work and labour relations, and issued 21 opinions. The Ombudsman followed the provisions of the new law on the prevention and protection against discrimination in the collection of statistics by areas and grounds of discrimination. The Ombudsman's department for the protection against discrimination is understaffed. In October 2020, the Ministry of Interior launched a website for citizens to report hate crime, hate speech and other forms of violence. The absence of the systematic collection of data on hate speech remains an issue. A proactive and holistic approach in addressing hate speech and hate crime is needed.

Some progress was achieved on **gender equality** with further legal alignment with the Istanbul Convention. The Law on the Prevention and Protection from Violence against Women and Domestic Violence was adopted in January, introducing a systematic reintegration of victims of violence. Alignment of related laws, adoption of bylaws and of operating procedures are needed. An effective monitoring system for the implementation of the Convention's action plan is still lacking. The Ministry of Defence and the army adopted an operational plan for the implementation of UN Resolution 1325 on Women, Peace and Security, and for institutional coordination, in partnership with civil society. Both, the equality body and the Ombudsman, have competences to handle gender equality cases.

The National Gender Equality Index, which was published for the first time in 2019, remains a key indicator for measuring the equality of citizens, but it has not yet been updated. Proper gathering and analysis of gender statistics requires the enhancement of the capacity of relevant institutions and improved coordination.

There were more cases of domestic gender-based violence against women during the COVID-19 pandemic. The Ministry of Social Policy and Labour continued to invest in community services to support victims of gender-based violence, but the capacities of the shelters needs

to be enhanced to meet the Istanbul Convention standards, including those on access to women with disabilities. Police need proper capacity building for assessing the risk of violence against women and take adequate measures. Access to services supporting victims of violence has been reduced due to the pandemic. A specialised 24/7 team for urgent protection of vulnerable groups operates only in the capital.

Gender stereotyping persists, and women in public life are particularly susceptible to attacks through social media. The two ‘Public Room’ cases, where explicit photos and private information of girls and women were shared on an online platform, raised public concerns and civic protests against the lack of timely action by the authorities and demonstrated that there are gaps in the legislative framework.

The legal framework concerning the protection of the **rights of the child** largely complies with international standards. However, further improvements addressing legal gaps, such as the discrepancy between the Family Law provisions on adoption and international standards are needed. The Law on Child Protection was amended in December 2020, introducing changes on the use of the right to an education allowance during emergency situations. The alternative report on child rights by civil society organisations notes structural challenges, such as a lack of resources by state institutions dealing with child rights, the absence of consultations of youth in policy-making and a lack of a basic strategic documents on child rights.

The statutory body responsible for overseeing the implementation of the Convention on the Rights of the Child (CRC) is not fully operational. A mechanism for monitoring the implementation of the CRC and an action plan for children need to be prepared, with an appropriate budget and sectoral models that will provide effective services for children. Exchange on child-focused data collection and analysis is needed. Data on vulnerable groups such as children with disabilities or children from the Roma community still need to be further improved to allow for solid policy analysis.

In 2020, 111 complaints were filed to the Ombudsman related to child rights violations and 37 complaints related to children with disabilities. The Ombudsman issued 42 and 17 opinions respectively. The majority of complaints continues to be submitted by parents/caregivers, rather than by children themselves. A national strategy to end violence against children (2020-2025) was adopted but there are still challenges with its full implementation. For instance, there are gaps in the response by the child protection system to the challenges of online violence and abuse (cyber-bullying). Programmes for the rehabilitation, resocialisation and reintegration for child victims of violence are not available. Further efforts are needed to raise awareness of violence against children and develop a more unified approach in providing support services between relevant state institutions and several CSOs that provide legal and psycho-social support to victims.

The COVID-19 pandemic demonstrated that efforts to enhance digital services should be accompanied by efforts to prevent the further marginalisation of vulnerable groups, due to lack of digital skills and access to technologies. The authorities introduced a substantial set of social and child protection measures to combat the socio-economic consequences of COVID-19. However, further efforts are needed to improve the child-sensitivity of the social protection system and child-centred services delivery model.

During the COVID-19 pandemic, the Ministry of Labour and Social Policy provided didactic materials for children with disabilities in day-care centres and foster families and provided online psychosocial support to children with disabilities.

The deinstitutionalisation process is completed, the remaining four children in institutional care are in transitional period and soon to be resettled. The conditions for children settled into community-based care homes are generally satisfactory. Additional community services continue to be needed to identify children at risk and to support Roma children and children with disabilities who are victims of discrimination and segregation.

The National Unit for the Suppression of Human Trafficking and Migrant Smuggling identified seven victims of trafficking in human beings in 2020, six of whom were children who were trafficked victims for the purpose of forced marriage, sexual and labour exploitation. Further efforts are needed to ensure the protection of vulnerable categories of children from sexual exploitation.

The implementation of the law on juvenile justice must be improved, including on access to justice, legal representation and the capacity of public officials involved with child victims, child witnesses and children in conflict with the law. The inter-sectoral approach for the implementation of the legal framework needs to be systematised and streamlined among professionals of juvenile justice. The legal framework should be further updated with international standards and EU directives, including the Directive on Procedural Safeguards for Children who are Suspects or Accused Persons in Criminal Proceedings. The opening in October/November 2020 of the juvenile educational-correctional facility near Tetovo has improved detention conditions and provided access to better education and healthcare to children and juveniles, although the facility is oversized for its purpose. The facility is in a remote location, making it unfit for resocialisation and rehabilitation purposes. The role of the State Council for the Prevention of Juvenile Delinquency should be further strengthened, as should the capacity of the local councils to develop programs for inclusion of the local community in the prevention of juvenile offenses.

There was little progress in improving the **rights of persons with disabilities**. The mechanism for monitoring the implementation of the Convention for the Rights of Persons with Disabilities was established within the Ombudsman's Office. The national coordination body for implementing the Convention continued to meet regularly but its mandate and its capacity to influence decision makers in the state structures remain weak. The Agency for Audio and Audio-visual Media Services adopted a policy for providing access to audio-visual media services for persons with sensory disabilities. The national de-institutionalisation strategy 2018-2027 is the most relevant policy document, in addition to the Law on Social Protection. Protocols for minimising the risks of COVID-19 in residential social institutions and supported living units were established. Persons with disabilities continue to face considerable discrimination, both direct and indirect, due to infrastructure-related barriers, a lack of information and services, discriminatory attitudes and social exclusion. In 2020, the Ombudsman's Office reported 37 complaints of discrimination against children and adults with disabilities. *(See also Chapter 19 – Social Policy and employment)*

The Law on the Prevention and Protection from Discrimination includes sexual orientation and gender identity as protected grounds, thus enhancing the legal framework of the **rights of lesbian, gay, bisexual, transgender, intersex and queer** (LGBTIQ) persons. The promotion of equality and condemnation of discrimination, hate speech and hate crime against LGBTIQ people needs to be enhanced in practice. The Ministry of Labour and Social Policy cooperated with LGBTIQ civil society on the National Action Plan for LGBTIQ 2021-2025, and on the opening of the first national helpline for LGBTIQ people. Education authorities and civil society organisations cooperated on a guide for dealing with and preventing violence in primary schools, revision of textbooks, transphobia and gender stereotypes. The second Skopje Pride took place, with the participation of high level officials. No progress has been noted in investigations on attacks against LGBTIQ activists and the LGBTIQ support centre.

The capacities of the authorities and law enforcement officers and legal professionals need to be further strengthened. The legal framework does not allow for the official recognition of same-sex couples. The COVID-19 pandemic affected the most vulnerable in LGBTIQ communities, preventing access to some of the state institutions and community-based services, affecting their physical and mental health. At the end of 2020, an inter-party parliamentary group for advancing rights of LGBTIQ persons was established in the new Parliament.

Concerning **procedural rights**, the draft law on the compensation of victims of crime, including victims of trafficking in human beings, which was publicly consulted has still not been adopted.

As regards the **protection of minorities**, the authorities continued to implement the national strategy 'One Society for All and Interculturalism'. The Ministry of Political System and Inter-Community Relations and the National Coordinator on interculturalism should maintain a constant dialogue with all non-majority communities. Moreover, the coordination process within the Permanent Advisory Body of the government and the Coordination Body of the Prime Minister's office should be held in an inclusive and transparent manner, also ensuring that the rights of smaller non-majority communities are respected. More efforts are needed to provide additional resources to the Agency for Communities Rights Realisation and the Language Implementation Agency. Both institutions remain understaffed and insufficiently funded. Furthermore, the local authorities should make use of the national strategy 'One Society for All and Interculturalism' to improve the situation at the municipal level, where the representation of non-majority communities remains insufficient.

Limited progress on inclusion of **Roma** was made in the last year. The Roma inclusion strategy (2014-2020) has expired, and the new one is not yet ready, although the preparatory work has started. There is no more Minister without portfolio – instead an advisor to the Prime Minister responsible for Roma, lowering the possibility for Roma issues to be discussed by the government. The implementation of the strategy and the corresponding action plans for education, employment, housing, gender and health was incomplete. 347 Roma children aged 6 were enrolled for the school year 2020/2021, which is 1.16% of the total number of children enrolled in school for the first time. In kindergartens, about 90 Roma children received subventions from public funds. As estimated by CSOs, the annual dropout rate per grade for Roma children in primary education is 6% and for secondary education is 4%. There is no system and baseline data for the reintegration of children that have not been enrolled in education on time or have left education without completing it. Roma education mediators are mainstreamed in the Law on Primary Education, but they are not yet foreseen for secondary education. The majority of Roma children do not have access to technical equipment to follow distance-learning education. Segregation in school remains high.

The number of unemployed Roma is continuously increasing, 13,703 Roma were registered as unemployed in 2020, compared with 9,239 in 2019. The number of Roma benefiting from active measures for employment is increasing (431 in 2021 against 86 in 2020). Still, new measures should be introduced with a more targeted and affirmative approach for Roma beneficiaries. The Regional Roma Survey data showed that 94% of Roma are covered by health insurance and that 50% of the marginalised Roma use preventive and curative health services. In 2020, 43% of those that died before the age of 65 were Roma. There are 21 licensed Roma health mediators, with the number decreasing over the year mostly because of the COVID-19 crisis. On housing, the funds for Roma housing were significantly cut redirecting them to respond to COVID-19 crisis. It is not clear whether the support to infrastructure projects at local level will continue, after the departure of its initiator the Roma Minister without portfolio. Initiatives on legalisation of the Roma settlements in some

municipalities are underway; however, the majority are still not covered by urban plans. The new law on social housing has not been adopted. The state budget committed for Roma housing is not entirely used.

The Law on Persons Unregistered at the Birth Registry was adopted but implementation is slow. Of an estimated 700 Roma without ID, 202 requests were submitted, out of which birth certificates were issued to 92 applicants, which represents a rather small number. Roma girls remain particularly vulnerable, often due to unemployment and early marriages. There are no systematic measures by state institutions to address the issue of street children. Priority actions identified in the November 2019 Roma seminars are moderately addressed and monitoring and reporting responsibilities remain unclear. Commitment to implement the Poznan Declaration priorities remains satisfactory. A set of humanitarian measures was introduced to provide support during the pandemic to the most marginalised Roma.

EU citizens' rights

Since December 2012, North Macedonia has introduced a modification in the law allowing the **acquisition of citizenship for special economic interest**. The migratory and security risks this scheme could pose to the EU are being closely monitored, especially keeping in mind inconsistencies in the criteria for granting the citizenship. As indicated in the fourth visa suspension mechanism report⁸, North Macedonia should refrain from enabling systematic acquisition of citizenship for special economic interest.

2.2.2 Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails the lifting of border controls within the EU. EU Member States also cooperate with North Macedonia in the fight against organised crime and terrorism, and in judicial, police and customs matters and are supported by the EU Justice and Home Affairs Agencies.

North Macedonia is **moderately prepared** to implement the EU *acquis*. **Some progress** was made in addressing last year's recommendations, mainly on improving operational capacities of law enforcement agencies. Implementation of the priorities of the Joint Action Plan on Counterterrorism was improved. Measures to counter violent extremism and fight terrorism need to continue. Migration management efforts continued. Registration of migrants needs to be carried out in a systematic manner and protection-sensitive profiling needs to be improved. The country should establish a proper system for managing irregular movement and stop the practice of returning migrants outside a legal framework. A more systematic approach needs to be taken to fighting the smuggling of migrants.

Most of the recommendations from the 2020 report remain outstanding. In the coming year, the country should, in particular:

- Continue the proactive implementation of the institutional reforms of the security sector (criminal police, financial units, National Coordination Centre for the Fight against Organised Crime) to achieve further tangible results;
- Continue to implement the Joint Action Plan on Counterterrorism, including in the education sector, and ensure effective performance of the National Coordinator's office by allocating sufficient budget;
- Systematically register migrants and improve protection-sensitive profiling while adopting a more systematic approach to fighting migrant smuggling.

⁸ COM(2021) 602 final

Fight against organised crime

The country has **some level of preparation** in the fight against organised crime. The legislative framework is broadly in line with European standards and efforts to implement strategies against organised crime must continue. **Some progress** was made at the operational level, but more needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes. Coordination remains crucial for all stakeholders involved in combatting organised crime.

Some of the previous recommendations from the 2020 report remain outstanding. In the coming year, the country should, in particular:

- further improve the track record of investigations, prosecutions and convictions for organised crime and money laundering, and demonstrate the ability to effectively dismantle large criminal networks;
- adopt and implement the necessary legislation that would regulate the activity of the Asset Recovery Office and enhance the effectiveness of the national asset recovery system;
- allocate the necessary financial and human resources to the investigative centres, set up in the Basic Public Prosecution Office, allowing them to increase the efficiency of the investigations and improve inter-institutional cooperation.

Institutional set-up and legal alignment

The country has 341 uniformed police officers per 100 000 inhabitants. In 2021, 585 police officers were employed. In December 2020, 600 new vacancies were published.

Key **institutions** in the fight against organised crime include specialised police units within the Ministry of Interior. Each of them deals with different types of organised crime and financial investigation. In addition, there is the Financial Intelligence Unit under the Ministry of Finance that collects information and helps identify suspicious transactions. Financial Investigation units were also set up within the Customs Administration, the Financial Police and within the Ministry of Interior.

The police is generally well equipped and trained. The Police Training Centre within the Ministry of the Interior provides both initial and continuous training.

North Macedonia implemented wide-ranging reforms in order to accede to NATO, including a comprehensive reform of its **intelligence services**. The National Security Agency (NSA) is functional, but still located in the premises of Ministry of Interior. The NSA was designed as an independent state body without police powers, unlike its predecessor the Bureau for Security and Counterintelligence (UBK). This is in line with recommendations of the Senior Experts' Group on systemic rule of law issues. The technical conditions for a proper functioning of the system for the interception of communications have been further improved. However, three out of six authorised bodies have yet to be connected to the Operational Technical Agency. The new Law on the Intelligence Agency was adopted in January 2021 in order to complete the new security set-up.

The Asset Recovery Office (ARO) set up within the Public Prosecution Office, is understaffed, employing only one public prosecutor, out of five to be employed. Furthermore, the Law on the Asset Recovery Office has not been adopted.

The National Cyber Security Council was established in July 2020 in accordance with the National Computer Security Strategy (2018-2022). The Council is composed of the ministers of defence, interior and information society and administration.

Regarding the **legal framework**, the Criminal Code is broadly in line with European standards and criminalises trafficking in human beings, online child pornography, computer crime and drug trafficking.

On the **strategic framework**, the National Strategy for the prevention of money laundering and financing terrorism (2021-2023) was adopted in August 2021. The National Strategy for capacity building for financial investigations and confiscation of property (2021 - 2023) and the Action Plan were adopted in July 2021.

A National Strategy for Combating Trafficking in Human Beings and Illegal Migration (2021-2025) was adopted in April. The National Commission for Combating Trafficking in Human Beings and Illegal Migration is responsible for monitoring the implementation of the strategy. The decentralisation of the National Commission, through the creation of local commissions at the municipal level, has yet to prove its effectiveness. There is a Police Development Strategy and an action plan for its implementation for 2016-2020. There is a National Cybersecurity Strategy 2018-2022 and related action plan.

Implementation and enforcement capacity

The track record of investigations, prosecutions and convictions in the fight against organised crime has improved.

In 2020, 15 investigations were launched against 77 people. In the period between January to March 2021, there was one investigation, against 4 people. There were indictments brought against 63 persons in 2020 in 18 cases, and against 16 persons on 3 cases in the period between January to March 2021. These crimes included trafficking in human beings, smuggling of migrants, drug trafficking, illegal trade in weapons, money laundering. There are 26 ongoing trials against 137 defendants. In 2020, final convictions were pronounced in 15 second instance judgments against 34 defendants, and in one second instance judgement against two defendants in the period between January to March 2021. There were 19 cases with first instance decisions to seize or confiscate assets against 36 individuals (cars, money, computers etc. The **external oversight mechanism** has been implemented. The Special Department for investigation and prosecution of crimes committed by persons with police powers and members of the prison police in the Public Prosecutor's Office has only two investigators. The department registered 264 cases of excessive use of force by law enforcement officials against 483 persons. Investigative procedures were launched in 3 cases against 3 persons. Other investigative actions were taken in 59 cases against 111 individuals. Three individuals were put in custody. A total of 19 first-instance verdicts were delivered against 27 persons.

Following an investigation involving the Public Prosecutor, the Ministry of Interior and international partners a scheme involving the sale of passports was uncovered involving a group of ten Ministry of Interior employees and one outsider. In total 215 passports were issued to 214 foreign nationals and one national under a false name. Seven of the accused were sentenced to imprisonment while criminal proceedings against the remaining accused are pending. Disciplinary procedures were initiated against nine employees of Ministry of Interior and their employment was terminated. Following an internal analysis the Ministry of Interior has identified possible weaknesses in the system for issuing personal documents. Both structural and legal changes have been initiated. The **National Coordination Centre for the Fight against Organised Crime** has improved its operational capacity. All participating authorities have access to their respective databases. The Centre provides an inter-institutional exchange of information.

Despite the appointment in April of five new public prosecutors in the Basic Public Prosecutor's Office against Organised Crime and Corruption (OCCPO), this Office has insufficient human resources and lacks the financial resources to engage the services of experts. There is a need for specialisation within the Office, as well as a pro-active approach to pursuing cases.

The investigative centres set up in the Basic Public Prosecution Office in Skopje, Kumanovo and Tetovo, and in the OCCPO are operational but lack human and financial resources, including for the investigators' allowances, and adequate equipment to properly perform their functions. These investigative centres are aimed at increasing the efficiency of the investigations and improving **relations between prosecutors, the police and the other relevant bodies**.

The country participates in **international police cooperation** through the main cooperation channels. Cooperation with Europol is well established following the conclusion of a strategic agreement in 2007 and an operational agreement in 2011. There is operational cooperation in the fight against trafficking in human beings, weapons, and drugs. A secure communication link for information exchange (SIENA) was established. A liaison officer from North Macedonia has been posted in Europol headquarters in The Hague since 2015. North Macedonia participated in Europol's Analysis Projects in the area of environmental crime and cybercrime. North Macedonia is active in all elements of cooperation (incl. in EMPACT) in which Europol includes its external partners, including in the areas of cybercrime, migrant smuggling and counterterrorism, as well as Europol's reporting and operations. In addition, SIENA is reported to be used in the day-to-day operation and during implementation of Joint Action Days, for exchange of firearms-related information with Europol. In 2020, North Macedonia participated in four cases opened at Eurojust related to organised crime. Cooperation between the country and the EU Agency for Law Enforcement Training (CEPOL) is well established and based on a working arrangement. A dedicated contact point is in place. North Macedonia has full access to the CEPOL Exchange Programme as well as to the free of charge electronic learning system of CEPOL.

Some efforts have been made to unify standard operative procedures in the law enforcement units and prosecution bodies for **financial investigations**.

In 2020, confiscation or seizure of criminal assets was used against 41 persons in 19 cases in first-instance verdicts. **Confiscation of criminal assets** should become a strategic priority in the fight against organised crime, terrorism and high level corruption in the country.

There were visible results on **small arms and light weapons**, with 171 pieces of firearms seized in 2020 and 53 in the first half of 2021. In 2020 148 criminal offences of illegal production, possession and trading in weapons were detected, for which 156 perpetrators were criminally charged. Until June 2021, 77 criminal offences were detected, for which 84 perpetrators were criminally charged. The Firearms Focal Point set up in the Ministry of Interior should be more operational. A structured database is necessary. However, North Macedonia has well-equipped and functional ballistics laboratory. The Ministry of Interior upgraded its Weapons Registration and Stockpile Management Software (WRMS), contributing to easier identification and tracing of firearms. There is a lack of legal basis to conduct deactivation of firearms and the criminal law framework is not in line with the standards of the UN Firearms Protocol.

Regarding **cybercrime**, a total of 160 computer crimes were detected, for which 88 perpetrators were criminally charged in 2020. Until March 2021, 20 persons were charged. In 2020 the number of cases of sexual exploitation of children on the internet decreased by 27% compared to 2019.

Cooperation in the field of drugs

Institutional set-up and legal alignment

A National Drugs Observatory (NDO) exists since 2007 in the Ministry of Health. However, it lacks sufficient staff and hence its operational capacity (e.g. in terms of data collection) remains limited. There is currently no National Early Warning System to liaise with the EMCDDA on new psychoactive substances and new trends. However, in the past, the NDO has regularly informed the EMCDDA about the appearance of new psychoactive substances in the country. The country will have to make the necessary efforts to secure sufficient national funding to maintain on-going data collection for all drug-related indicators.

The 2014-2020 National Drug Strategy is aligned with the 2013-2020 EU Drugs Strategy and 2017-2020 action plan. The new Strategy for the period 2021-2025 was adopted in July 2021. The draft law on Control of Narcotic Drugs and Psychotropic Substances has raised serious concerns. Any changes to the law must comply with the EU *acquis* and international standards.

Implementation and enforcement capacity

The operational capacity of the NDO is limited. It needs to have sufficient staff and regular cooperation with relevant stakeholders. A national early-warning system needs to be set up.

In 2020, there was a significant improvement in the prevention of drug trafficking. A total of 733 criminal offences were recorded, from which 857 perpetrators were reported. In the period January-June 2021, 306 criminal acts were detected, for which criminal prosecution measures were taken against 368 perpetrators. Six organised criminal groups with 24 members (four operating internationally and two nationally) were uncovered in 2020, while two organised groups of 16 members were uncovered in 2021. In 2020, the Ministry of Interior seized 1890 kilograms of marijuana, 16 kilograms of heroin and two kilograms of cocaine. In the period January – June 2021, one tone of marijuana was seized.

Cooperation with neighbouring countries is good, including on ad hoc operations. In 2020, North Macedonia participated in one coordination meeting organised at Eurojust, in a drug trafficking case.

Fight against terrorism

Institutional set-up and legal alignment

There is a national coordinator for counter-terrorism and countering violent extremism and two deputies responsible for prevention of violent extremism and for the fight against terrorism. A new coordinator and two deputy were appointed for a term of 4 years in August. The office has been reinforced with additional staff in February 2021.

The Office is responsible for coordinating inter-institutional cooperation, in the form of the National Committee for the Prevention of Violent Extremism and the Fight Against Terrorism, chaired by the National Coordinator. The Committee includes representatives of the key institutions countering terrorism and violent extremism.

Responsibility for terrorism-related issues is with the Ministry of Interior's Department for suppression of organised and serious crime.

The **legal framework** is broadly aligned with the EU *acquis* and international anti-terrorism instruments.

North Macedonia has a national **strategy** for countering terrorism (2018-2022) and a strategy for countering violent extremism (2018-2022), both with related action plans.

A National Plan for reintegration, resocialisation and rehabilitation of foreign fighters returnees and members of their families (women and children) was adopted in June 2020, in order to implement the identified priorities for preventing violent extremism and radicalisation.

The Plan intends to develop a single comprehensive national approach in terms of dealing with foreign terrorist fighters and their families.

The country has been implementing the Bilateral Implementing Arrangements of the Joint Action Plan on Counter-Terrorism for the Western Balkans since 2019. North Macedonia submitted the second interim report in December 2020. Further efforts are required in order to implement all activities envisaged in the arrangements.

Implementation and enforcement capacity

There were two anti-terrorist operations in 2020, which resulted in criminal charges filed against 11 suspects.

There are currently 11 foreign terrorist fighters in prison, 6 were released from prison in 2020 and none in 2021.

143 citizens of the country have left for conflict zones since 2012: of these 69 have returned, 38 have been killed. There are five active fighters in the conflict zones, while four are imprisoned in Syria. No one left in 2020 and 2021. In July 2021, 23 people (four men, five women and 14 children) were repatriated from Syria and Iraq.

There is a good and regular exchange of information with Europol.

Local mechanisms for the prevention and countering of violent extremism are in place. Community action teams set up in four sensitive municipalities (Cair, Gostivar, Kicevo and Kumanovo) have prepared their own action plans. The division of competences between the local and central levels on prevention of radicalisation and violent extremism should be formally clarified.

Efforts were made to set up structures and mechanisms to deal with reintegration at the local level. Seven local multidisciplinary teams have been set up in Skopje, Tetovo, Kumanovo, Gostivar, Ohrid, Struga, Kicevo, Plasince and Makedonski Brod. More needs to be done on reintegration and resocialisation of returnees.

Legal and irregular migration

Institutional set-up and legal alignment

The **legal framework** is largely in line with EU standards. The declaration of a state of crisis at the country's borders was extended allowing for the continued deployment of the army.

The Ministry of Interior is the main actor in the field of migration. The fragmentation of tasks between the **institutions** dealing with migration persists, making management less effective.

The Resolution on Migration Policy adopted by the government in 2015 is the main policy document in this field. In order to prepare a new Resolution, in March 2020 the government established an Inter-Ministerial Group for the Creation of Migration Policy. The new **strategy** for integration of refugees and foreigners is still pending adoption.

The country ratified the 1961 Convention on the Reduction of Statelessness.

Implementation and enforcement capacity

The country continues to play an active role in the management of mixed migration flows, lying on one of the main transit routes for irregular mixed movement. The contingency plan to

manage large migratory flows has not yet been finalised. The control of the southern border continues with the support of guest officers from EU Member States.

The country has still not set up a proper protection-sensitive migration management system. Registration of migrants was suspended at the southern border from April 2020 to January 2021. There needs to be a systematic registration of all individuals apprehended in irregular movement, for humanitarian and migration management purposes. Following registration, anyone being in need of international protection, needs to be identified by the systematic protection-sensitive profiling and referred to national protection mechanisms. The border police cooperate with the European Border and Coast Guard Agency (Frontex) for the eventual establishment of a biometric registration system that follows the Eurodac model. In the absence of a proper system for managing irregular movements, the practice of returning migrants outside of a legal and/or procedural framework remains the norm. There is no available data on how many individuals are actually apprehended on the territory of the country, which is estimated to be almost the totality of what the authorities define as prevented attempted illegal crossings.

In 2020, irregular movement through the territory continued at an increased pace compared with previous years. While specialised international organisations observed 41,257 arrivals in 2020, the country reported that it had prevented 32,100 attempted illegal crossings. Movements are predominantly northward, from Greece towards Serbia.

In 2020, nationals of Afghanistan and Pakistan constituted the largest groups (within the mixed migration flows), while in 2021 a significant number of nationals of Somalia and Eritrea were also noted. People in irregular movement remain the target of organised criminal groups engaged in people smuggling often subjecting them to extortion and various forms of abuse.

The number of detected smuggling attempts has increased, and although police operations and some arrests took place, smuggling continues on a large scale. In particular, known villages close to the northern border continued to be used as smuggling hubs. The country should take a more methodical approach to fighting the smuggling of migrants, including stepping up cooperation within the EMPACT priority on tackling migrant smuggling. As of August 2021, around 97 people were stranded in the country. There are on-going investigations against 25 individuals for the smuggling of migrants. 65 criminal charges were filed against 92 individuals and 12 rulings were issued against 15 individuals for cases opened in 2021. In 2020, actions were taken against three criminal groups.

Both temporary transit centers on the southern and northern borders provide short-term accommodation for a total of 971 persons, which can be expanded up to 2,000 in emergency situations. Neither of the transit centres are suitable for long-term stays, and the authorities continue to be reluctant to provide for more than a temporary stay. The legal status of the transit centres remains to be clearly defined.

The readmission agreement with the EU is being implemented in a satisfactory manner by the country. According to EUROSTAT, 2,360 citizens of North Macedonia were ordered to leave in 2020 (3,620 in 2019). There were 1,445 returns following an order to leave (a return rate of 61%) in 2020 against 3,005 in 2019 (83%). Assisted voluntary returns procedures towards third countries were carried out for three individuals. Attention should be given to the successful reintegration of returnees.

With the support of EU and Member States' funding, the International Organisation for Migration (IOM) implements the Assisted Voluntary Return and Reintegration (AVRR) programme supporting capacity building of North Macedonia's return system and facilitating

access to Assisted Voluntary Return. About 259 refugees from Kosovo*, mostly Roma, of which 14 with refugee status, 122 under subsidiary protection and 123 tolerated, represent a vulnerable segment of the society and are in need of a sustainable solution. The practice of cancelling subsidiary protection has left some of these individuals without a regulated status in the country.

During August and September 2021, North Macedonia started temporarily hosting some 193 evacuees/refugees from Afghanistan. They are eligible to receive a 90-day temporary stay, which can be extended. The evacuees were hosted in local hotels, while awaiting resettlement to other countries.

Asylum

Institutional set-up and legal alignment

The law on international and temporary protection, adopted in April 2018, is largely aligned with the EU *acquis*. In 2020, standard operating procedures related to the registration of asylum seekers and to refugee status determination procedures were adopted. A gap remains in the area of the detention for people in irregular movements, as the current legislation does not provide alternatives to detention. The law provides the right for family reunification but concerns remain in relation to delayed family reunification for persons under subsidiary protection, two years following status recognition, while refugees can benefit from it immediately. As subsidiary protection is the prevalent form of protection granted in the country, and is often granted to unaccompanied children, such delays may significantly affect the right to family unity and, in the case of children, contravene the principle of the best interest of the child.

Implementation and enforcement capacity

Asylum procedures still need to be implemented fully in line with the EU *acquis*. COVID-19 mitigating measures were successfully introduced in the Centre for Asylum seekers in Vizbegovo. As a result, a very low number of asylum-seekers living in the centre tested positive and they were treated on an equal footing with nationals. Despite the good conditions in the centre, the high rate of onward movements of asylum-seekers continued. The absence of the right to work for asylum-seekers outside of the centre further hampers the prospects for inclusion. The arbitrary detention of people apprehended in illegal border crossing in the reception centre for foreigners in the Gazi Baba municipality to ensure their testimony as witnesses in court cases against smugglers continued. A total of 78 persons (37% of all asylum applications) were detained in the centre for foreigners in Gazi Baba before being released and admitted to the reception center for asylum seekers in Vizbegovo.

State-run accommodation facilities for persons with specific needs are not available. The time spent in detention also increased. There is still no effective judicial control over detention practices and migrants in detention do not benefit from free legal assistance. Due to the COVID-19 crisis, the government decided to allocate the transit centre Vinojug as a quarantine centre for asylum seekers.

Access to asylum procedures continued to be ensured. In 2020, 211 applications for asylum were submitted (490 in 2019), out of which 47 (22%) were from Afghanistan, 33 (16%) from Pakistan, 26 (12%) from Turkey and 23 (11%) from Syria. There is no backlog of asylum cases, although the majority of cases are discontinued, due to the high rate of claim abandonment. In 2020, the Sector for Asylum issued two decisions granting subsidiary

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

protection, 39 negative decisions for 46 persons and 201 decisions for the discontinuation of asylum procedures for 215 persons. There have been no positive decisions granting refugee status since 2018.

The quality of asylum adjudication remains a concern, also at the appeal stage. Most of those granted protection are vulnerable persons and unaccompanied or separated children. The length of the entire asylum procedure can be very long and often there is not enough emphasis on the specific needs of the persons concerned. The judicial review is administrative, and the Administrative and High Administrative Courts tend to deliver decisions on technical rather than on substantial grounds. However, the new law on administrative disputes has brought improvements in some critical areas, such as the procedures for the hearing of the parties, but no hearings took place until now.

The Sector for Asylum continued the practice of terminating international protection for refugees from Kosovo who were granted subsidiary protection. Between January and December 2020, 23 Kosovo Roma lost subsidiary protection. Such practices undermine possibilities to find lasting solutions for the remaining refugees from Kosovo and closing this long-standing issue. Legal aid under the amended Law on Free Legal Assistance, remained ineffective. Reportedly, no individuals undergoing an asylum procedure were granted state-funded free legal aid. In line with the Law on Primary Education, the positive trend of enrolling asylum-seeking children in the local schools continued.

Further improvements in the asylum system are still needed, especially regarding the systematic registration of migrants. The country cooperates with the European Asylum Support Office (EASO) on the basis of comprehensive roadmaps. A new Roadmap to support the establishment of asylum and reception systems in line with EU standards was endorsed for the period 2020-2022.

Visa policy

The visa regime is largely aligned with that of the EU. The Commission's fourth Report under the Visa Suspension Mechanism⁹ of August 2021 concluded that North Macedonia continues to meet the visa liberalisation benchmarks. Short stay visas have been unilaterally abolished for nationals of third countries who are national holders of a permanent or temporary residence permit issued by an EU/Schengen Member State as well as for nationals of third countries who are in possession of valid multiple US, Canadian and UK visas. The visa-free regime between North Macedonia and Ukraine entered into force.

The visa policy needs to be further aligned for a number of countries currently on the EU white list, whose nationals are still required to have a visa to enter North Macedonia. The visa policy is not fully in line with the EU list of countries whose nationals are subject to a visa for short stays in the EU.

Schengen and external borders

Institutional set-up and legal alignment

The Department of Border Affairs and Migration is a specialised unit within the Ministry of Interior. The border police is structured into four regional centres, within which police stations for border surveillance and for border checks operate.

The legislative framework for the management of external borders is largely aligned with EU standards. The 2015-2019 integrated border management strategy is aligned with the 2006 EU concept on integrated border management. The new strategy is under preparation.

⁹ COM(2021) 602 final

Implementation and enforcement capacity

Mixed police patrols are being deployed on the southern border involving members of the border police of Austria, Croatia, Czechia, Hungary, Poland, Slovenia and Slovakia, to manage migration flows. The national authorities cooperate with the European Border and Coast Guard Agency (Frontex), including as observers in joint operations. The text of the status agreement between the EU and North Macedonia, which would allow for deployment by Frontex of European border and coast guard teams on the country's territory at its common borders with neighbouring EU Member States, was initialled in July 2018. Pending the signature and ratification of the agreement which is delayed due to a bilateral issue, the country cooperates with Frontex in developing an operational plan, allowing for the rapid deployment of teams in the country. Signature of the agreement is important, particularly in view of possible renewed migratory pressure.

North Macedonia's National Coordination Centre, established in 2007, is partially operational with more progress required on institutional and operational capacity, IT and technical expertise.

Cooperation with neighbouring countries continues to be good. There is a smooth implementation of border agreements with most neighbouring countries. A formal agreement has not yet been concluded with Greece, but bilateral technical cooperation works in practice. Joint border patrols with neighbouring countries and the joint police contact centres continued to regularly exchange information. There are currently two common border-crossing points for local traffic with Serbia and one with Albania. Agreements were signed and ratified for the opening of new border crossings with Greece (Markova Noga and Maidan).

Judicial cooperation in civil and criminal matters

There was limited progress regarding the legal framework. The application of the Law on International Private Law started in February. A total of five staff employed in the unit for mutual legal assistance in civil matters dealt in the first quarter of 2021 with 568 incoming and 561 outgoing requests.

In April 2021, Parliament adopted a law on international cooperation in criminal matters. There were 1,224 incoming and 741 outgoing requests for mutual legal assistance in criminal matters. For the period June 2020 – June 2021, the country sent 395 and received 399 requests for transfer of sentenced nationals back to their country of origin, and issued 96 and received 97 extradition requests.

Staff in the Department for Mutual Legal Assistance completed English courses. Of the four employees in the unit for criminal matters, one is the EUROJUST contact point and another is the European Judicial Network (EJN) contact point. Good cooperation with EUROJUST continues. In 2020, North Macedonia participated in 36 cases at Eurojust, a 38% increase compared to 2019, most of them relating to swindling and fraud, money laundering and drug trafficking. Cooperation should be established with the European Public Prosecutor's Office (EPPO), which started its operational activities on 1 June 2021.

All aspects of customs cooperation are now covered under Chapter 29 – Customs Union.

2.3. ECONOMIC DEVELOPMENT AND COMPETITIVENESS

	2012-17 average	2018	2019	2020
North Macedonia - Key economic figures				
GDP per capita (% of EU-27 in PPS) ¹⁾	36	37	38	38
Real GDP growth	2.3	2.7	3.2	-4.5
Economic activity rate of the population aged 15-64 (%) , total ¹⁾	64.8	65.4	66.3	65.5
<i>female</i>	51.8	52.2	54.8	54.0
<i>male</i>	77.5	78.3	77.3	76.7
Unemployment rate of the population aged 15-64 (%) , total ¹⁾	26.9	21.0	17.4	16.6
<i>female</i>	26.4	20.1	18.6	16.1
<i>male</i>	27.2	21.5	16.6	16.9
Employment of the population aged 15-64 (annual growth %)	2.3	2.5	5.1	-0.3
Nominal wages (annual growth %)	1.6	5.8	5.1	8.3
Consumer price index (annual growth %)	1.1	1.5	0.8	1.2
Exchange rate against EUR	61.59	61.51	61.51	61.67
Current account balance (% of GDP)	-1.9	-0.1	-3.3	-3.5
Net foreign direct investment, FDI (% of GDP)	2.4	5.6	3.2	1.9
General government balance (% of GDP)	-3.5	-1.1	-2.2	-8.2
General government debt (% of GDP)	37.2	40.6	40.7	51.2

Notes :

1) Eurostat

Source: national sources

In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

Economic governance has become even more central in the enlargement process in recent years. The Commission's monitoring takes place in two processes: the Economic Reform Programme exercise and the below assessment of compliance with the economic criteria for accession. Each enlargement country prepares an annual Economic Reform Programme (ERP), which sets out a medium-term macro-fiscal policy framework and a structural reform agenda aimed at ensuring competitiveness and inclusive growth. The ERPs are the basis for country-specific policy guidance jointly adopted by the EU and the Western Balkans and Turkey at ministerial level each year.

2.3.1. The existence of a functioning market economy

North Macedonia has made **some progress** and is at a **good level of preparation** in developing a functioning market economy. Severely hit by the pandemic, the economy slipped into a recession in 2020. A gradual recovery set in as of spring 2021. The government implemented a strong fiscal response to mitigate the crisis impact on households and firms. The fiscal deficit rose to 8.2 % of GDP in 2020 while the public debt level rose sharply to 60.2 % of GDP, as additional financing needs had to be covered. Capital expenditure was cut in a budget revision to create space for crisis-related transfer payments, yet it was still heavily under-executed. The authorities took some additional measures to improve fiscal transparency, although a fully operational state aid registry is yet to be developed. There has been little progress made in improving revenue mobilisation and collection, as well as public investment management, including through a stronger framework for public-private partnerships. The new organic budget law, which is expected to significantly improve fiscal

governance, is yet to be adopted by Parliament, and its implementation is delayed. Bolstered by regulatory easing, the financial sector remained strong and lending to the private sector constant. The business environment continued to be impeded by the large size of the informal economy.

As the recommendations of the 2020 Report were partly implemented and in order to improve the functioning of the market economy, North Macedonia should in particular:

- Continue supporting the economy through well-targeted fiscal measures until the economic recovery is on firm grounds, while anticipating a gradual return to the pre-crisis primary deficit in the medium-term; improve revenue collection and broaden the tax base in line with the Tax System Reform Strategy, including by streamlining tax exemptions;
- Adopt the Organic Budget Law with adequate provision for fiscal rules in line with Commission comments and take the necessary legislative steps for the establishment of the Fiscal Council;
- Further reduce institutional and legal obstacles to swift and effective non-performing loans (NPL) resolution, including by facilitating out-of-court settlement and modernising the insolvency regime.

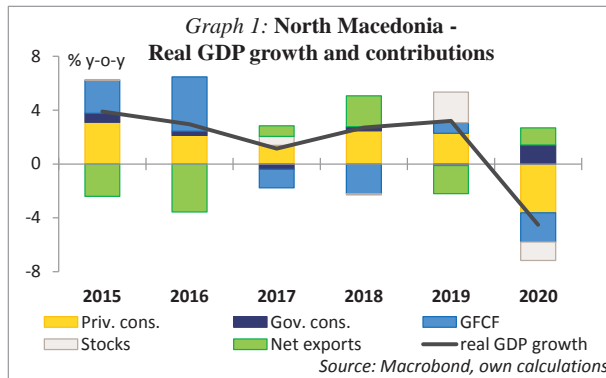
Economic governance

The government addressed the challenges from the COVID-19 pandemic, while at the same time making some progress on important fiscal and structural reforms. Between March 2020 and April 2021, the government successively adopted five sets of measures to mitigate the economic and social impact stemming from the COVID-19 pandemic. These included subsidies to wages and to employer contributions, tax deferrals, as well as interest-free loans. The central bank, too, reacted swiftly to support the economy, by implementing four successive cuts in the key policy rate, and regulatory easing measures to provide borrower relief and bolster bank lending. The government improved fiscal transparency, notably by enhancing the reporting on the finances of public enterprises and municipalities. However, the most important measure to improve fiscal governance, the new Organic Budget Law, which contains provisions for fiscal rules and a fiscal council, was adopted by the government in December 2020, but has not yet been adopted by Parliament. Moreover, its implementation depends heavily on the introduction of the new Integrated Financial Management Information System (IFMIS), which is delayed. Other important reforms are also lagging behind, in particular measures to combat the informal economy, and the establishment of a fully functional state aid registry. To address the increased financing needs in 2020, the government was granted assistance under the International Monetary Funds's Rapid Financing Instrument (IMF RFI), and loans from the World Bank. It also benefitted from macro-financial assistance from the EU, which was completed in June 2021 after the government had fulfilled all conditions for disbursement of the second tranche. The policy guidance jointly agreed at the May 2020 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has been partially implemented.

Macroeconomic stability

North Macedonia's economic upswing came to a sudden halt in 2020, as the COVID-19 pandemic hit domestic and foreign demand. North Macedonia's economy had been on a path of accelerating growth in the two years prior to the crisis, when the pandemic hit the country in March 2020. Domestic economic activity plunged in the wake of containment measures, and external trade suffered from lockdowns and recessions in trading-partner economies, and through the temporary breakdown of automotive supply chains. Due to falling

imports, net exports contributed positively to GDP growth, as did government consumption, mitigating the impact of lower private consumption and investment. Household disposable income suffered from a stark drop in remittances from abroad. Investment, which had picked up in the second half of 2019 after two sluggish years, plummeted in the second quarter of 2020, yet recovered over the summer. After a steep drop in output between April and June 2020, the annual decline gradually eased in the second half of the year, as containment

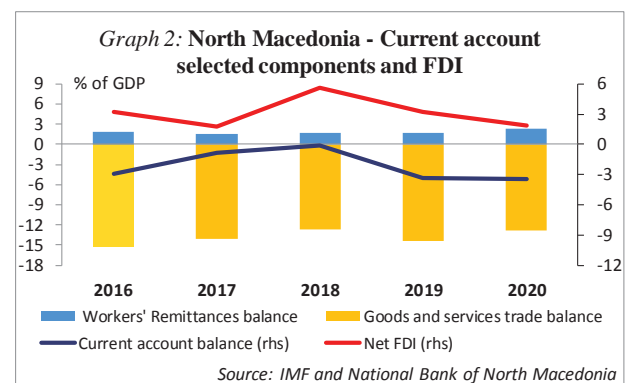


measures were lifted and foreign demand strengthened. Overall, annual real GDP dropped by 4.5% in 2020. Convergence with EU income levels remains sluggish. Real GDP per capita has increased only marginally in the past five years, from 36% of the EU-28 average in 2015 to 38% in 2020.

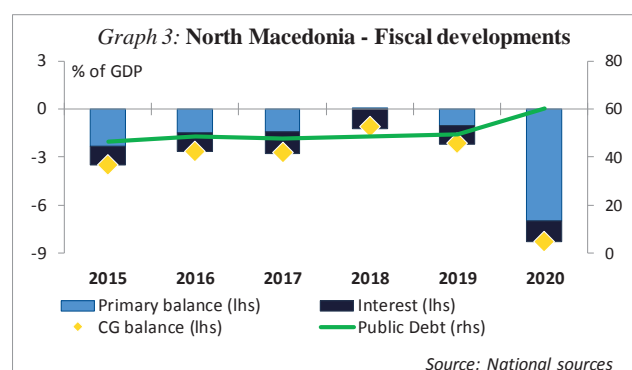
External imbalances increased during the pandemic. After averaging at 1.5% of GDP between 2014 and 2018, the current account

deficit increased in 2019, and further in 2020, to 3.5%, as private transfers dropped markedly below their average of the past five years, and in spite of an improving merchandise

balance. The shortfall was not covered by net FDI inflows, which, against stark outflows of intercompany debt, amounted to only 1.9% of GDP, much below their average of 3% in the preceding five years. After having decreased each year between 2016 and 2019, the external debt ratio rose in 2020 to 80.2% (+7.3 pps. year-over-year), mainly as a result of foreign financing for crisis-induced needs. However, the structure of the debt implies moderate risks. About 70% of the total consists in long-term debt, and the share of intercompany debt and trade credits, which constitute less volatile components of foreign debt, remained high. With substantial foreign capital inflows, including through two Eurobonds issued in 2020 and 2021, the government bolstered its foreign exchange reserves (+30% year-over-year at end-March 2021), representing five months of prospective imports.



Monetary policy supports the ongoing economic recovery, while heeding rising inflationary pressures. Inflation was subdued until picking up in the second half of 2020, driven by rising prices for food, fuels, including higher excises on oil products, and a statutory price rise for electricity in August. In the first half of 2021, additional domestic price pressures arose from services, in particular the transport sector. On average, the consumer price index (CPI) rose by 1.2% in 2020, compared to 0.8% in 2019, and further to 2.7% in the first eight months of 2021. The currency is in a stable, de facto pegged exchange rate regime with the euro. The central bank lowered the key policy rate in March 2020, followed by three further cuts of 25 bps each, to reach the historic low of 1.25% in March 2021. Overall, the monetary policy stance is in line with current economic fundamentals, including still moderate inflation dynamics, and the need to support the economic



recovery amidst lingering domestic and external risks due to the COVID-19 crisis.

Public finances deteriorated in 2020, as automatic stabilisers kicked in and the government implemented discretionary support measures. Between 2014 and 2019, the general government fiscal deficit was declining each year, in terms of GDP, albeit largely on the back of under-execution of budgeted capital expenditure. In 2020, the deficit rose to 8.2% of GDP, as revenue declined by 6.9% year-over-year, while current expenditure increased by 13.9%. The government adopted a range of crisis-support measures in 2020 and early 2021, comprised of fiscal measures as well as liquidity support, and including i.a. wage subsidies, tax deferrals, and interest-free loans. Fiscal support from these packages amounted to some 3% of GDP in 2020, with further implementation of measures in the first half of 2021. Tax revenue has recovered since the last quarter of 2020, as containment measures were gradually lifted and companies paid deferred income tax liabilities. Capital spending, at 82% of the revised budget, was, again, severely under-implemented.¹⁰ The government had to resort to a budget reallocation and to two supplementary budgets to accommodate the support measures. The composition of public spending was hence tilted towards transfer payments. Overall, shortcomings in revenue collection and a large number of tax exemptions eroding the tax base have contributed to a decline in public revenue ratios in recent years, adding to fiscal risks from a rising pension deficit, large indebtedness of public enterprises, and still significant budget arrears.

Debt levels surged, as the government needed to meet crisis related financing requirements and roll over maturing debt. General government debt rose by 10.5 pps. year-over-year to 51.2% of GDP, accounting almost exclusively for the rise in the public debt ratio to 60.2%. Foreign borrowing made up a large part of the debt increase, including two Eurobonds of EUR 700 million each, issued by the government in May 2020 and in March 2021.

The government further enhanced fiscal transparency. In 2020, the Ministry of Finance started publishing consolidated data of municipalities' budget execution on its website. This is an important step towards addressing weaknesses in local governments' management of public finances. Moreover, the government requires all public and state-owned enterprises at state level to publish quarterly income and expense statements with a three-to-four months lag, hence allowing for improved management of fiscal risks arising from the finances of these enterprises, many of which run sizeable deficits and have accumulated large debt stocks. Still, there is a need for more detailed income and expense statement as well as balance sheets for state owned enterprises. Current data presentation does not allow for a meaningful public finance and fiscal risks analysis. In addition, the government set up a dedicated website for information on the implementation of COVID-19 related support measures, including the main beneficiaries.

The governance of public finances was further strengthened, but concerns remain regarding the implementation of the new Organic Budget Law. In December, the government adopted a draft Organic Budget Law, which includes provisions for fiscal rules, a fiscal council, and a proper medium-term budget framework. However, the law still needs to be adopted by Parliament and accompanied by implementing legislation, which could lead to protracted implementation. The draft provides for escape clauses proposed for the fiscal rule which are too wide and would allow for an accelerated rise in public debt. Enforcement of the

¹⁰ However, this does not account for capital expenditure carried out by off-budget entities, the most significant one being the PESR, which is implementing a sizable investment programme of over EUR 1 billion. Central and local government habitually accounts for about one third of total public sector investment.

new law is unclear in view of the phasing approach for its enactment. The work on the development of the secondary legislation is still in its initial phase. Moreover, its implementation depends heavily on the introduction of the new integrated IT system (IFMIS), which is yet to be adopted as well.

There is a need to adopt robust fiscal rules and ensure commitment to such rules. Namely, the medium-term fiscal strategy adopted recently that targeted a return to the planned fiscal rule, was discredited a week later with the adoption of the 2021 budget revision which delayed fiscal consolidation plans until 2025. With a view to improving revenue mobilisation, the government conducted a review of foregone revenues from tax deductions in direct income taxation and preferential VAT rates, in line with the 2020-2023 Tax System Reform Strategy adopted in December 2020. Moreover, the government adopted an Action Plan for improving public investment management, based on the recommendations of the respective 2020 IMF report. However, the government has not yet progressed in its project to include off-budget entities into the general government sector where warranted by international statistical standards.

The government started work on strengthening the framework for public private partnerships (PPP). The Ministry of Economy is preparing draft amendments to the 2012 PPP law, providing for a streamlining of powers regarding administrative guidelines, contract formats, terms and conditions concerning selection, implementation and management of PPP projects. The draft also includes new tools and processes to ensure better management of fiscal risks arising from PPP. However, considerable delays are expected with regard to the development and establishment of the PPP and concessions registers which would facilitate the implementation of the laws.

Once the economic recovery firms up, a shift in the policy stance would be appropriate. While the fiscal and monetary stance is still appropriate in light of current financial and economic conditions, the country will need to gradually phase out and reorient crisis-related fiscal support as the economic recovery gains firmer ground. The government's response to the crisis managed to soften the impact in particular on employment and disposable income. In order to support a sustainable economic recovery and faster growth in an effective manner, the government needs to address major challenges facing the economy, such as wider mobilisation of public revenue; improved management of public investment; investment in human resources; and more transparent allocation of state aid. It also needs to envisage a gradual return to fiscal consolidation and debt stabilisation. Moreover, the continued rise in wages, bolstered by crisis-induced government wage subsidies, remain a challenge for external competitiveness, given the adverse developments in labour productivity over recent years.

Functioning of product markets

Business environment

The government takes first steps towards reducing the number of para-fiscal fees. With a view to streamlining the large array of parafiscal charges imposed on businesses, the government published, on a designated web page, a list containing 377 parafiscal charges at central and local level including their value. The implementation of other key measures, is however, protracted, such as the 2019 Law on inspection supervision and implementing transparent and consistent procedures for inspections. The new bankruptcy law, intended to facilitate market exit by reducing the cost and time of procedures, is still under preparation. Furthermore, increasing the efficiency and transparency of public administration, reducing the time and costs of commercial disputes and promoting alternative dispute resolution

mechanisms would address some of the factors limiting the competitiveness of domestic companies.

Challenges posed by the large informal economy are not addressed in a decisive manner.

The informal economy continues to pose an important obstacle to business operations for regulated firms. According to IMF estimates, it could account for as much as 37.6% of GDP. The country's informal sector takes various forms, of which the most prominent are unregistered labour, partially undeclared wages and other irregularities in the enforcement of the Labour Relations Act. Other practices common to the informal economy include not issuing tax receipts or invoices, or underreporting turnover. Freelance work and personal services provided at home or via the internet, the prevalence of which is growing, often go unregistered. Implementation of the government's 2018-2020 Action Plan to combat the informal economy remains sluggish. A new Action Plan has yet to be developed and adopted.

State influence on the product market

The government provided large-scale support in the pandemic and improved transparency on these payments. The government has consistently ensured public dissemination of information related to the adoption of the COVID-19 support measures. A designated webpage is active and contains information on the condition and criteria for the allocation of the support. All financial transactions related to the payment of the COVID-19 support, including the amounts of aid and names of beneficiaries, are available on-line in real time. The government has also prepared and has made available online a clear overview of the implementation of the COVID-19 support packages according to type of aid. Transparency and effectiveness of state aid is affected by the high number of state aid providers, the lack of an updated registry, and the still marginal competences of the Commission for the Protection of Competition (CPC) in state aid supervision.

Privatisation and restructuring

The public sector's stake in the economy remains low and unchanged. In 2020, the number of companies in which the government held a stake remained the same as in the three preceding years (16 companies in full state ownership and 40 companies in partial ownership, most of these with a state ownership share of below 1% of issued capital.). The total value of state ownership in enterprises remained at 10.7% of the GDP. There are currently no plans for further privatisations.

Liberalisation of the electricity and natural gas market has progressed. In early 2020, the electricity market was fully liberalised, in line with the 2019 Law. Retail prices have been deregulated, except for the universal supplier for which the regulator (ERC) sets the price. At end-2020, over 30,000 consumers (per metering points) were purchasing electricity from the active suppliers on the open market, under mutually agreed (unregulated) prices. Over 16,000 retail customers switched suppliers in 2020, more than twice than in the same period one year earlier. In September 2020, the government designated a subsidiary of the national electricity market operator (MEPSO), to act as the nominated operator of the organised electricity market. The electricity transmission and distribution network operators are unbundled in accordance with the EU *acquis*. The natural gas market was liberalised in 2015. At the end of 2020, there were six licensed active natural gas suppliers and natural gas traders. Wholesale gas prices are fully deregulated, but the market remains illiquid, without a virtual trading point. The gas transmission system operator is not yet unbundled in line with the Third Energy Package.

Functioning of the financial market

Financial stability

The authorities strengthened the institutional framework for ensuring financial stability but important measures to bolster the financial safety net remain incomplete. In April 2020, the authorities responsible for the supervision and oversight of different segments of the financial market signed a Memorandum of Cooperation establishing a Financial Stability Committee. A draft law which will both allow for the establishment of a permanent committee, and assign the National Bank a unique and leading role in developing and implementing North Macedonia's macro-prudential and financial stability policies is currently being prepared. However, following regulatory normalisation, the NPL ratio is expected to rise. The new insolvency law could help expedite the resolution of NPLs, but it has not yet been adopted. In this regard, there is also a need to strengthen the framework for deposit insurance.

Diversification of the financial sector remains slow. Banks continue to dominate the country's financial sector, accounting for some 82% of sector assets at the end of 2020. Banking sector concentration remains moderate and was almost unchanged compared with previous years, with some 57% of assets held by the three biggest banks. Ten out of the sector's fourteen banks are predominantly in foreign ownership. The share of foreign in total equity has been consistently high in the past five years, at about 75%.

Bolstered by regulatory easing, the banking sector remained stable. The banking sector remained well capitalised and liquid, reflecting banks' robust pre-crisis position and support from the central bank's financial sector measures. The capital adequacy ratio was above its level of five years earlier at end-2020 (+1.2 pps at 16.7% of risk-weighted assets) and well exceeding the regulatory minimum. Liquid assets account for one third of total assets and cover more than half of short-term liabilities. The quality of the loan portfolio has been improving gradually since the end of 2013, with the ratio of NPLs falling to a record low of 3.4% at the end of 2020, compared to 4.8% at end-2019. The reduction of non-performing loans continues to be influenced by the mandatory write-off of fully provisioned NPLs¹¹, and also reflects regulatory measures from March 2020, which enabled banks to approve a temporary moratorium on loan repayments, providing greater flexibility and incentives for bank lending. The central bank's denarisation strategy is contributing to lowering the share of foreign-currency denominated loans and deposits in banks' portfolios, and hence reducing currency risk. At the end of 2020, 44.9% of loans had an FX-component, compared to 46.4% five years earlier.

Access to finance

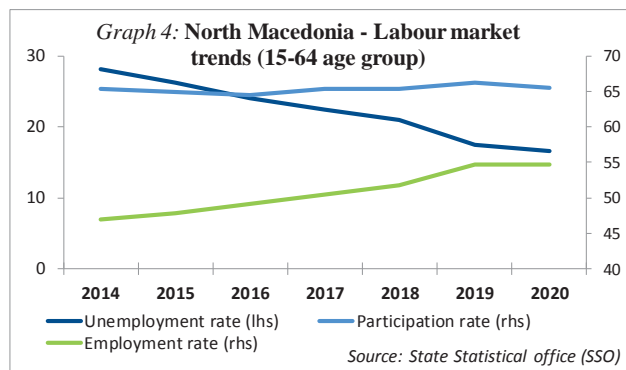
Bank lending remained robust, but financial diversification and intermediation are not progressing. In 2020, credit to the non-government sector expanded at 6.4% year-over-year, compared to 7.2% one year earlier. It slowed down to an average of 4.8% year-over-year in the first four months of 2021, as supportive regulatory measures were phased out. As in the preceding years, the bulk of credit growth came from household loans, with corporate credit growth decelerating compared to 2019. Central bank action as well as liquidity support from the government, inter alia through European Investment Bank-provided credit lines to the Development Bank of North Macedonia, have eased access to finance for companies during the pandemic. In March 2020, the central bank lowered reserve requirements for loans to the

¹¹ From July 2019, the National Bank introduced an obligation for mandatory write-off of non-performing exposures that have been fully provisioned for more than one year. Until July 2019 (from 1.1.2016 to 30.6.2019), this period was two years.

most affected sectors, and in May 2020, it expanded the range of securities accepted from banks as collateral in liquidity-increasing operations.

Functioning of the labour market

Government support measures have mitigated the negative effect of the pandemic on the labour market. Job losses remained contained in 2020, although rising each quarter. The



labour force (15-64) dropped markedly (-2.3% year-over-year, end of first quarter 2021), and the activity rate declined by 1.2 pps in this period, to 65.3%. As discouraged workers left the labour market, the unemployment rate actually decreased, from 17.4% in 2019 to 16.6% in 2020. However, structural deficiencies of the labour market persist, restraining potential growth. Among the most important ones are low participation rates,

especially for women. After narrowing by some 7 pps between 2014 and 2019, the gender gap widened again slightly in 2020, in annual comparison, to 22.7 pps, as male labour market participation dropped by less during the pandemic than female participation. Youth unemployment remains high, at 35.7%, about the same as one year earlier, although a significant reduction (about 10pps) has been achieved since 2018, more recently supported by the government's Youth Guarantee scheme. Women and young people are particularly exposed to unemployment and inactivity, as are people with disabilities and the low skilled. Around 80% of unemployed are long-term unemployed, largely reflecting the skills mismatch. The share of informal workers in total employees remained high, at some 14% in 2019, according to government data, even though declining persistently since 2015. The average tax wedge is regressive in North Macedonia at the bottom of the income distribution: the average contribution rate therefore takes a much higher share of the total income of low-wage earners.

2.3.2. The capacity to cope with competitive pressure and market forces within the Union

North Macedonia has made **some progress** in addressing last year's recommendations and is **moderately prepared** to cope with competitive pressure and market forces within the Union. Integration with the EU in trade and investment remained entrenched also during the pandemic. The level and structure of trade and manufacturing output were affected by lockdowns and supply chain disruptions, domestically and in trade partner countries. The structure of the industry is continuously improving. The deterioration in labour productivity and price competitiveness in 2020 reflects to a large degree the economic impact of the pandemic and the government's job-retention measures. Vocational Educational Training (VET) curricula has improved. Still, skills shortages, reflecting shortcomings in education curricula, capital investment gaps, and limited integration of domestic firms in global supply chains are restricting potential growth. Digitisation of the economy is progressing.

As some of the 2020 recommendations have not been fully implemented, North Macedonia should in particular:

- Speed up the reform of the education system and increase financing for the VET system and higher education;
- Improve access of low-skilled unemployed and vulnerable persons to active labour

market measures;
→ Adopt and implement energy efficiency legislation.

Education and innovation

Reform of the education system is sluggish and the large skills mismatch persists. While North Macedonia has progressed very well in terms of the number of people with higher educational attainment, curricula are not well suited to equip graduates with necessary skills to match labour demand. State financial support for education is insufficient and coordination between the education sector and businesses is weak. In 2020, public spending on education and training amounted to 3.3% of GDP, compared to an average of 3.7% of GDP in the past five years. The government took some steps towards improving vocational education (VET), such as adopting several qualifications under the National Qualifications Framework, and introducing a reformed four-year VET programme across all schools, including a strengthened collaboration with private companies.

Innovation activity remains low. At 0.4% of GDP, the economy's expenditure on research and innovation has not increased over recent years, and remains significantly below the EU average. The country remains a modest innovator, according to the EU innovation scoreboard. Even though government funding for innovation has increased in 2020, through the bigger role of the Fund for Innovation and Technological Development (FITD), private firms are reserved about adopting new technologies. The FITD invests in small and medium sized enterprises (SMEs) to improve the innovative capabilities of companies, as well as to support adoption of new technologies contributing to private sector competitiveness. Three public calls were issued during the reporting period. The impact of this funding should be further assessed. Several additional constraints limit innovation activity: insufficient institutional coordination, funding limitations, and inadequate support systems for researchers and innovators.

Physical capital and quality of infrastructure

Investment spending remains low in light of major needs to increase physical capital. Gross capital formation, as a share of GDP, dropped in 2020 to 29.6% from 34.5% one year earlier. The share of gross fixed capital formation (GFCF) in GDP has declined gradually in the last years, and amounted to 21% in 2019, compared to 24% in 2015. Over half of GFCF is typically accounted for by investment in construction. Public sector investment makes up about one quarter of the total amount of GFCF, mainly on account of road construction through the Public Enterprise for State Roads. Meanwhile, the need to modernise the country's capital stock, in particular the transport and energy networks, is increasing.

Regional transport connectivity progresses slowly. The quality of transport infrastructure and trade logistics remains low, notably due to delays at border customs. When it comes to Trans-European networks, Road Corridor VIII needs substantial upgrading to highway level. In June 2021, the second deadline to complete the construction of the Kicevo-Ohrid motorway was missed. Delays in construction works also held up completion of major parts of Road Corridor X. The construction of the rail Corridor VIII towards Bulgaria is facing significant delays. The upgrading of cross-border rail connections and the facilitation of crossings on Rail Corridor X runs behind schedule. The Joint Railway Border Station with Serbia at Tabanovce is still in its planning stage. Maintenance and service of regional and local roads and rail systems need to be improved.

The digitisation of the economy is advancing further, but remains low compared with the EU. The percentage of households with internet access at home increased by 10 pp

between 2015 and 2020, to 79%. A fixed broadband connection to the Internet is used by 88% of household users, and by 92% of enterprises with ten or more employees, but smaller companies still face obstacles. Of the total number of enterprises, 54.5% had a website/homepage. Overall, there is a particular need to increase access to broadband; expand available e-government services; and develop digital skills.

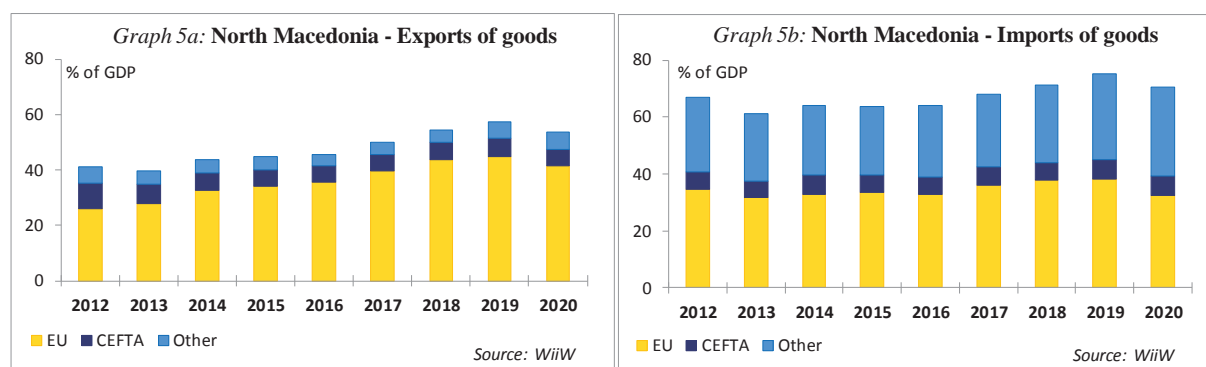
Efforts towards energy diversification needs to be improved. The economy is characterised by high-energy intensity with low efficiency in energy production and consumption. Production is highly dependent on coal and imports. The government pursues annual targets for raising the share of renewables in energy consumption. The distribution of natural gas, as an intermediate step in the decarbonisation process, is advancing, with efforts made to increase the transmission network. During 2020, the network length was approximately 200 km, with a distribution network of 70 km. The total distributed quantity was around 350 million m³. The connection to regional gas pipelines progresses slowly. Works on the gas interconnection with Greece has not yet started. This project would support diversification of natural gas sources and facilitate access to transit pipelines.

Measures to improve energy efficiency are stalled. The government recently passed the Law on energy efficiency, transposing Energy Efficiency and the Energy Performance Directives, and setting a best practice for the region, according to the Energy Community Secretariat. However, implementation is hampered by limited human and technical capacity. Financing to promote energy efficiency is limited, and plans to set up an Energy Efficiency Fund should be prioritised. There is a particular need to improve energy efficiency in buildings.

Sectoral and enterprise structures

Manufacturing takes up an increasingly more important share in the economy's output. The sectoral and business structure of the economy has posted gradual, though slow transformation in the past five years. The services sector dominates the output structure, at some 64% of total value added. The share of manufacturing has progressively gained ground, and stood at 15.3% of value added in 2020. This comes largely as a result of increased foreign direct investment. The share of agriculture dropped below 10% in 2020. Over half of employment was accounted for by service industries in 2020, which is only slightly more than five years earlier, followed by industry (33%, compared with 31% in 2015) and agriculture (12%, down from 17% in 2015). Over 99% of all companies are SMEs, providing over 77% of value added in the economy and an almost equal amount of employment. Supported by government programmes for business creation and innovation, the number of firms, in particular micro enterprises rose significantly in 2019, according to official data (+23% year-over-year).

Economic integration with the EU and price competitiveness



Trade openness remained relatively high. The economy posts a high degree of trade openness, at 124% of GDP in 2020. This is slightly lower than in the preceding year, as trade volumes declined by significantly more than GDP. Mainly reflecting the geographical trade structure, but also the impact of the pandemic on supply chains, the decline in exports to the EU in 2020 was less pronounced than for exports to the CEFTA region, while the reverse holds for imports. In 2020, exports to the EU accounted for 77.5% of total exports, which is only slightly less than in 2019, and partly accounted for by the decline in automotive supply exports, for which EU economies are the most important destination markets. The EU's share of imports, at 46.3% of total, was also lower than in the preceding year (-4.6pps). The share of exports to CEFTA countries (11% of total exports) was lower by 0.4pps, while the share of imports from CEFTA countries increased by 0.4pps to 9.6% of the total in this period. EU countries remain the most important investors in North Macedonia, but the EU's share in the total stock of direct investment has declined between 2014 and 2019, by 9.4pps to 72.2% (EU-28).

The economy's structural transformation remains driven by foreign investors active in higher value-added production. An important share of foreign investment in the country is allocated to higher value-added manufactured goods (machinery and equipment, chemical products). Accordingly, their production rose at the expense of basic goods (iron, steel and clothing). Since 2018, domestic companies active in these sectors have contributed an increasing share to total exports. However, integration of domestically owned companies in global production networks still remains scarce, mainly due to the type of products manufactured by foreign investors, and their position in the structure of global value chains (i.e. upstream or downstream), but also on account of productivity shortcomings of local firms. In 2020, the cost competitiveness of the economy deteriorated somewhat further. Labour productivity dropped further, on account of government-supported employment in a year of heavy output decline. Gross wages, propped up by government anti-crisis subsidies, continued to rise, even though decelerating compared with preceding years. The real effective exchange rate (CPI-based) has remained broadly stable in the past five years.

2.4. PUBLIC PROCUREMENT, STATISTICS; FINANCIAL CONTROL

Chapter 5: Public procurement

EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.

The country is **moderately prepared** in the area of public procurement. **Limited progress** was made with the implementation of the bylaws to the Law on Public Procurement and with additional staffing. Capacities of key institutions, contracting authorities and economic operators have to be further enhanced through continuous training. National authorities should implement more effective anti-corruption measures into the procurement cycle. The strategy for the development of the public procurement system is not yet finalised. The recommendations from the 2020 report were not fully implemented and remain valid. In the coming year, the country should in particular:

- ensure the efficient implementation of the public procurement legal framework, including the development and adoption of the Law on Public-Private Partnerships, the Law on Concessions and the bylaw on low-value e-marketplace;
- improve the co-ordination among key players in public procurement and strengthen their capacities and independence to implement the principles of transparency, free competition, equal treatment and non-discrimination;

→ improve control of public procurement procedures through efficient follow-up and the reporting of irregularities, cases of conflict of interest and fraudulent practices.

Institutional set-up and legal alignment

The **legal framework** on public procurement is largely harmonised with the EU *acquis*. The practice of ‘blacklisting’ of companies due to professional misconduct during the procurement phase continued, which is not in line with the relevant EU rules. In 2020, 36 negative references were issued by contracting authorities, out of which five were rejected by the Public Procurement Bureau (PPB). The finalisation and adoption of the Public-Private Partnership Law and the Concessions Law is delayed. The adoption of the bylaw on low-value e-marketplace is still pending and the strategy for the development of the public procurement system not finalised. A new draft law on strategic partnership for infrastructure projects has been adopted by the Parliament despite criticism by the State Commission for Prevention of Corruption (SCPC).

The **Public Procurement Bureau** continued to modernise and improve the public procurement system in the country to enhance its performance and functionalities. However, its monitoring and control competencies need to be strengthened. The cooperation between the PPB, the Ministry of Economy and the State Appeals Commission (SAC) remain insufficient. In addition, a more effective exchange of data and information should be ensured including with the Commission for Protection of Competition (CPC), the State Audit Office (SAO) and the SCPC.

In line with the 2020 action plan, the Bureau increased its staff to 38. It organised 14 trainings which were attended by 225 participants. Due to the COVID-19 crisis, most of the trainings were organised online. In addition, three workshops for auditors from the SAO helped to improve their expertise with regard to the implementation of the public procurement legal framework.

The electronic system for public procurement is functioning efficiently. The development of a platform for e-marketplace, e-catalogues and further improvement of the SAC processing system is ongoing. The contracting authorities’ annual procurement plans are regularly published on the platform.

The capacities of the Ministry of Economy, dealing with concessions and public private partnerships (PPP), remain limited. The registers on PPP and concessions have still not been established. In 2020, the Ministry of Economy organised four trainings on PPP for media and non-governmental organisations as well as for central state and local bodies. Three PPP contracts were concluded in 2020.

Implementation and enforcement capacity

In 2020, the **public procurement market** dropped to 8% of the country's GDP as compared to 11% in 2019. It represented 23% of the state budget. Capacities of contracting authorities at the central and local level are uneven and have to be further enhanced especially given increased transparency and integrity. The use of the most economically advantageous criteria is still very limited. Guidelines for the selection of the most economically advantageous bid were elaborated and published on the website of the PPB. Continuous training of contracting authorities on the application of these criteria have to be organised. The use of electronic auction is optional but frequently used.

On **monitoring of contract award and implementation**, the use of negotiated procurement procedures decreased to 5.4% in 2020, as compared to 9.08% in 2019. An assessment of the use of centralised procurement and framework agreements by the PPB is ongoing. The

proportion of the overall value of public procurement awarded to SMEs slightly increased to 63% in 2020 as compared to 61.44% in 2019. Tender cancellations in 2020 increased significantly to 30.8% as compared to 18.23% in 2019.

The e-procurement portal was upgraded and the use of the 'red flags' contributed to enhanced administrative control from the Bureau. In addition, the electronic archive module allows for the integrity of electronic procedures by keeping the documentation in its original electronic form, while the e-complaints module provides an electronic exchange of data with the appeals procedures. Also, the Law provides for annulment of public procurement contracts as well as other possible sanctions, such as fines, imposition of interim measures etc.

To increase transparency, the PPB developed a new functionality of the e-procurement system, enabling the contracting authorities to mark all contract award notices linked to the COVID-19 crisis and track these contracts easily. Furthermore, the system feeds the financial transparency webpage with data on COVID-19 related public procurement contracts. In 2020, there were 2,856 contracts concluded for a total amount of approximately EUR 10 million.

The **capacity to manage public procurement processes** has to be further enhanced, especially at the local level to achieve a more coherent approach in procurement cycle management. The quality of tender documentation remains a challenge for smaller contracting authorities. Continuous training of budget users and economic operators on the application of the new bylaws has to be ensured.

As per the Public Procurement Law, contracting authorities are obliged to publish their annual public procurement plans as well as concluded public contracts and their amendments to ensure increased transparency.

The regulatory and institutional mechanisms on **integrity and conflict of interest** are still insufficient. There is no risk assessment system incorporated into the procurement cycle to ensure timely information on possible corruptive practices or irregularities, including bid-rigging. In 2020, the SCPC investigated eight suspicious cases reported from individuals and legal entities and on one case on its initiative. The PPB reported to the State Commission on a case where irregularities were observed during contract implementation.

The role and the capacity of the SAO in performing audits of public procurements have been enhanced through the implementation of the new public procurement audit programme providing updated guidance and methodological tools to auditors. One regularity audit was carried out for emergency public procurements linked to the COVID-19 crisis. (*See Chapter 32 – Financial control*).

Efficient remedy system

The legislation on the **right to legal remedy** is broadly aligned with the EU *acquis*. The **implementation capacity** of the SAC remained insufficient. Given the significantly increased number of appeals compared to the past years, there is a need for additional qualified staff to ensure timely processing of the appeals. There is no considerable backlog of decisions. However, most of them cover exclusively legal and administrative matters rather than issues related to the technical substance of the appeals. The number of appeals had grown from 902 (2019) to 1076 (2020). The resolution rate was 96.4% in 2020. 110 lawsuits were filed against the decisions of the Commission and submitted to the Administrative Court for revision.

Chapter 18: Statistics

EU rules require that Member States are able to produce good quality statistics in line with the principles of the European statistics Code of Practice and based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.

The country has a **moderately prepared** in the area of statistics. **Good progress** was made, especially in preparatory work and conduct of the population census, officially launched in September 2021, for which the legal framework and methodology were adopted. The census operation, the first since 2002, was completed on 30 September 2021. Improvements are noted in all statistical areas and further aligning of sectoral statistics with EU standards. Continued efforts are needed to improve the scope and data quality of macroeconomic and social statistics. As last year's recommendations were partially carried out, in the coming year, the country should in particular:

- process and publish the results of the population census;
- continue to align financial accounts and quarterly national accounts with the European System of Accounts 2010 (ESA 2010);
- ensure adequate staffing and sufficient financial resources for the State Statistical Office.

The legal framework for **statistical infrastructure** is broadly in line with the European Statistics Code of Practice. The Statistical Council has met regularly in 2020. Regarding other main statistics producers, the central bank is fully committed to the statistical standards' code of practice. The Ministry of Finance has not yet appointed a head of statistics. The IT systems of the State Statistical Office (SSO) have been upgraded to increase interconnectivity, storage capacity and protection with the setup of a backup system at the national disaster recovery centre in Prilep from October 2021 onwards. Dissemination of statistical data was realised in accordance with the Advanced Release Calendar for data publishing. The Office adopted a pro-active communication approach to inform citizens about the Census of Population, Households and Dwellings, including the creation of a dedicated website as well as social media profiles. Despite the COVID-19 situation, most main statistical surveys were carried out. For the first time, the SSO adopted a Handbook for Internal Quality Audit of all processes and products. Human resources of the state statistical system need to be further increased and vacancies filled.

On **classifications and registers**, the main classifications comply with the EU *acquis* and are updated regularly. Progress was noted in the use of administrative data sources, including for piloting the population census. The Office finalised the logical design of the new Statistical Business Register including updated statistical definitions in line with the latest EU regulation, as well as a new delineation of enterprise groups. The Statistical Farm Register was updated by using data from the administrative register of agricultural holdings. Data availability and quality improved but still need to further comply with new requirements. Data transmission to Eurostat further increased but remains incomplete.

The country made good progress on **macroeconomic statistics**. GDP by production and expenditure approach at current and constant prices are regularly produced and transmitted to Eurostat. The timeliness of the publication and transmission of GDP on annual level based on quarterly calculations improved. Seasonal and calendar-adjusted data are revised based on methodological improvements. Annual sector accounts are produced in accordance with ESA 2010. Improvement of the compilation of Quarterly National Accounts (QNA) in accordance with ESA 2010 is ongoing. QNA for the government sector were compiled on an

experimental basis for two years (2017 and 2018). The supply and use tables for 2017 in accordance with ESA 2010 were published. Progress was made in improving the government finance statistics (GFS) and the excessive deficit procedure (EDP) notifications. The SSO transmitted the October 2020 EDP notification, although not fully filled in. The timeliness of preliminary data on gross value added (GVA) and gross domestic product (GDP) by region and activities was improved. In the area of financial accounts statistics, the National Bank published for the first time the annual financial accounts data and made regular transmission of annual financial accounts stock data to Eurostat, with improved methodology and coverage for certain financial instruments. The National Bank produces statistics on the balance of payments and foreign direct investment according to the latest standards. It transmitted to Eurostat detailed FDI data for 2019, by activity and geographical breakdown.

Structural **business statistics** and short-term statistics for the industry and construction sectors are well developed. On foreign affiliates statistics (FATS), data for 2018 were published for inward data, but not transmitted to Eurostat. Statistics on research and development and on ICT are sufficiently aligned. For services statistics, turnover indices are regularly produced, disseminated and transmitted to Eurostat in accordance with the regulation. The prices of services' survey was piloted for transport services, and postal and telecommunication services. The harmonised index of consumer prices data are transmitted to Eurostat monthly. The survey on International Trade in Services Statistics has been developed but without a detailed geographical breakdown.. Preliminary work to set up tourism satellite accounts showed good progress. Transport statistics are produced in accordance with the EU *acquis*.

Good progress was made on **social statistics**. Particularly relevant is the progress made to prepare and conduct the Census of Population, Households and Dwellings. Due to the COVID-19 pandemic, the census was postponed from April to September 2021. After almost 20 years, the census was officially launched on 5 September and the data collection process lasted until 30 September 2021. The Law and the Methodology for preparing, organising and conducting the Census were adopted. They are broadly compliant with the relevant standards defined in the European Union's statistical legislation. The survey on income and living conditions is regularly carried out. Progress was achieved with improvements in social protection statistics. Migration statistics need to be further improved. Labour market statistics are largely aligned with the EU *acquis*. Activities are under way to improve statistics on crime, education and public health statistics.

Agricultural statistics are partly in line with the EU *acquis*. The farm structure survey was postponed due to COVID-19. For the annual crop statistics, the EU methodology for surveys and the data-editing procedure was tested. The forecast and estimation models for the animal production statistics were developed. The questionnaire for fishery statistics was revised and aligned to EU standards. Agro-monetary statistics are produced in line with the EU *acquis*.

Energy and environment statistics are mostly in line with the EU *acquis*, including environmental protection expenditure statistics, waste statistics, water statistics, and environment-related taxes' statistics. Compilation work has begun for air emission accounts and physical energy flow accounts. Material flow accounts are generated, although material flow balances are not yet included. The country also provides short-term energy statistics and energy balances. The Sample Survey for energy consumption in households was conducted in compliance with the EU Regulation 1099/2008.

Chapter 32: Financial control

Based on international standards, the EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

North Macedonia is **moderately prepared** in this area. **Limited progress** has been made with the improvement of the internal control system and managerial accountability in budget users on central and local level. The implementation of the public internal financial control (PIFC) policy paper and action plan has been delayed due to the COVID-19 crisis and limited capacities of key stakeholders. The functioning of the financial inspection is not sufficient. The independence of the State Audit Office (SAO) is not yet guaranteed by the Constitution. The parliamentary oversight of public funds management is not efficient yet.

In the coming year the country should in particular:

- adopt and efficiently implement the new PIFC law and methodological tools in order to ensure improved transparency, managerial accountability and sound management of public funds;
- enhance the co-operation between State Audit Office (SAO) and Parliament and improve parliamentary scrutiny of budget implementation and follow-up of SAO audit recommendations;
- establish and ensure the efficient functioning of the anti-fraud coordination (AFCOS) network and improve the prevention, management and reporting of irregularities.

Public internal financial control

The public internal financial control (PIFC) **strategic framework** covers priorities defined by the 2018-2021 Public Finance Reform programme and by the 2019-2021 PIFC policy paper and the 2019-2021 action plan. During 2020, there were delays in the implementation of these strategies due to the COVID-19 crisis and limited resources. The PIFC Committee and the Public Finance Management (PFM) Council continued to carry out on-line monitoring on technical and political level. The progress report on the implementation of the PIFC policy paper covering the period June-December 2020 was adopted by the PIFC Committee in March 2021. The adoption of the new PIFC law by Parliament is still pending, together with the adoption of the new Organic Budget Law (OBL). Continuous and systematic training of experts in public finance sector is expected to be ensured through the establishment of the Public Finance Academy. The adoption of the law on the Public Finance Academy is still pending.

The efficient implementation of **managerial accountability** remains a challenge for budget users at central and local level. Coherent application of the manual on managerial accountability is yet to be ensured together with enhanced delegation of powers by the management level in public entities.

The legal framework on **internal control** is harmonised largely with international standards, however, its implementation has to be further enhanced. In 2020, the process of adopting risk management strategies and risk registries continued both on central and local level. Nevertheless, their incorporation in main financial control and management processes remains insufficient.

The efficient functioning of the financial inspection is yet to be achieved. Further harmonisation of the legal basis is needed as well as development and implementation of methodological tools, which will provide for sound financial management. Continuous training and building up of capacities of financial officers and inspectors should be ensured too.

With regard to **internal audit practice**, a new manual and guidelines were developed and adopted. Currently 164 internal audit units are established, out of which 91 units - at central level and 73 - at local level. However, their capacities to implement internal audit standards efficiently remain limited. A national certification system for internal auditors still has to be introduced.

The **Central Harmonisation Unit (CHU)** continued to provide methodological guidance and to coordinate the development of financial management and control and internal audit in the public sector. However, its capacities remain insufficient especially concerning monitoring and reporting on the functioning of the overall internal control system. The 2019 annual PIFC report was adopted by the government in August 2020. An improved structure, scope and procedures of the report have been elaborated and will be implemented following the adoption of the new PIFC law.

External audit

The **State Audit Office (SAO)** law is largely harmonised with the International Organisation of Supreme Audit Institutions (INTOSAI) standards. Nevertheless, further harmonisation of the legal framework is currently on-going in order to ensure improved external audit function in public sector as well as enhanced financial and operational independence of SAO. The constitutional amendments providing for SAO's independence are not yet introduced.

With regard to the **institutional capacity** of SAO, new acts for organisation and job systematisation were adopted in 2020. The number of SAO staff increased by a total of 14 employees, and 22 employees were promoted to higher job positions. The number of SAO employees increased by over 30% compared to 2019. In 2021, this process continued with additional 15 new staff and 12 promotions as per the SAO 2021 Annual Employment Plan. The total number of SAO employees is 114, out of which 102 audit staff and 12 administrative support staff. The SAO continued the implementation of the Annual Plan for professional development and training of state auditors, though the majority of the trainings were held online. The SAO carries out a compliance audit on the final government accounts of the core budget by June each year. In 2020, the audit coverage of the total audit expenditure was 59%. The SAO 2019 annual report on performed audits was adopted by Parliament in March 2021 and published on SAO's website. In order to address the challenges faced by the country due to the COVID-19 crisis, the SAO included and finalised, under its 2020 Annual Work Programme two additional audits covering the economic and social measures of the government for addressing the challenges of the crisis. Four additional COVID-19 related audits are planned under the 2021 Annual Work Programme. In addition, the following strategic documents were adopted: SAO Communication Strategy 2020-2023; Risk Management Strategy 2020 - 2023 and Risk Register; Human Resources Management Strategy 2020 – 2023; Guidelines for strategic and annual planning on audits and a SAO strategic audit plan 2021-2023. The SAO Annual Work Programme for 2021, covering 71 audits, out of which nine performance audits and one IT audit, was prepared and approved in December 2020. Progress has been made in raising public awareness of SAO's activities, increase interest of media as well as in implementing the Communication Strategy 2020-2023.

The **quality of audit work** can be considered as sufficient and harmonised with the INTOSAI standards. During 2020, the SAO issued 90 final audit reports which were sent to Parliament

and published on the SAO's website. The process of quality assurance of audits was performed based on the audit quality assurance guidelines and the annual program for quality assurance of audit, which was fully implemented in 2020.

As regards the **impact of the audit work**, the SAO's recommendations are not efficiently implemented by the auditees. In 2020, 84% of SAO audit recommendations were implemented. The co-operation between SAO and Parliament has improved, however, parliamentary scrutiny on budget preparation and implementation has to be further enhanced. Transparency and accountability of public funds management has to be ensured on the basis of efficient monitoring mechanisms both by the executive and by Parliament, including through follow-up of audit recommendations provided by the SAO.

Protection of the EU's financial interests

As regards EU **acquis alignment**, national legislation is largely harmonised with the Convention on the Protection of the EU's financial interests. The process of alignment with the EU Directive 2017/1371 has started and amendments to the Criminal Code were elaborated but yet to be adopted. The capacities of the **anti-fraud co-ordination (AFCOS) unit** at the Ministry of Finance have been enhanced by increasing the staff to four. The legal basis for the establishment of the institutional framework (AFCOS network) of the system for protection of the EU financial interests has been elaborated and it is expected to be adopted following the adoption of the Organic Budget Law (OBL). The national anti-fraud strategy (2019-2022) and action plan are being implemented successfully. The 2020 annual progress report was elaborated and adopted by the government in May 2021. **Cooperation with the European Commission** continued in 2020, with the national authorities reporting 16 cases of irregularities through the irregularity management system out of which 13 cases were qualified as irregularities and 3 cases as suspected fraud. Support was provided by the Financial Police and the Basic Prosecutor's Office for Prosecuting Organised Crime and Corruption to OLAF during on-the-spot check operations in the country.

Protection of the euro against counterfeiting

As regards EU **acquis alignment**, national legislation is to some extent harmonised with the EU regulations defining the system for the fight against counterfeiting of the euro. Progress has been made by the National Bank in carrying out a **technical analysis** and detection of counterfeit money, elaborating new methodological tools as well as in timely exchange of data with national and international authorities. In 2020, the National Bank further improved its capacities through continuous online trainings by involving experts from all key institutions in the system.

The capacities of the Ministry of Interior to prevent, detect and investigate criminal offences related to counterfeiting money, remain limited. There is still insufficient coordination among key institutions in the system. No electronic system for exchange, processing, analysis and reporting of cases has been established. In October 2020, the National Bank concluded a **cooperation agreement** with the European Central Bank in the field of protection of euro banknotes against counterfeiting. The country participates in the Pericles 2020 programme and in the regional Balkan Network for Euro Protection initiative.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Good neighbourly relations and regional cooperation form an essential part of North Macedonia's European integration process and contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past. North

Macedonia maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), Energy Community, Transport Community, the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council.¹²

The COVID-19 pandemic has accelerated the ambition to enhance regional integration, by displaying the important links between markets in the region as well as between the EU and the six Western Balkans economies. Given the European perspective of the Western Balkans, the EU has continued to treat the region as privileged partners by associating them with the Union's mechanisms and instruments, including an exemption from temporary EU export restrictions of medical equipment.

At the Sofia Summit on 10 November 2020, which was co-chaired by North Macedonia and Bulgaria, the six Western Balkans leaders adopted the Declaration on the Common Regional Market and the Declaration on the Green Agenda for the Western Balkans. This followed upon previous commitments taken at the EU-Western Balkans Zagreb summit in May 2020 and the recognition of the role of deepened regional economic integration to support the economic recovery of the Western Balkans. The Common Regional Market is structured around the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industrial policy. This makes it the most ambitious regional integration effort to date in the Western Balkans. The Common Regional Market builds on EU rules and standards and represents a stepping-stone to integrate the region more closely with the EU Single Market already before accession.

The Common Regional Market will be critical in increasing the attractiveness and competitiveness of the region. It will help North Macedonia to speed up the recovery from the aftermath of the pandemic, notably to attract investors looking for diversification of supply and shorter value chains and to maximise the benefits of the infrastructure investments under the Economic and Investment Plan. It is therefore important that all parties play a constructive role in building the Common Regional Market and deliver on their joint commitments.

The Green Agenda for the Western Balkans aims at reflecting the European Green Deal in a proportionate and adapted manner in the Western Balkans. The objective is to turn environmental and climate challenges, similar in the region, into opportunities. Given that natural resources and climate change do not know any border, the Green Agenda foresees joint actions, which will contribute to the sustainable socio-economic development and the green recovery of the entire region in the post-pandemic period. North Macedonia should contribute to successfully implement this joint regional vision, with high level of ambition.

The first high level meeting regarding the implementation of the Agreement on the Protection and Sustainable Development of the Prespa Park Area took place in June 2021, including ministers of environment from North Macedonia, Albania and Greece.

The Prespa Forum for Dialogue was organised in July 2021, including with the participation of regional stakeholders. The forum aimed at promoting regional cooperation and good neighbourly relations.

¹² North Macedonia also participates in the 'Brdo-Brijuni process', the European Common Aviation Area Agreement, the Regional Initiative for Migration and Asylum, the Regional School of Public Administration (ReSPA), the European Strategy of the Adriatic Ionian Region (EUSAIR), etc. In November 2020, North Macedonia officially became the 13th member of the Organisation of the Black Sea Economic Cooperation (BSEC). From January 2021, North Macedonia has taken over the chairmanship of the Western Balkans Funded. North Macedonia has the status of observer in the Danube process.

The Berlin Process summit on 5 July 2021 was an occasion for the Commission to announce targeted assistance related to combating the COVID-19 pandemic and post-pandemic recovery, as well as the preparations of a 2021 financial package under WBIF for the implementation of the Economic and Investment Plan. The participants also took stock of the achievements of the connectivity agenda with the region, which now includes 45 investment projects, supported by EUR 1 billion in EU grants that have leveraged EUR 3.8 billion in loans. Regrettably, despite good technical progress, the Western Balkan partners were not able to conclude several important agreements related to the Common Regional Market and CEFTA, because of bilateral and status issues. The participating Member States and the Commission called for a constructive approach to making progress on the Common Regional Market, which will help the region take full advantage of the Economic and Investment Plan. In July 2021, the regional agreement on roaming fees signed at the April 2019 Western Balkans digital summit in Belgrade entered into force, enabling ‘roam like at home’ (RLAH).

On 29 July 2021, political leaders from Albania, North Macedonia and Serbia, met to launch the Open Balkan Initiative, this aims to remove economic barriers between the three countries by 2023. Two memorandums were signed one on trade facilitation and movement of persons, the second on steps towards a single labour market.

The country remained committed to **bilateral relations** with other enlargement countries and neighbouring EU Member States.

Relations with *Albania* remained good. In February 2021, during a visit by the Minister of Foreign Affairs of North Macedonia to Albania. During the reporting period, the countries signed an Agreement for the Recognition of Phytosanitary Certificates and an Agreement for joint fisheries management in Lake Ohrid and Lake Prespa. In June 2021, the Prime Ministers of North Macedonia and Albania signed an agreement establishing joint border and customs controls.

Relations with *Bosnia and Herzegovina* are good. Cooperation in the field of EU integration takes place within the framework of the Cooperation Agreement between the government of North Macedonia and the council of ministers of Bosnia and Herzegovina in the EU accession process.

Relations with *Kosovo* remained active. The Deputy Prime Minister visited Kosovo in March 2021, while the Foreign Minister paid a visit to Pristina in April 2021.

Relations with *Montenegro* remained good. In January 2021, the Foreign Minister of North Macedonia paid an official visit to Montenegro. In March 2021, Deputy Prime Minister of Montenegro paid an official visit to North Macedonia.

Relations with *Serbia* continued to intensify. Serbia donated vaccines from its stocks to North Macedonia in February 2021. On that occasion, a meeting between the President of Serbia and the Prime Minister of North Macedonia took place. The Foreign Minister visited Belgrade in February 2021 and held several meetings.

Bilateral relations with *Turkey* remain good. The President, the Prime Minister and Ministers of Justice and of Health of North Macedonia visited Turkey in April 2021. Turkey sent aid to North Macedonia in the form of medical equipment to deal with the COVID-19 crisis. Turkey’s economic presence in North Macedonia remains considerable.

During the reporting period, there was a particular focus on overcoming pending bilateral issues with *Bulgaria*, bringing further impetus to the implementation of the Treaty of Friendship, Good Neighbourliness and Cooperation and on efforts to unblock the official launch of accession negotiations. North Macedonia designated a former Prime Minister as

Special Envoy for relations with Bulgaria. The Foreign Minister of North Macedonia paid an official visit to Sofia in November 2020 and subsequently met on several occasions with Bulgarian counterparts. The President of North Macedonia met the President of Bulgaria in May 2021. The Prime Minister visited Sofia in June 2021 with a set of proposals designed to address differences. Several meetings of the Joint Multidisciplinary Commission on Educational and Historical Issues took place during the reporting period. Both sides agreed on the re-broadcasting of national television programmes in both countries. Correspondent offices of MIA in Sofia and the Bulgarian Telegraph Agency in Skopje have been opened. Despite efforts, the official launch of accession negotiations remains blocked.

Implementation of the Prespa Agreement with *Greece* continued, although at a slower pace. The Foreign Minister visited Athens in January 2021 and held meetings with the leadership of Greece. Three Memorandums of Understanding were signed during the visit – on investment cooperation, on training of diplomats and on civil protection. The two countries are also expanding cooperation in the area of energy. At the end of March 2021, state companies from North Macedonia and Greece signed several Memorandums of Cooperation including on possible gas and electricity supplies to North Macedonia. In May 2021, Prime Minister visited Athens, where he met with the Prime Minister of Greece on the occasion of his participation in the Delphi Economic Forum. In August 2021, the Greek Foreign Minister paid an official visit to North Macedonia. The President of North Macedonia paid an official visit to Greece in October 2021.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

The internal market cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28). North Macedonia is moderately prepared in most of the areas covered by Cluster 2 on internal market, namely the free movement of goods, services and capital, intellectual property and competition policy. Meanwhile, the country has a good level of preparation on company law, although it is still at an early stage on freedom of movement for workers. In the reporting period, North Macedonia made limited or no progress in all areas, except on free movement of capital, company law and intellectual property where it made some progress. Overall, more progress is needed in the coming year in the areas covered by this cluster as it is relevant for North Macedonia's preparations to meet the requirements of the EU's internal market and is of high relevance for the development of the Common Regional Market.

Chapter 1: Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these creating unjustified barriers to trade.

In the area of the free movement of goods, North Macedonia is **moderately prepared**. National legislation in this chapter is largely designed to be aligned with the EU *acquis* and allows products to be traded freely. **Limited progress** was achieved in implementing last year's recommendations. A new law on general product safety was adopted, but it is not yet fully aligned. However, non-tariff barriers to trade remain and market surveillance capacity is

insufficient.

As last year's recommendations have been partly addressed, in the coming year, North Macedonia should in particular:

- complete alignment with the EU General Products Safety Directive;
- initiate comprehensive screening of non-tariff barriers to trade;
- strengthen administrative capacity to enforce the legal framework.

General principles

The institutional framework for the **production, distribution and marketing of industrial products** is in place. In December 2020, Parliament adopted a new Law on general product safety. However, full alignment with the relevant EU *acquis* is not yet achieved as corresponding by-laws and laws on technical requirements are not adopted. Further **alignment** of the national **legislation with the EU *acquis***, as foreseen in the national plan, is pending. The strategic plans for accreditation and metrology expired in 2020 and new plans have not yet been drawn up.

Non-harmonised area

The Ministry of Economy is the main body in charge of the follow-up and implementation of compliance with **Articles 34-36** of the Treaty on Functioning of the European Union (TFEU). Nine non-tariff barriers to trade were partly removed with the adoption of a rulebook on standards and norms for design. The government has started screening the national legal framework to identify other non-tariff barriers to trade.

Harmonised area: quality infrastructure

The administrative structure is fully functional for technical regulations, standards, conformity assessment, accreditation, metrology and market surveillance. A new horizontal strategy for alignment of the EU *acquis* in the area of free movement of goods needs to be adopted. The National **Standardisation** Institute, a full member of the European Committee for Standardisation (CEN) and European Committee for Electro-technical Standardisation (CENELEC), adopted 21,381 European standards as national standards. The Institute developed a strategy for standardisation 2020-2022, with support from the International Organisation of Standardisation.

In June 2021, there were 192 active **conformity assessment** bodies for calibration, testing, medicinal laboratories, product and process certification and inspection. The National **Accreditation** Institute is a member of the International Accreditation Forum, the European Cooperation for Accreditation and the International Laboratory Accreditation Cooperation. There are no national accreditation schemes for the certification of personnel and skills testing.

The Bureau of **Metrology**, the national metrology body, is an official member of the European Association of National Metrology Institutes and the General Conference on Weights and Measures. It has 36 staff members but lacks technical staff. It acquired new mass equipment for laboratories and for the preparation and certification of ethanol/water reference solutions and the analysis of petrol. This will increase the scope of services of the Bureau.

During 2020, the main body responsible for **market surveillance**, the State Market Inspectorate, devoted a significant part of its activities and inspectors to monitoring the implementation of health-protective measures in the context of the COVID-19 pandemic. This

led to a reduction in regular inspections. In 2020, the Inspectorate carried out 428 inspections under the general **product safety law** (up from 359 in 2019) and 20 inspections under the construction products law (down from 573 in 2019, also due to less construction activity). Following these inspections, the Inspectorate withdrew 34 harmful products from the market, mostly toys and children's clothing. Despite new employments in the first half of 2021, the Inspectorate lacks enforcement capacity and operates with an insufficient number of licenced inspectors, outdated equipment and insufficient funds to carry out product sample tests.

Harmonised area: sectoral legislation

In the area of '**new and global approach**' to product legislation, the level of alignment with the EU *acquis* is low. National legislation in the area of machinery, lifts, low voltage, pressure equipment, portable pressure equipment, electromagnetic compatibility, personal protective equipment, low voltage, gas appliances, explosive atmospheres, pressure equipment, radio and telecom equipment is not yet aligned with the latest EU *acquis*. There was no progress in alignment to the EU *acquis* on toys or on medical devices. 11 relevant pieces of implementing legislation drafted in 2020, to align with the EU *acquis*, have not been adopted. The national annexes to the EN Eurocodes have been issued but enforcement has been postponed to 2023.

Some national legislation under the '**old approach**' to product legislation was designed to align with the EU *acquis*. However, in the reporting period, there was no progress on vehicles, medicine for human use and medicine for veterinary use. There was also no progress since 2016 in the areas of the EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), nor on chemicals, classification, labelling and packaging of substances and mixtures, good laboratory practices, or **fertilisers** and **detergents**. The administrative capacity in the area of **firearms** was not improved.

On **procedural measures**, the Ministry of Economy and the Standardisation Institute are responsible for the **notification procedures** for standards and technical regulations. Public authorities performing the relevant checks and supervision are in place and fully operational. The licensing, monitoring and control systems for businesses dealing with **drug precursors** and **civil explosives** remain operational. National legislation on returning **cultural goods** unlawfully removed from a Member State is designed to align with the EU *acquis*. There is no **external border check** on conformity with product safety rules for products imported from non-EU countries.

Chapter 2: Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

The country is at an **early stage** of preparation in the area of freedom of movement of workers. **No progress** was made in the reporting period on last year's recommendations and they remain valid.

In the coming year, North Macedonia should in particular:

- continue to adapt the legal framework in line with the EU *acquis* on access to the labour market, in particular regarding non-discrimination on grounds of nationality against EU workers;
- take steps to conclude further bilateral agreements on social security coordination, and work on identifying which administrative measures should be introduced in preparation for future accession.

There was no progress in aligning national legislation with the EU *acquis* in the area of **access to the labour market**. Employment of foreigners is regulated by the Law on employment of foreigners. EU citizens do not have a special status or access to public administration posts, except some public positions in the areas of health and education. North Macedonia decides on a maximum quota of various types of work permits for foreign workers on an annual basis, which can be acquired by submitting a single application to a single authority. In 2020, North Macedonia issued 3 672 work permits for foreign workers, of which 593 were for EU citizens. There were still no developments to prepare for joining the European network of employment services (**EURES**) upon accession.

There were no changes in bilateral coordination of social security systems. The country has 23 bilateral agreements in place 13 with EU Member States. There are, in total, 18 agreements for mutual health insurance that allow people to use healthcare services in another country. Of these, 12 agreements are with EU Member States. Nine agreements between North Macedonia and EU Member States allow for the use of the **European Health Insurance Card**. No new agreements were concluded last year in any of the three areas above.

Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. Postal services are gradually being opened up to competition.

North Macedonia is **moderately prepared** regarding the right of establishment and the freedom to provide services. **No progress** was made during the reporting period. The postal market opening was exceptionally reversed. The Point of Single Contact is not yet fully functional. More efforts are needed to further align with the EU *acquis* on recognition of professional qualifications. As last year's recommendations were not addressed they remain valid. In the coming year, North Macedonia should in particular:

- continue aligning national legislation with the EU *acquis*, notably on services and mutual recognition of professional qualifications;
- establish a Point of Single Contact, including for company registration, in line with the Services Directive;
- continue aligning national legislation with the EU *acquis* on postal services, including with the Regulation on cross-border parcel delivery services, and restore the full opening of the postal market to competition.

On the **right of establishment and freedom to provide cross-border services**, the country continued to update its action plan to address non-compliance of sectoral laws with the new law on services. The implementation of this law needs to improve. The preparations for a Point of Single Contact continued, but remain at an early stage. The upgrade of the e-services portal for issuing licenses to business activities, required at national and cross-border level, is underway. Foreign companies are still not certified on quality assurance by national public administration bodies, which impedes their freedom to provide services.

The market on **postal services** was briefly opened to full competition on 1 January 2021, when the reserved area of the universal service was abolished. A legal amendment was however introduced reversing the market opening, and consequently restoring a postal monopoly, on 14 July 2021. The new date for full market opening is again postponed to 1 January 2022. The Postal Services Directive specifically foresees a gradual and controlled opening of the postal market to competition in order to enable an orderly transition to the new

market context. Moreover, the Stabilisation and Association Agreement commits North Macedonia to take the necessary steps to progressively align, not reverse, its national legislation with EU *acquis*. The reversal of the market opening and restoration of the monopoly is not only not in line with those commitments but creates legal uncertainty for businesses, operators and citizens alike. The independence and administrative capacities of the postal regulator need further strengthening to facilitate the transition towards full market opening and to enable the regulator to perform its regulatory function. In 2020, 47 licensed postal service providers were active on the postal market, with licenses covering different services and geographical areas. The institutional capacity of the Ministry of Transport and Communications' section dealing with the postal sector needs to be strengthened. The Post of North Macedonia, the universal service provider, does not yet have a system in place for cost accounting and accounting separation, which is required in a fully liberalised postal market. The findings of the audit report by the State Audit Office on the Post of North Macedonia, indicating recurrent irregularities, need to be addressed.

No progress was made on the **mutual recognition of professional qualifications**. The law on recognition of professional qualifications designed to align with the EU *acquis* has not been adopted yet. Legislation still needs to be harmonised with the EU Directive 2005/36/EC to comply with the minimum training requirements. The data validation of the professional qualifications electronic register still needs to be finalised and the accredited professional qualifications included. An updated and transparent list of all regulated professions, including their justifications, has not been prepared. There is a need to strengthen the institutional capacity of the Ministry of Education and Science's section dealing with mutual recognition of professional qualifications.

Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move without restriction and there are common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

North Macedonia is **moderately prepared** in the area of free movement of capital. The country adopted measures to reduce restrictions on the free movement of capital and to facilitate cross-border payments but needs to accelerate reforms. North Macedonia is taking steps in the right direction to strengthen the capacity to detect money laundering and the financing of terrorism. **Some progress** was made by revising the legislative framework and setting up a register of real owners of legal entities. In the coming year, the country should, in particular:

- prepare a roadmap with actions and timelines to apply EU rules in the area of free movement of capital;
- adopt and implement the new legislation on payment systems and services in line with the EU *acquis*;
- strengthen the capacity of relevant stakeholders in fighting money laundering and the financing of terrorism, to ensure the systematic conduct of financial investigations in criminal cases, and further align with the EU *acquis* in this area.

North Macedonia maintained some restrictions on **capital movements and payments**. For example, residents cannot hold a bank account abroad, while foreigners can open a bank account in the country. Foreigners cannot be owners of agricultural land in the absence of a reciprocity agreement. There is a need to finalise a roadmap to apply EU rules in this area in line with the obligations under the Stabilisation and Association Agreement.

The oversight of **payments systems** is carried out by the National Bank. After intense consultations with the stakeholders, the law on payment systems and services that aims to align the domestic legislation with the EU *acquis* has entered government procedure. The National Bank has advanced the preparation of the relevant implementing by-laws. To align the national payment system to the requirements of the Single Euro Payment Area (SEPA), the National Bank has also prepared a model for the system migration to the messaging standard according to ISO 20022.

In the **fight against money laundering and the financing of terrorism**, efforts were made to align further with the EU *acquis*. The Law on the fight against money laundering and the financing of terrorism was amended to harmonise its provisions with national legislation regulating misdemeanours, the central population register and electronic government and services. Following the amendment, the Central Registry of North Macedonia became operational and could register real owners of legal entities. The register provides now clarity on the ownership in the business sector and contributes to increased security of legal transactions in the country. Furthermore, the National Bank revised the decisions on opening and closing transaction accounts, on opening foreign currency accounts for residents and on opening foreign currency accounts for non-residents. The draft Law on the fight against money laundering and the financing of terrorism that aims to approximate fully with the EU 5th AML Directive, including crypto-assets, is in consultative procedure with the stakeholders. Based on the findings of the updated National Risk Assessment, the new national strategy for the prevention of money laundering and financing of terrorism, including its action plan was adopted. It focuses on the implementation of supervisory activities and preventive measures based on the risk assessment methodology. Coordination among institutions has increased. The National Council for the prevention of money laundering adopted rules of procedures and prepared for the upcoming MONEYVAL evaluation. The National Bank adopted an anti-money laundering policy for fulfilling its operational role as a provider of payment services. It still needs to establish a central register of bank accounts. Overall, the anti-money laundering system needs to enhance the methodology, network and infrastructure to conduct a coordinated strategic analysis, based on a risk assessment. The Financial Intelligence Office strengthened its analytical capacity for data processing and financial analysis. In 2020, the Office reported 292 cases of suspicious transactions, one less than in 2019. The Office sent 35 reports (54 in 2019) of money laundering and terrorism financing cases and 122 notifications (172 in 2019) of other cases to the law enforcement bodies. As a result, 7 people were indicted and 1 convicted for money laundering or terrorism financing in 2020. (See also *Chapter 23 - Judiciary and fundamental rights and Chapter 24 - Justice, Freedom and Security*).

Chapter 6: Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

North Macedonia has a **good level of preparation** in the area of company law. The harmonisation with the EU *acquis* is well advanced on the establishment, registration, merger and division of companies. **Some progress** was made in bringing company legislation further in line with the EU *acquis* during the reporting period, in particular in the field of cross-border mergers and corporate governance. More alignment is needed in the area of corporate accounting and statutory audit. The Law on accounting and the Law on audit are still not adopted. The financial independence and institutional capacity of the Council for Advancement and Oversight of Audit needs to be strengthened. As last year's

recommendations were partly addressed, in the coming year, North Macedonia should in particular:

- further align with the EU company Law *acquis*, including in the field of shareholders' rights;
- adopt legislation on accounting and on audit aligned with the latest EU *acquis* on corporate accounting and statutory audit.

The new amendments to the **company Law** aim at aligning it with the EU Directive on cross-border mergers. The project to revise the Corporate Governance Code is still pending. An obligation was introduced to apply the Corporate Governance Code for listed companies, in accordance with the EU Directive on the annual financial statements, consolidated financial statements and related reports of certain financial undertakings. Further alignment is necessary with the 2019 EU *acquis* on use of digital tools and cross-border operations, as well as with the rules on the encouragement of long-term shareholder engagement.

The listing rules of the country's stock exchange are in line with the requirements of the Transparency Directive.

Legislation on accounting remains to be adopted. The latest EU *acquis* on **corporate accounting** needs to be incorporated into the new legislation on accounting. International financial reporting standards apply to all companies, with no reduced obligations for small and medium enterprises. Reporting requirements for non-financial information are not met.

On **auditing**, the legislation on audit as well as on investigations and sanctions remains to be adopted. More efforts are needed to strengthen the financial independence and visibility of the Council for Advancement and Oversight of the Audit.

Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), and for the legal protection of copyright and related rights. Rules for the legal protection of IPR cover for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

North Macedonia remains **moderately prepared** in this area. There was **some progress** in alignment with the EU *acquis* on copyright and with the establishment of an information platform for law-enforcement institutions to exchange data on the protection of intellectual property rights (IPR). The recommendations of the 2020 report were not fully implemented and remain valid. In the coming year, North Macedonia should in particular:

- further improve the legal framework on intellectual property, notably the collective rights management system, by aligning with the Collective Rights Management Directive, and industrial property rights by aligning with the Enforcement Directive, with the EU *acquis* on design and with the Trade Secrets Directive ;
- render fully operational the online information platform for law enforcement institutions to exchange data on IPRs.

In November 2020, Parliament adopted amendments to the Law on copyrights, ensuring closer alignment with the EU *acquis* on **copyright and neighbouring rights**. However, authors' rights are still managed by only one organisation, the Association of Music Artists Rights, issuing collective management licenses. Parallel organisations can collect fees from authors without authorisation from the Ministry of Culture. The relevant unit in the Ministry

remains understaffed. The authorities plan to transfer this unit from the Ministry of Culture into the Bureau for Industrial Property, incorporating all IPR segments into one regulatory institution.

As for **industrial property rights**, the State Office for Industrial Property continued its cooperation with the EU Intellectual Property Office, the European Patent Office and the World Intellectual Property Office. The authorities did not fully implement the current strategy on industrial property rights and need to harmonise legislation with the EU *acquis* on design. North Macedonia still needs to align its legislation on industrial property, in particular with the Enforcement Directive and with the Trade Secrets Directive .

An information platform for law **enforcement** bodies to exchange IPR-related data is being set up and has to become fully operational. This will facilitate the creation of a credible enforcement record and gather reliable statistics on the institutional handling of IPR infringements. The coordination body for the protection of intellectual property has still not been set up.

The fight against counterfeiting and piracy and protection of the interests of rights-holders has advanced further. The country's track record for seizing counterfeit goods, produced nationally as well as imported from Turkey and China, continued to improve.

Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position, and also include rules on concentrations between companies which would significantly impede competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to preventing distortion of competition.

North Macedonia is **moderately prepared** in the area of competition. The legislative framework remains broadly harmonised with EU rules, but implementing legislation covering antitrust and mergers, as well as state aid, needs to be amended. A monopoly was reintroduced in the postal sector. Understaffing and budgetary constraints remain an issue for the Commission for the Protection of Competition. The enforcement record remains low. **No progress** was made during the reporting period. The same recommendations given in the last two years remain therefore valid. In the coming year, the country should in particular:

- strengthen the capacity of the national competition authority;
- increase the transparency of State aid granted by the government;
- further align implementing legislation in the area of State aid and antitrust.

Antitrust and mergers

The country's **legislative framework** is broadly aligned with the EU *acquis* in the area of antitrust and mergers, but implementing legislation has yet to be aligned. On antitrust, there is still no leniency policy towards whistle-blowers.

On the **institutional framework**, the Commission for the Protection of Competition (CPC) is the national authority responsible for implementing the Law on the protection of competition. It has the right to adopt enforceable decisions on antitrust and mergers, to investigate ex-officio and handle complaints and notifications. It can impose fines, propose remedies or issue an opinion if competition rules are breached. The CPC may approve mergers, with or without conditions, or prohibit them. It submits opinions on draft legislation that may affect competition. Its opinions are not legally binding. Its decisions, however, are binding and can be subject to an appeal before the Administrative Court.

The CPC continues to be understaffed, leading to a limited **enforcement capacity**. Its annual budget remains insufficient and varies each year. This raises concerns about the independence and sustainability of operations. The poor capacity and inadequate level of expertise of the CPC as well as of the courts dealing with antitrust cases hinder proper enforcement.

On **implementation**, the number of merger decisions increased from 49 in 2019 to 60 in 2020. Three decisions in 2020 were adopted on cartels and abuse of dominant position, as in 2019. The Administrative Court annulled seven decisions issued by the CPC. To strengthen enforcement and increase the number of harmful competition infringements including fines, the CPC should increase on-site inspections and use the leniency instrument more often. It should also continue to make full and transparent use of the possibility of fining, if applicable, and strongly engage in advocating the competition rules amongst policymakers and businesses.

State aid

The **legislative framework** on State aid broadly reflects Articles 107 and 108 TFEU and its corresponding provisions in the SAA. The required amendments to the Law on State aid and its implementing legislation on certain forms of aid and specific sectors, including granting aid of minor importance (*de minimis*) to align with the EU *acquis*, have not been developed. The regional aid map is still outdated and the State aid inventory lacks transparency.

On the **institutional framework**, the CPC is also responsible for implementing the Law on State aid. State aid grantors are required to notify the Commission on their plans to grant new State aid or alter existing State aid to assess its compatibility. The Commission issues non-binding opinions and binding decisions on State aid. So far, the CPC has never exercised its power to investigate ex-officio an aid measure not duly notified.

Regarding **enforcement capacity**, the staff of CPC dealing with State aid control (four in total) is still insufficient. Budget constraints and outdated equipment hamper its operational capacity. Further training on the EU *acquis* is also needed.

Concerning **implementation**, the CPC issued 25 decisions and 12 opinions on State aid in 2020, none of them negative or conditional. The aid grantors need to be reminded publicly, as well as by means of continuous internal advocacy, of their obligation to notify and obtain approval from the CPC before implementing any aid scheme. No developments can be reported on the three cases the European Commission expressed concern on in its previous report. First, the scheme financed under the Law on Support for Financial Investments is not in line with the EU State aid *acquis* and needs to be amended. Second, the financial incentive scheme for Skopje and Ohrid airports that grants financial support to domestic and foreign airline companies needs to be revised to confirm that it complies with the EU State aid *acquis* and the SAA. Third, the adoption of a Law on strategic investments, without prior notification to the CPC.

The CPC is implementing the measures foreseen in the temporary measures for overcoming the COVID-19 pandemic adopted by the EU in April 2020. In the reporting period, the government published two separate calls to support businesses and citizens to overcome the COVID-19 crisis, in addition to the three calls published in 2019. The CPC enacted 11 approvals by granting State aid to mitigate the consequences of the pandemic.

Liberalisation

Anti-trust and State aid rules also apply to state-owned undertakings and undertakings entrusted with special or exclusive rights, except when applying them would obstruct the

performance of the particular tasks assigned to them. The country has not submitted an enforcement record on public companies. There is no evidence of the existence of commercial monopolies within the meaning of Article 37 TFEU. A monopoly was reintroduced in the postal sector (*see Chapter 3 – Right of establishment and freedom to provide services*).

Chapter 9: Financial services

EU rules aim to ensure fair competition between financial institutions and their stability, namely rules on banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.

In the area of financial services the country remains **moderately prepared**. There was **limited progress** as the Financial Stability Committee was reinstated. Some data were gathered on vehicle insurance, a recommendation from last year, but this data is not systematised, nor used effectively to tackle uninsured driving. As the recommendations from last year were not fully implemented, they remain valid. In the coming year, the country should in particular:

- continue to implement Basel III requirements and complete the activities for designating a bank resolution authority;
- tackle and prevent unregistered and uninsured driving;
- effectively improve consumer protection against unfair banking practices.

For **banks and financial conglomerates**, the implementation of the liquidity indicators of Basel III have been applied in the banks' May 2021 reports. Banks maintained stability during the COVID-19 crisis with ratios above the required. One medium sized bank failed in the summer of 2020. The Constitutional Court initiated an assessment of the provision of the banking law, giving precedence to the reimbursements from the bankruptcy assets to the Deposit Insurance Fund. The banking law was subsequently amended to respond to the decision of the Constitutional Court. The COVID-19 crisis reinforced the need to strengthen the educational activities and information sharing to protect consumers and prevent unfair banking practices. No progress was made in establishing a financial Ombudsperson. No legal provisions on the bank resolution authority are in place.

On **insurance and occupational pensions**, the adoption procedure for the law aligning national rules with the Solvency II Directive has not yet begun. The legislation still allows the Ministry of Finance to set premiums for motor vehicle insurance, which is contrary to the EU *acquis*. Data on the proportion of vehicles that are uninsured is available, but it is unclear whether they are actually in circulation. No systemic measures are taken to prevent uninsured driving. The 50% limit on investing in non-domestic securities by pension funds remained, contrary to the EU *acquis* and the second stage of the Stabilisation and Association Agreement.

Over the reporting period, there was no development regarding **financial market infrastructure**. The alignment with the Financial Collateral Directive and with the Settlement Finality Directive has yet to be completed. The financial stability committee was reinstated, now expanded with members from all financial market regulators and supervisors as well as the Deposit Insurance Fund. On **securities markets and investment services**, the country is encouraged to adopt the long announced law on capital markets, aiming to aligning the national legislation to the EU *acquis*, including provisions prescribing liquidity and solvency ratios for brokerage houses.

Chapter 28: Consumer and health protection

EU rules protect consumers' economic interests and in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also ensures high common standards for upholding patients' rights in cross-border healthcare, and serious tackling cross-border health threats including communicable diseases.

North Macedonia remains **moderately prepared** in this area of consumer and health protection. **No progress** was made in the reporting period. In the coming year, the country should in particular:

- align the legal framework with the EU *acquis* on consumer protection, particularly with regard to the Law on Consumer Protection, and strengthen the operational structures serving consumer protection;
- intensify efforts on tobacco control;
- publish reports on registers for cancer and individual rare diseases and ensure adequate funding and specialised knowledge for early detection and treatment, based on data from the registers.

Consumer protection

There was no progress in adopting the law on **consumer protection** and on aligning national product safety rules with the EU *acquis*. The number of inspections carried out in 2020 by the State Market Inspectorate under the general product safety law rose from 359 in 2019 to 428 and significantly dropped against 2019 under the construction products law. The web platform providing information on consumer protection still needs to be developed. The mediation scheme continues to be expensive and difficult for consumers to access. Further efforts are needed for defining the guidance and procedure for consumers' appeals and means of compensation.

Public Health

Despite the provision of increased salaries as a retention policy, the **health** sector faces losses of medical staff, particularly specialists, who are moving either to the private sector, or leaving for work abroad. Staff continues to need specialised training for using advanced health equipment. Access to specialist doctors in the public health system remains problematic. Patients pay for approximately one third of all health services, without being reimbursed, which increases social discrepancies.

No progress is noted regarding effective tobacco control, although the institutional and legal setup for **tobacco control** is in place and is in line with the EU *acquis*. Smoking in public areas and restaurants is not systematically sanctioned. North Macedonia has still not ratified the Protocol to Eliminate Illicit Trade in Tobacco Products (signed in 2014).

North Macedonia is partly aligned to the EU *acquis* on **communicable diseases**, the Law on protection of the population against communicable diseases determines the measures from preventing supervision over the implementation of measures. The law defines a list of communicable diseases whose reporting is compulsory for the doctors, and a list of biological agents whose reporting is compulsory for the laboratories. The 2019-2023 National Strategy

for control of antimicrobial resistance is in place and in line with the Council of the European Union conclusions.

North Macedonia has been seriously affected by the COVID-19 pandemic. The third wave of the pandemic stretched the capacity of the health system to its limits with up to 90% of hospital beds occupied. The vaccination started in February 2021. According to the national plan, 60% of the population should be vaccinated by the end of 2021. By early October 2021, around 35% of the population was fully vaccinated.

North Macedonia has positively responded to the EU's support mechanisms, some of which were initially reserved to EU Member States, to address the consequences of COVID-19 pandemic. It became a member of the Joint Procurement Agreement on medical countermeasures as well as an observer in the EU Health Security Committee, which provides access to the EU Early Warning and Response System. North Macedonia is also providing the information to the Commission's data collection system on COVID-19 and nominated a correspondent to the European Centre for Disease Control and Prevention.

There was no progress on **blood, tissues, cells and organs**. The country has one Institute for Transfusion Medicine, with three regional centres throughout the country. There is no plasma collecting centre. Proper funding and further commitment are still needed in order to align the national rules with the EU *acquis*. Concerning **patients' rights in cross-border healthcare** and national legislation is still not aligned with the EU *acquis*.

On **health inequalities**, the programme for active healthcare allows several target groups to access healthcare, including the Roma community. People living in remote areas can receive visits by regional/local doctors. For the people with HIV/AIDS, the Ministry of Health has a separate programme that provides funds for testing and basic monitoring tests. Antiretroviral therapy is available to all after diagnosis. The government still needs to adopt a new multiannual strategy to combat HIV.

Funding for **cancer screening** remains insufficient. The data from the national and regional cancer registers are not publicly available. The national programme on early detection of cancer still needs to be implemented.

There was no progress in the reporting period on **medicines for human and veterinary use**. The draft national strategy 2020-2030 covering aspects of **mental health, health promotion and nutrition or physical activity** still needs adoption. On health promotion, several programmes and campaigns were initiated to promote healthy lifestyle (Health for All, World Day of Physical Activity, World Health Day) in cooperation with the schools and the media.

The national registers on **rare diseases** are operational. The definitions of rare diseases are in line with the EU definitions.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

Cluster 3 on competitiveness and inclusive growth covers: information society and media (chapter 10); taxation (chapter 16); economic and monetary policy (chapter 17); social policy and employment (chapter 19); enterprise and industrial policy (chapter 20); science and research (chapter 25); education and culture (chapter 26) and customs union (chapter 29). Overall, North Macedonia is moderately prepared in most of the areas covered by this cluster, including in information society and media, taxation, enterprise and industrial policy, education and culture, and economic and monetary policy. However, additional efforts are needed to bring these areas to a higher degree of preparedness. It has a good level of preparation in the areas of science and research and customs union. Good progress was made

in customs union and some progress was made in most of these areas. More efforts are needed, particularly in areas where limited progress was made, such as information society and media, science and research as well as education and culture.

Chapter 10: Information society and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support universal availability of modern services.

In regards to information society and media, North Macedonia is **moderately prepared**. **Limited progress** was made during the reporting period as the country adopted amendments to the law on electronic communications. However, electronic services for citizens and businesses increased.

As the 2020 recommendations have not been fully addressed, in the coming year the country should in particular:

- finalise and adopt the long-term information and communication technology (ICT) strategy;
- strengthen the independence and capacity of the media regulator, the public service broadcaster and of the regulator on electronic communication;
- continue to implement the action plan introducing the 112 emergency number and allocate the necessary financial resources to ensure its functionality.

North Macedonia continued to successfully implement the Digital Agenda for the Western Balkan and the Regional Roaming Agreement. Citizens benefit from the regional roaming-free zone since 1 July 2021. Implementation of the 2019-2023 national broadband operational plan slowed down. Deployment of broadband infrastructure is expected to decrease the rural-urban divide and to bring economic benefits to the country. Implementation of the 2018-2022 national cybersecurity strategy, fragmented among various stakeholders, requires additional efforts. Final steps are being taken to introduce the 112 European emergency number.

On **electronic communications and information technology**, 73.58% of the total number of households have access to broadband internet, while nation wide broadband coverage is 99.08%. Mobile broadband take-up is 64.95%. Telecom operators invested in testing 5G technology. Amendments to the Law on Electronic Communications were adopted in April 2021. They envisage new responsibilities for the regulator with regard to prior security approval for installation of 5G equipment by the telecom operators. Telecom operators expressed criticism for the absence of consultations on the measures. There has been no further progress to finalise the draft Law on Security of Networks and Information Systems, prepared in 2019. Concerns remain over the independence of the regulator for electronic communications and over the appointments to the regulator's commission and the management of the Agency for Electronic Communications. The Law on Electronic Communications and the Law on Audio and Audio-visual Media Services need to be further aligned with the EU *acquis*.

There were no relevant developments on competitive safeguards during the reporting period. Further efforts are needed to improve competition in the telecom sector.

Regarding **information society**, a long-term information and communication technology (ICT) strategy was prepared, but its formal adoption is delayed. A strategy for development of digital skills will be part of the ICT strategy and its action plan. Improving digital literacy is a

priority under the education strategy. The national e-portal for services is being upgraded with more than 130 services. The use of the interoperability system continues to be hampered by a lack of communications software in many institutions, and a lack of will to make full use of its potentials. Greater efforts by and improved coordination between institutions are still needed to modernise and digitalise the public administration, including for the planned establishment of an Agency for Digitalisation and Registers. The data in the population register need to be fully uploaded and checked. It should also be used to cross-check census data. With regard to e-commerce, the National Bank reported a five-time increase of Internet transactions by citizens in 2020 compared to 2019. Yet, the progress of e-commerce in the country is moving at a slow pace. Further efforts are needed for unlocking the potential of the digital transformation of the country.

On **audio-visual policy**, Parliament still did not appoint the members of the media regulator and the public broadcaster councils in accordance to the Law on audio and audio-visual media services. In February 2021, the Constitutional Court annulled the controversial provisions of the audio-visual law requiring cable operators to submit statements under moral, material and criminal liability on regulated intellectual rights. The authorities initiated preparations for revision of media legislation in order to align it with the EU *acquis* and international standards.

In order to mitigate the effects of the COVID-19 pandemic, the authorities supported media measures, such as exemption of payments for the transmission costs, radio frequencies, licensing fees, social security contributions to the salaries of journalists and media workers, as well as direct support to print media. However, the government continued to use its discretionary right in the distribution of state funds to the broadcasting sector, further decreasing the allocations for the public service broadcaster, media regulator and broadcasting public enterprise, contrary to the requirements introduced in the law on Audio and Audio-visual Media Services.

The media regulator continued to be proactive in the promotion of the media literacy and in warning against inflammatory or discriminatory language, hate speech, unprofessional journalistic reporting, as well as on pressure and threats on journalists and media outlets. Transparency of media ownership is a legal obligation for the audio-visual and print media, however there are no legal obligations for the online media. The fight against disinformation and activities related to media literacy are mostly carried out by civil society. Enhanced efforts and inter-institutional cooperation on the side of the authorities is needed. The audio-visual sector continued to benefit from the country's participation in the Creative Europe Media sub-programme with five projects being supported.

Chapter 16: Taxation

EU rules on taxation cover value-added tax, excise duties and aspects of corporate taxation. They also deal with cooperation between tax administrations, including the exchange of information to prevent tax evasion.

The country is **moderately prepared** in this area. **Some progress** was made in reducing the administrative burden for taxpayers and through the upgrading of e-tax services. The 2021-2025 Tax System Reform strategy was adopted in December 2020. As not all recommendations of 2020 report were implemented, in the coming year, the country should in particular:

- further improve the capacity of the tax administration by efficiently implementing the tax system reform strategy;
- develop a new integrated IT tax system for the Public Revenue Office, improve its

compliance risk management and further extend e-services for tax payers;

→ Start preparation for putting in place a mechanism for the effective implementation of the automatic exchange of tax information with EU Member States in line with the OECD Global Standard.

On **indirect taxation**, the Law on VAT was amended in the reporting period introducing a preferential tax rate of 5% on craft activities and a preferential rate of 10% on restaurants and catering services (excluding alcoholic beverages). Provisions for tax exemption for donations related to COVID-19 were introduced and will remain in force until the end of 2021. Delays remain in the VAT refund process, since only 38% of claims are refunded within the legal deadline. Nevertheless, long delays are now less common. Regarding excise duties, the new excise module of the Customs Declaration and Excise Document Processing System (CDEPS) shifting paper to digital procedures is implemented. The Law on Excise, provides for full electronic monitoring of excise goods under duty suspension.

Regarding **direct taxation**, a flat 10% rate applies to personal income tax. Interests on savings and capital gains on securities remain exempt. The Ministry of Finance started publishing a calendar on the planned changes in tax legislation as a tool for better transparency.

On **administrative cooperation and mutual assistance**, North Macedonia has signed 50 double taxation agreements including with all EU Member States except Portugal, Greece, Cyprus and Malta. The country has not yet committed to the OECD standard for automatic exchange of financial account information, thus there is no date set for the start of automatic exchange of information. The Mutual Assistance Convention in Tax Matters is applied as of 1 January 2021. The country remains committed to implement the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) minimum standards.

Regarding **operational capacity, computerisation and the informal economy**, the Public Revenue Office still has to improve its business processes, implement a new integrated IT tax system, develop compliance risk management as a core function and further extend e-services. The 2021-2025 Tax System Reform Strategy was adopted in December 2020 and an Action Plan for its implementation in 2021 is underway. The Public Revenue Office is facilitating voluntary compliance by issuing pre-filled annual tax returns through the electronic personal tax platform, which was further upgraded. Implementation of the scheme for monetary inducement for customers to require invoices and tickets on their purchases continued, with the aim of combating the informal economy. The Public Revenue Office continues to take part in joint inspections with other national bodies to identify unpaid tax liabilities and unregistered taxpayers to improve tax collection.

Chapter 17: Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. EU Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

The country remains **moderately prepared** in the area of economic and monetary policy. **Some progress** was made following the government's submission of the organic budget law to Parliament, including a provision on a fiscal rule. The measures to counteract the socio-economic impact of COVID-19 were successfully implemented. As not all 2020 recommendations were implemented in the coming year, North Macedonia should, in particular:

→ amend the civil service law to grant the Central Bank full independence;

- adopt the new organic budget law that includes fiscal rules, arrangements for an independent fiscal council and introduces a proper comprehensive medium-term budgetary framework;
- provide support to households and companies through well-targeted, transparent and efficient fiscal measures until the post-COVID-19 recovery is firmly under way; then refocus on building fiscal buffers and reducing debt.

On **monetary policy**, the alignment of the country's legal framework with the EU *acquis* is at an advanced stage. No progress was made, however, on further aligning legislation to fully ensure the central bank's financial and institutional independence. A fully independent institution, free from interference from other powers, is vital to fulfill the central bank's role as guarantor of monetary and financial stability. During the COVID-19 induced crisis, the central bank managed to maintain the financial stability and provided significant credit support for the citizens and the companies.

Regarding **economic policy**, the draft organic budget law is in the parliamentary procedure. The draft organic budget law foresees the establishment of fiscal rules, an independent fiscal oversight body and a medium-term budgetary framework. To enhance further the transparency and accountability of the budget transactions, the Ministry of Finance on its webpage introduced a fiscal counter and a fiscal calendar. To consolidate public debt in the medium term, the 2021-2025 Growth Acceleration Financing Plan is in the process of internal consultation with the government. It will seek innovative ways (e.g. guarantees schemes, privatisation and export funds) to mobilise private investment. To increase execution of the state budget, the Ministry of Finance introduced a Capital Expenditure Efficiency mechanism. The initial outcome of the fiscal policy response to mitigate socio-economic consequences of the COVID-19 pandemic is satisfactory. Measures foreseen in terms of wage packages and creation of new jobs proved relevant and credible.

The 2021-2023 **Economic Reform Programme** was submitted on time. The country was the best performer for the implementation of the Policy Guidance adopted in the Joint Dialogue between the EU, Western Balkans and Turkey in May 2020. To select the most appropriate structural reform measures, the country started developing the capacity to assess the economic, social and environmental impacts of economic policies.

Chapter 19: Social policy and employment

EU social rules include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social dialogue at European Union level.

In regards to European standards on social policy and employment, the country remains **moderately prepared**. There was **some progress** in the reporting period in implementing a number of mitigating socio-economic measures to address the impact of COVID-19 and increasing the amount of social assistance benefits. Implementation of the new Social Protection Act led to a slight reduction in the poverty rate, which remains worryingly high.

Last year's recommendations were not fully implemented and remain valid. In the coming year, the country should, in particular:

- continue to implement activation measures for long-term and low-skilled unemployed people, including women, persons with disabilities and Roma, and ensure proper monitoring and evaluation of such measures;

- improve the capacities of the State Labour Inspectorate to address issues related to safety at work and implement a system to monitor the occurrence of injuries and fatalities at work; reinforce bipartite social dialogue between employers and workers;
- continue the provision of assistance to all vulnerable groups and support for, and reform of, the social protection system with stronger links to both employment activation measures and social inclusion.

The labour legislation in force provides for fair and equal treatment of workers and a relatively good protection in case of dismissal. Work on the new **labour law** continued through comprehensive consultations with stakeholders. The capacities to implement the labour policies and legislation remain insufficient. Although the capacities of the State Labour Inspectorate improved with the employment of five additional inspectors, its overall performance remains low.

On **health and safety at work**, the preparation of new occupational safety and health law continued and the preparation of the 2021-2025 Occupational Safety and Health (OSH) strategy was initiated. The main problem remains the inadequate application of the existing provisions contained in the current labour law, OSH law, as well as the special acts adopted by the Ministry of Labour and Social Policy. Inter-institutional coordination and co-operation remain weak and the administrative capacities are still insufficient to ensure that the legal provisions are enforced. The knowledge of employers and employees of their respective rights and obligations remains limited. The workload of State Labour Inspectorate increased substantially due to COVID-19-related inspections. There is no official data on accidents at work. The Epidemics and Public Health Emergency Operations Centre in North Macedonia was established.

Limited progress was made on **social dialogue**. Social partners were actively involved in the drafting of the new labour law. At tripartite level, the Economic Social Council met regularly, mainly to discuss the packages of economic measures related to the COVID-19 pandemic. No improvements were noticed in the functioning of bipartite social dialogue and enforcement of collective agreements in the private sector. There were no significant collective labour disputes. Workers' confidence in trade unions' capacity to function independently continues to deteriorate. The implementation of the law on peaceful settlement of labour disputes remains weak. Overall, social partners' capacities remain weak. Out of the 79 ratified International Labour Organisation Conventions, 77 are in force, with no new Conventions ratified during the reporting period. Provisions in the law on primary education and the law on secondary education, allowing for the replacement of striking workers, that diverge from the International Labour Organisation Convention 87 on Freedom of Association and Protection of the Right to Organise, remain unchanged.

On **employment policy**, while the unemployment rate (15-74) dropped to its lowest level since the country's independence at 16.4% in 2020, the inactivity rate (20-64) increased by 1 pp to 29.5% and the employment rate (20-64) remained almost unchanged at 59.1%, thus documenting that in the uncertain economic context people tended to withdraw from the labour force and become inactive rather than to seek a job. Between 2018 and 2019, a marked decrease in youth unemployment and in the share of young people not in employment, education or training (NEET) was recorded, which coincided with the countrywide deployment of the Youth Guarantee scheme. In 2020, youth unemployment (15-29) rate slightly decreased by 0.9 pp to 29.6% in 2020, while the share of young people not in employment, education or training (NEET) aged 15-29 slightly increased by 1.7 pp to 26.2% showing that more young people tended to become inactive. Both figures are still significantly above the EU average and the main measure to address this continues to be the Youth

Guarantee Scheme. In 2020, more than 25,000 young people participated in the Programme, 5,000 more than in 2019, with 33% successful exits. North Macedonia has endorsed the Western Balkans Declaration on ensuring sustainable labour market integration of young people (8 July 2021) and committed to take concrete steps to gradually enhance its Youth Guarantee scheme. The revision of its Youth Guarantee Implementation Plan is planned for 2022. Evaluation of effects of the scheme and tracking of longer-term performance after exit from the scheme need to be improved. Employment of Roma, long-term and low-skilled unemployed and persons with disabilities is supported by a Guaranteed Minimum Assistance Scheme. In order to tackle the effects of the COVID-19 pandemic, the government adopted several packages of temporary socio-economic measures. The implementation of the 2018-2020 Employment Action Plan, which addresses inclusion of vulnerable groups in the labour market, is progressing. The 2021-2025 National Employment Strategy was prepared. Implementation of measures on undeclared work under the 2018-2022 strategy for formalisation of the informal economy continued. The occupational outlook model was further developed with additional 15 new occupational descriptions, bringing the total up to 60. The Employment Service Agency's capacity and its cooperation with the Centres of Social Work should be strengthened. The number of Roma benefiting from active employment measures is 241 from to total 6303. The criteria for participating in active employment schemes should be reviewed to ensure increased participation of vulnerable people, including Roma.

Preparations for participation in the **European Social Fund** are moderate. There was no progress on enhancing capacities within state bodies with a view to preparing their readiness to manage the Fund. (*See Chapter 22 - Regional policy and coordination of structural instruments*).

Limited progress was made in the field of **social inclusion and protection**. Implementation of the reforms deriving from the new law on social protection are ongoing, including Guaranteed Minimum Assistance for those whose earnings are affected by COVID-19. The total rate of people living in poverty was 21.6% and over 448 thousand people live under the threshold of relative poverty. The share of people living at risk of poverty or social exclusion was very high at 39.9%, showing a decreasing trend, but remaining at almost double the EU-27 average. The Gini coefficient measuring income distribution inequality was 30.7. Further efforts are needed, in particular by allocating adequate human resources, for the full establishment of a monitoring and evaluation system for social services. The capacity of the social work centres remains weak. There is no proper centralised IT system, connecting central and local level, to follow social assistance schemes. Little has been done for de-centralisation of social assistance.

Implementation of the 2018-2027 national strategy on **de-institutionalisation** is ongoing. Re-settlement of children and adults from institutional care to foster families or community-based housing continued. Implementing legislation needed for delivery of services relevant to persons with disabilities, such as home care, personal assistance, supported living and respite care were enacted. The methodology for licensing and determination of social service costs was adopted and 20 non-public social service providers were licensed by March 2021.

On equality between women and men in employment and social policy, according to the 2021 Global Gender Gap report the equality improved as North Macedonia scored 0.715 (comparing to 0.635 score in 2020, 1.00 being parity). 2020 Global Gender Gap report, there was a 12% salary gap in 2019. In 2020, the employment rate (20-64) for men was 68.9%, compared to 49% for women, resulting in a high gender employment gap of 19.9 percentage points.

The law on protection against workplace harassment is in place and activities for ratification of the 2019 Violence and Harassment ILO Convention number 190, started. Data on incidents of sexual harassment in the workplace or a system to investigate such incidents does not exist. According to the Law on Health Insurance, women need to work for at least six months with the same employer to be entitled to maternity leave. Measures are being taken to increase childcare and pre-school capacity, which should help women return to the workplace. Both gender stereotyping and the gender pay gap persist. (See also *Chapter 23 — Judiciary and Fundamental Rights*).

On **non-discrimination in employment and social policy**, the Law on Prevention and Protection Against Discrimination was adopted on 30 October 2020 and the new Commission for Protection against Discrimination was appointed. The new Commission took over 90 discrimination cases from the previous Commission and received 4 new complaints. (See also *Chapter 23 — Judiciary and Fundamental Rights*).

Chapter 20: Enterprise and industrial policy

EU enterprise and industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).

North Macedonia is **moderately prepared** in this area. **Some progress** was achieved in increasing financial support to companies, primarily to support them to overcome the damaging impact of the COVID-19 pandemic. The country developed a list of 370 parafiscal charges as a first step to their rationalisation. As last year's recommendations were not implemented, in the coming year the country should, in particular:

- consolidate the institutional structure and mandates of the public bodies to ensure effective implementation, monitoring and evaluation of the strategies and policy measures;
- continue implementing, assess and renew the strategy and action plan to formalise the informal economy, with specific attention to its business environment component;
- develop measures to increase the capacity of domestic companies to integrate in global value chains.

Enterprise and industrial policy principles are incorporated in several strategic documents under the competence of different national authorities. The Economic Growth Plan (EGP) remains the most important horizontal list of measures with the largest public budget and scope. The EGP is yet to include impact indicators and conduct systematic evaluation of past interventions. The other strategies in this area lack consistent evaluation mechanisms, regular impact assessment and timely redesign to reflect the actual needs of businesses. Public bodies with overlapping and conflicting mandates render the institutional set-up complex and resource inefficient. The strategic vision for attracting foreign investments, for support of innovations and export is unclear, as the relevant strategies have expired

Since the COVID-19 outbreak, the government introduced six packages of special measures to support businesses and citizens to cope with the impact of the health pandemic in total amount of about EUR 1.2 billion. The business support measures adequately assisted companies that suffered a decline in revenues or were banned to operate. Most of the funds were spent to subsidise the salaries of employees and one-off cash transfers to the most affected industries. The Development Bank disseminated EUR 44 million zero interest loans to small and medium sized companies aiming at preserving liquidity and jobs.

Measures for formalisation of the informal economy continue to give results but need to be re-enforced to establish a level playing field between firms. The frequent changes to the regulatory framework affecting businesses still occur. Consultation with businesses should be further improved. Initial steps were taken to rationalise para-fiscal charges. However, uneven enforcement of business regulations and skills mismatches in the labour market still constitute obstacles to doing business.

On **policy instruments**, provisions of the Late Payment Directive that relate to public bodies' payment obligations needs to be fully aligned with the EU *acquis*.

Overall, public funding for business support measures further increased in 2020 in comparison to 2019, mainly as a consequence of the assistance provided during the COVID-19 pandemic. The grants awarded as post-investment bonuses under the EGP have questionable impact on individual firm's competitiveness, while potentially distorting market competition. The government received several applications based on the Law on Strategic Investments. The law's policy objective and discretionary power of the government to award public funds for high budget investments needs to be clarified.

Some progress was noted in the area of access to finance. The county entered into agreement with the European Investment Bank for a new EUR 100 million credit line for businesses. Overall, the bank lending remains the main source of private sector financing. Other financing instrument such as factoring and leasing remain moderately used. In total, seven projects were financed from the Enterprise Development & Innovation Facility (EDIF) and eight projects benefited from the programme for the competitiveness of SMEs (COSME) since these instruments were set up. Efforts are needed to raise the private sector's awareness on how to make better use of the other EU financing instruments in this area. The Ministry of Economy started preparations for participation in the Single Market Programme.

Chapter 25: Science and research

The EU provides significant support to research and innovation. All Member States can benefit from the EU's research programmes, especially where there is scientific excellence and solid investment in research.

North Macedonia has a **good level of preparation** in relation to European standards on science and research. **Limited progress** was made in improving the research and innovation capacities in the private sector and in continuing with the development of the Smart Specialisation Strategy (S3) in the reporting period.

The recommendations from last year were not fully implemented and remain valid. Thus, in the coming year, the country should:

- evaluate the impact of the measures implemented under the 2014-2020 strategy for research and innovation;
- ensure a higher level of investment in research and innovation and intensify efforts to increase participation in Horizon Europe and other EU-financed instruments in the area;
- complete the Smart Specialisation Strategy and ensure synergy with other national research and innovation policies.

Limited progress was made to align with European standards on **research and innovation**. The Strategy for Research and Innovation ended on 31 December 2020. While implementation was monitored on an annual basis, no assessment of the impact of the seven-year strategy was undertaken. Investments in research and innovation remains low at 0.4% of GDP. An increased budget in this area would support the country's economic recovery, also

given the relevance of innovation to the Economic and Investment Plan for the Western Balkans. Measures for closer cooperation between academia and the private sector are being implemented and subsidies are being provided to companies to intensify their research and innovation capacities. Participation by the private sector in overall research spending remains low at 0.1% of GDP.

The country's performance in the **Horizon 2020 framework programme** has improved compared to the previous year but it still remains slightly low at 11.7%, compared to an average success rate of 12.1%. Other than information sharing, no systemic activities to promote Horizon 2020 or to support applicants were organised in 2020. The country will be associated to Horizon Europe.

Regarding the **European Research Area**, the country's research capacity remains low, compared with the EU average. It has signed 26 agreements for cooperation in the field of education, science and technological development, out of which 11 are with EU Member States. However, funds and the scope of cooperation remain modest. The national roadmap on research infrastructure is under preparation. North Macedonia started preparing an application for construction of an International Institute for Sustainable Technologies.

On **innovation**, the country remains a 'modest innovator' in the 2020 European Innovation Scoreboard. Since its establishment in 2014, the Fund for Innovation and Technological Development invested above EUR 43 million public funds in about 600 companies to stimulate innovations and adoption of new technologies.

The preparation for the **Smart Specialisation Strategy**, supported by the Joint Research Centre, is underway, but delayed by the COVID-19 crisis.

Chapter 26: Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy through the open method of coordination. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

As regards education and culture, North Macedonia is **moderately prepared**. The COVID-19 pandemic has affected the education system and progress of education reforms, as the efforts of the government were primarily focused on creating a distance-learning environment. **Limited progress** was made during the reporting period considering also COVID-19 situation which affected deeply the education system. The introduction of targets and indicators for the comprehensive 2018-2025 education strategy is progressing slowly, as well as the implementation of a proper monitoring system.

The recommendations of the 2020 report were only partially addressed and remain valid. In the coming year, North Macedonia should in particular:

- implement the strategic framework for education and particularly the targets for pre-school education and the Vocational Education and Training (VET) reform;
- improve support for teachers' training and professional development and ensure that an effective assessment process is in place;
- improve access to quality education for all, in particular children with disabilities and children from Roma communities, and increase pre-school enrolment.

In 2020, the national reforms in education and training and adult learning are characterised by further interventions for consolidation of the legislative framework. The new Law on Primary

Education began to be implemented from the 2019/2020 academic year, providing a basis for inclusive and quality education for all. Bylaws and concepts arising from the new Law on Primary Education are currently being drafted. The Law on Secondary Education was harmonised with the provisions planned for inclusion emanating from the Law on Primary Education. Amendments on the Law for Vocational Education and Training were made with regards the establishment of the three Regional VET centres for vocational education and training. The new Law on Secondary Vocational Education was prepared in 2020 and is currently open to public debate. The new Law for Adult Education was adopted in 2020 by the government and is currently going through a parliamentary procedure. Provisions in the new Law on Adult Education primarily concern the validation of non-formal and informal learning, the introduction of work-based learning, improvements to the process of verifying special programmes for adult education, and the role, goals, and tasks of the Centre for Adult Education. Further action to consolidate the legislative framework should be taken with regard to development of Validation of non-formal and informal learning (VNFIL) bylaws, setting up of fully operational system for VNFIL, decentralized system for Adult Education, harmonisation of the law on Nation Quality Forums.

Public spending on **education and training** stood at 3.3% of GDP in 2020, down from 3.7% in 2019. As a result of the COVID-19 pandemic, education mostly took place through distance learning. The Ministry of Education adopted new protocols and guidelines to rationalise the curricula and support schools and teaching staff in implementing the combined teaching model. A new concept for the development of a distance learning system in primary and secondary education was adopted in July 2020, and a national platform for supporting distance learning was developed.

Although some progress was made on pre-school education, the overall level of enrolment remains low, especially in the COVID-19 context. Whereas the EU Education and Training target for 2020 on early childhood education and care attendance is set at 95%, only 45% of children from 3-6 years of age in North Macedonia were enrolled in licensed early childhood education institutions in 2020-2021, a slight increase compared to the previous year. The rulebook on standards and norms for preschool education was amended in order to improve access and inclusion of children with special needs in public and private institutions.

As for the other educational levels, 90.8% of children were enrolled in primary education (90,6% male, 91% females) and 78.9% in secondary education (Females 79.8% Males 78.1%) in the 2020-2021 school year. The total amount is 71,811 students out of them 35,200 females. In higher education, the overall enrolment remains low. The number of university students enrolled in the first year of studies has been declining in the last three years. In 2020, the government adopted the implementing legislation linked to the Law on Higher Education and established the Board for Accreditation and Evaluation of Higher Education. The results of the 2019 Trends in International Mathematics and Science Study (TIMSS) presented in December 2020 showed a poor performance: North Macedonia was ranked 45th in mathematical literacy and 51st in natural sciences out of 58 participating countries. The country continued preparations to participate in the 2021 Progress in International Reading Literacy Study (PIRLS) and the 2021 Programme for International Student Assessment (PISA), which was postponed to 2022.

A concept for inclusive education was adopted in July 2020. All implementing legislation has been adopted in accordance with the new Law on Primary Education. Inclusive teams were formed in primary and secondary schools and individual educational plans were prepared for students with disabilities. Funds were provided for 323 educational assistants in schools. The

infrastructure of 15 educational facilities (primary, secondary and higher education) will be rehabilitated and made accessible to children with physical disabilities. A number of scholarships were awarded, including for children with disabilities, special educational needs and Roma pupils. The percentage of Roma students enrolled in higher education institutions has increased in the last three years from 42% to 48%. Roma educational mediators have been hired to support Roma pupils in primary education at the local level.

The Ministry of Education adopted a new concept for primary education in March 2021, which stresses inclusiveness, gender sensitivity/equality and interculturalism as key principles. In October 2020, implementing legislation to the new Law on Teachers and Professional Associates in Primary and Secondary Schools were adopted, related to monitoring the teaching process and accreditation of higher education institutions.

A reformed four-year VET programme is being rolled out across all schools in the country. In 2020, modular curricula based on learning outcomes for general education and on vocational subjects in technical education have been introduced. The establishment of three regional VET centres is expected to improve the effectiveness of the vocational education reform.

The country continues to actively participate in the Erasmus+ programme and the European Solidarity Corps and is, as a programme country, on an equal footing with EU Member States. In 2019 alone, some 2,200 participants benefited from Erasmus+ projects receiving support worth EUR 4.3 million. In the same year, 91 organisations benefited from EUR 2.4 million-worth of projects under the strategic partnerships component of the Programme. The National Agency for European Educational Programs and Mobility prepared and signed the work programme for the new programming period 2020- 2027. North Macedonia expressed willingness to re-associate to Erasmus+ as an associated third country for the programme period 2021-2027. The formal association is expected to be completed during the second half of 2021. The revision of the legal framework on **culture** and protection of cultural heritage, as well as the national strategy for protection of cultural heritage was further delayed. The implementation of the 2018-2022 national strategy for culture development needs to intensify and appropriate budget allocations need to be ensured. Cultural policies aimed at stimulating growth of cultural and creative industries need to be supported to contribute to economic development and to increase tolerance among communities.

The authorities should strengthen inter-institutional cooperation in the protection of cultural heritage and prevent illegal constructions damaging the cultural heritage with ‘particular importance status’, such as Ohrid and the Skopje Old Bazaar. The administrative capacity of the Ministry of Culture needs to be further strengthened. Activities to implement the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions were further postponed. The country’s level of participation in the Creative Europe Programme continues to be satisfactory.

On **youth**, 23 grants (with average amount of EUR 12,753 per grant) and with involvement of 144 participating organisations were carried out in 2020. The topics of projects have been focusing on similar areas of 2019 (ICT digital competences, EU citizenship and EU democracy, Inclusion, Employability and entrepreneurship, Environment and climate changes and Youth participation). Starting from October 2020, in accordance with the Law on Primary Education, a so-called tandem physical education teacher is provided for the first and second grade of primary education. In October 2020, guidelines for realisation of teaching in **sports** and sports activities in primary schools during distance learning were adopted. For the 2020-2021 academic year, the Ministry of Finance approved 264 employments for physical education.

Chapter 29: Customs union

All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity and access to the common computerised customs systems.

North Macedonia has a **good level of preparation** in this area. **Good progress** was made in the reporting period with continuous consolidation, application and upgrade of IT systems. The concept of authorised economic operators (AEO) was implemented and promoted. The electronic system to process customs declarations and excise documents is fully functional and paperless. Green lanes were established at the key border crossing with the CEFTA countries, ensuring the uninterrupted flow of goods in the wake of the COVID-19 crisis.

In the coming year, the country should, in particular:

- continue the consolidation and full application of its IT systems including alignment with the Commission's Multi-Annual Strategic Plan (MASP) modules, ensure their continuous upgrade, and business continuity;
- fully implement CEFTA Protocol 5 on Trade Facilitation by further expanding AEO certification and fully implementing the Common Regional Market Action Plan.

The **customs legislation** is highly aligned with the EU *acquis*. The 2020 customs tariff was adopted to correspond with the latest changes in the EU Combined Nomenclature. The Additional Protocol 5 on trade facilitation was implemented, including the concept of authorised economic operators (AEO), which was intensively promoted. Eighteen companies were AEO-certified. The country's validation process for mutual recognition of its AEO certificates with the CEFTA countries was completed and is to be formally approved. North Macedonia is yet to ratify the Protocol on Elimination of Illicit Trade in Tobacco Products, signed in 2014.

On **administrative and operational capacity**, the standards of professional integrity and anti-corruption continued to be applied by the Customs Administration. A new financial investigation unit was established and training of staff is ongoing. Risk management was systematically applied with the percentage of physical controls being 6% and documentary controls accounting for 17% of all shipments. One stop border control with Serbia, at the road border crossing point Tabanovce-Presevo, is applied and an agreement to establish one with Albania was signed in June 2021.

The electronic system for processing customs declarations and excise documents is fully functional and all modules are paperless. Systematic electronic exchange of data (SEED) is used with the neighbouring countries, enabling real-time electronic exchange of data. New Computerised Transit System (NCTS) is operational and functioning without interruptions. Preparations have started for implementation of NCTS Phase 5. Maintenance of the NCTS and the Integrated Tariff Environment (ITE) systems was ensured. The Customs Administration took an active role in establishing the green corridors, ensuring an uninterrupted flow of essential goods at three key border crossings with the neighbouring CEFTA countries in the wake of COVID-19 crisis.

The Customs Administration participated in 13 international operations to combat illicit trade in drugs, counterfeit goods, medicines, medical devices and protective equipment, weapons, explosives, dangerous waste, cultural goods, raw tobacco and tobacco products. It participated in two international projects, one focused on monitoring of trade in substances used for manufacture of improvised explosive devices and the other focused on waste management.

Cooperation and exchange of intelligence with the customs agencies from the wider region and with international and regional organisations continued.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

The cluster on Green Agenda and sustainable connectivity covers: transport policy (chapter 14), energy (chapter 15); trans-European networks (chapter 21); environment and climate change (chapter 27). North Macedonia has a good level of preparation in trans-European networks. It is moderately prepared on transport policy and energy and as some level of preparation on environment and climate change. North Macedonia is actively participating in meetings of the Transport Community and Energy Community. It has a high level of compliance with the Energy Community Treaty, notably on electricity. As all Western Balkans, North Macedonia endorsed the Green Agenda for the Western Balkans at the Sofia Summit in December 2020. This year, some progress was made in the energy sector, notably with the progress made towards the adoption of the National Energy and Climate Plan. However, limited progress were made in transport, environment and climate change. The country needs to substantially step-up its ambition to properly implement the *acquis* of chapters 14 and 27. These efforts will increase the efficiency of the Economic and Investment Plan and speed up the implementation of the Green Agenda for the Western Balkans. Administrative capacities need to be strengthened in all sectors. In addition, strategies, action plans and legislation in these sectors need to be coherent with the principles and priorities of the Green Agenda and to ensure consistency between relevant sectoral documents.

Chapter 14: Transport policy

The EU has common rules for technical and safety standards, security, social standards, state aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

The country is **moderately prepared** in the area of transport. **Limited progress** was made in the reporting period, notably on connectivity. Since many years, the transport sector has lacked administrative and operational capacity and, especially, political commitment to deliver on necessary sectoral reforms. There was no progress in completing key sector reforms and previous years' recommendations remain valid.

In the coming year, North Macedonia should, in particular:

- strengthen the operational and administrative capacity of the inspection bodies and develop enforcement capacity to reduce fatalities on road and rail infrastructure;
- implement the connectivity reform measures on rail reform and open the rail transport market, set up a national system to continuously collect data on road crashes, and finalise pending border-crossing agreements/protocols;
- adopt legislation on Intelligent Transport Systems (ITS) and combined transport, and make further efforts to produce a strategic framework to implement ITS and the core networks.

On **general transport** *acquis*, the key strategic documents for transport and its sub-sectors are already in place. There was limited progress in developing an action plan to accompany the 2018-2030 national transport Strategy. The operational and administrative capacities for all modes of transport remain weak. This set up is impeding the proper implementation of the Green Agenda for the Western Balkans in the area of transport. The Law on air and railway accident investigation is not fully implemented, the independent rail accident investigation body has not been set up. More efforts are needed to implement the EU passenger rights

legislation in all modes of transport and to fully transpose the Intelligent Transport System (ITS) Directive and introduce the relevant national laws. The strategy for ITS with accompanying resources is still missing.

The legal framework for **road transport** is broadly aligned with the EU *acquis*. However, legislation is not keeping pace with changes in the EU *acquis*. The legislation on dangerous goods is aligned with the EU *acquis*, but no progress was made on the conformity assessment of the existing equipment for the transport of dangerous goods. Progress has been made towards establishing an executive body for road traffic safety. More efforts are needed to align with the social and safety *acquis*. The national system for continuous road crash data collection is still not established and the action plans on road safety inspection and audit need to be followed up and implemented. The State Transport Inspectorate needs to strengthen its enforcement and technical capacities. Further harmonisation is needed on penalties for infringing the European Agreement on the work of crews of vehicles engaged in international road transport (AETR). Signature of the Interbus protocol on regular and special regular services is pending. The five-year road and rail maintenance plan has not been approved and road maintenance remains weak. Legislation on clean energy and energy efficient road transport vehicles, and intelligent transport systems is not in line with the EU *acquis*.

On **rail transport**, the main requirement of the EU *acquis* – that the national infrastructure management should be independent from the state-owned railway company – is met. The country's railway sector still needs to be transformed and delays persist in deciding the future of passenger and freight operations. Further alignment with large parts of the single European railway area *acquis* has been delayed. The rail market on the Orient East/Med corridor has not been opened. Railway safety legislation is harmonised but not properly implemented. The accident and investigation body has still not been established. The cross-border railway cooperation agreement with Greece has not been signed and the one with Kosovo is not fully implemented.

On **maritime transport**, the country is a party to all basic transport conventions of the International Maritime Organisation.

In the area of **inland waterway transport**, the country is aligned with most of the EU *acquis*, except for the Regulation on the recognition of certification and transportation of goods and passengers. There is no law on merchant shipping, as no goods are transported on the inland waterways. The country continues to participate actively in the International Commission of Sava river basin, but not in the EU strategy for the development of the Danube Region.

On **aviation**, North Macedonia has maintained a good level of alignment with the EU *acquis* and has partially aligned with the aviation safety legislation. EU support is helping the Civil Aviation Authority to comply with requirements of the European Common Aviation Authority Agreement. (EASA). More efforts are still needed to facilitate the European Aviation Safety Agency standardisation inspections.

On **combined transport**, progress is still needed in setting up a multimodal node near Skopje and in adopting specific legislation aligned with EU rules.

Chapter 15: Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy and nuclear safety, and radiation protection.

North Macedonia is **moderately prepared** in this area. **Some progress** was made, notably with alignment with the Third Energy package and steps taken for the adoption of the

National energy and climate plan and investments in renewable energy sources. However, not all of last year's recommendations were fully implemented. In the coming year North Macedonia should, in particular:

- finish unbundling (certification) the gas transmission systems;
- increase the number of staff and the technical/engineering capacity of the Energy Department in the Ministry of Economy and the Energy Agency;
- adopt and implement energy efficiency legislation.

The country has taken significant steps for the adoption of a Five-Year Program for the implementation of the Energy development Strategy and an integrated National Energy and Climate Plan aiming towards decarbonisation which are positive steps for the implementation of the Green Agenda for the Western Balkans.

Concerning **security of supply**, the availability of coal for the Bitola thermal power plant still needs to be urgently addressed. The Law on compulsory oil reserves has been enacted after several years of delay. Implementing legislation and plans to release stocks in the case of an emergency were adopted. The oil stocks correspond to 51 days of average daily consumption, half the recommended level. This could become a vulnerability in case of interruption of supplies

The construction of a new 400kV electricity transmission interconnector line with Albania is under way. The Transmission System Operator (MEPSO) participates in the regional auction office in Southeast Europe. The implementation of a roadmap for coupling of with Bulgaria requires the prior establishment of a day-ahead market. On gas interconnections, the government is taking measures to ensure the necessary funding for the construction of an interconnection line with Greece, Serbia and Kosovo.

On the **internal energy market**, good progress was made in aligning the country with the EU's third energy package in gas and electricity. The electricity and gas markets are open for competition. The adoption of corresponding secondary legislation is well advanced. In September 2020, the government designated a subsidiary of MEPSO, the National Electricity Market Operator (MEMO), to act as the nominated operator of the organised electricity market.

The electricity transmission and distribution network operators are unbundled in accordance with the EU *acquis*. MEPSO procures both balancing reserve and balancing energy in competitive procedure. The dispute over the ownership of the gas transmission pipeline has been resolved. However, the gas transmission system operator is not yet unbundled in line with the Third Energy Package. Legislation is not yet aligned with the EU Regulation on wholesale energy market integrity and transparency.

The retail electricity market is liberalised. Universal supply and supply of last resort is performed by the supplier selected in a competitive procedure. Retail prices are deregulated, except for the universal supplier for which the regulator sets the price.

Third-party access to the natural gas grid is in line with the EU *acquis*, but transparency needs to be improved. Works are ongoing to build the gas transmission pipeline between Negotino–Bitola and Skopje-Tetovo-Gostivar.

Wholesale gas prices are fully deregulated, however the market remains illiquid, without a virtual trading point. All contracts are concluded bilaterally, on a monthly and yearly basis.

The Energy Regulatory Commission is functional but its independence is hampered by political interference.

In the area of **hydrocarbons**, the Law on mineral resources aims to align with the EU Hydrocarbon Licensing Directive.

The amended national **renewable energy** action plan is in line with the revised binding target of 23% of energy coming from renewable energy sources by 2020 and 24% by 2025. In 2019, the country achieved only a 17.46% share. The energy Law is fully aligned with the Renewables Energy Directive.

Feed-in-tariffs and premiums are used to support deployment of renewables. In 2020, contracts were signed for installing capacity of 62MW solar power plants, using premiums granted based on auctions. The government should reconsider the decision to keep the feed-in-tariffs for small hydro power plants, which either do not require support or have negative environmental impact. Investment in hydropower should be compliant with the relevant environmental EU *acquis*.

The capacity cap per type of renewable energy technology has to be removed to enable the achievement of the 2025 renewable energy target. An electronic system for issuing, transfer and cancellation of guarantees of origin is not in place yet. Provisions on sustainability of biofuels are still not yet aligned. The share of renewables in transport remains marginal, reaching only 0.14% in 2019. Electricity prosumers are enabled with the rulebook on renewables but its implementation is lacking due to number of administrative obstacles.

The fourth action plan on **energy efficiency** has still not been adopted. A Law on energy efficiency, transposes the energy efficiency and the energy performance Directives, however the implementation is lacking. The adoption of implementing legislation remains a challenge, due to limited human and technical capacity at the Energy Department of the Ministry of Economy and the Energy Agency.

When it comes to efficiency, financing should be improved, including by setting up the Energy Efficiency Fund. Air pollution is exacerbated by household heating and remains a serious problem. Municipalities should take steps to fully respect their obligation to develop and implement municipal energy efficiency programmes.

For **nuclear energy, nuclear safety and radiation protection**, North Macedonia has ratified the relevant international conventions on nuclear safety and radiation protection and is a full member of the European Community Urgent Radiological Information Exchange system (ECURIE). The government adopted a National policy for radioactive waste management. However, there is still no long-term and safe radioactive waste storage facility in the country.

Chapter 21: Trans-European networks

The EU promotes trans-European networks in the areas of transport, telecommunication and energy to strengthen the internal market and contribute to growth and employment.

North Macedonia maintains a **good level of preparation** in the area of transport networks. **Limited progress** was achieved during the reporting period. There was still no progress in completing sector reforms and the previous years' recommendations remain valid. In the coming year, the country should in particular:

- further strengthen the operational and technical capacity of all management and stakeholder institutions dealing with the development of both Trans-European Transport (TEN-T) and Trans-European Energy (TEN-E) networks, and harmonise the legal framework with the Trans European Network Regulation;
- mobilise sufficient resources to implement the Transport Community Treaty;
- urgently improve the implementation of the Rail Corridor VIII works

On **transport networks**, the country actively participates in the Transport Community Treaty (TCT) and in its meetings. Steps are taken by North Macedonia to adopt the TCT action plans. The authorities are encouraged to continue the cooperation under this Treaty. Green corridors are functioning throughout the major corridors.

Road Corridor X is functional but works along Corridor X-d are delayed. The construction of the rail Corridor VIII towards Bulgaria is facing significant delays, with only 28% completed of phase 1. Additional and urgent efforts are needed to accelerate progress in all phases of this rail corridor and other priority sections of the core network for both rail and road. The lack of an adequate staff retention policy by bodies involved in large investment projects considerably hampers the completion of strategic projects. The remaining railway border crossing protocol with Kosovo was signed but the railway border crossing agreement with Greece has not yet been finalised. This document need to be finalised without any further delay. Funding to build an adequate infrastructure close to the Serbian border, at the Tabanovce railway border station has been secured. No progress was made on adopting five-year road and rail maintenance plans.

On **energy networks**, the construction of a new 400kV electricity transmission interconnector line Bitola-Elbasan (Albania) is under way. On gas interconnections, the government is taking measures to ensure the necessary funding for the construction of an interconnection line with Greece, Serbia and Kosovo. A preliminary study on the gas interconnectors with Kosovo is ongoing. Works are ongoing to build the gas transmission pipeline between Negotino–Bitola and Skopje-Tetovo-Gostivar.

Chapter 27: Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU law contains provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

North Macedonia has **some level of preparation** in this area. **Limited progress** was achieved in nature protection and in climate change. However, implementation in all sectors remains a concerning issue. The country is encouraged to considerably step up ambitions regarding the green transition, notably in the context of the Green Agenda for the Western Balkans. Most of last year's recommendations were not implemented.

In the coming year, the country should in particular:

- improve inter-sectoral coordination and increase financial resources for the reduction of air pollution at the local and national level;
- make significant steps to establish a regional waste management system;
- implement the Paris Agreement, including by adopting a comprehensive climate Strategy and a Law, consistent with the EU 2030 framework.

Environment

On **horizontal issues**, administrative capacity at all levels remains weak, with insufficient financial resources to implement and enforce existing legislation. Implementation of Environmental Impact Assessments and Strategic Environmental Assessments Directives needs to be improved, notably the public consultation processes and on the quality of the reports. Dialogue with civil society and public consultation processes in this sector needs to be significantly improved. Lack of transparency and access to information is a recurring issue. The Law on environmental inspection and the amendments on the Law on environmental

impact assessment are yet to be adopted. Limited progress was made on the INSPIRE Directive and in the area of environmental liability.

On **air quality**, financial support for investments in reducing the use of fossil fuels was allocated, reports and data reports are submitted to the European Environment Agency. However, limited implementation and resources, weak inter-sectoral cooperation and coordination between central and local authorities limits the impact of measures to reduce air pollution. Air pollution in major cities remains a serious concern. A monitoring station in the municipality of Gevgelija was procured and replacement of measuring instruments on the already existing monitoring station Bitola was finalised. An upgrade of the air quality data management system was also implemented.

Regarding **waste management**, weak administrative capacities, low enforcement and limited inter-sectoral cooperation remain the main obstacles for progress in this sector. The set of laws on waste management and special waste streams incorporating the circular economy principles are adopted. The National Plan for waste management (2021-2031) and the first National waste prevention plan (2021-2027) were prepared and await adoption. The establishment of the regional waste management system continues to face delays. Non-compliant landfills and illegal dumpings continue to represent an important environmental issue. Separate collection of waste streams and economic instruments to promote recycling, reuse and waste prevention remain limited. The rehabilitation of the small pond in OHIS site has started.

On **water quality management**, financial agreements have been signed to secure funds for the construction of the wastewater treatment plant of Skopje, and works on wastewater collectors are ongoing. The surface water surveillance monitoring network has improved. However, a system for monitoring quality and quantity of surface and groundwater is needed. The management plan of the Ohrid Lake sub-basin has been prepared but implementation of all river basin management plans remains a concern. Progress was made for the implementation of the EU Floods Directive. River Basin Councils was nominated. Administrative capacity and inter-institutional coordination needs to be strengthened; more efforts are required to reduce non-revenue water and to implement the full cost recovery principle.

Some progress was made on **nature protection**, the Law on nature protection, aligned with the Birds and Habitat directives was prepared and awaits adoption. Guidelines were developed for monitoring the conservation status of habitats and species. Identification of potential NATURA 2000 sites continued, focusing on the Bregalica River area, with identification of Dolna Bregalnica as a Special Protection Area. Shara Mountain was proclaimed as a National Park and procedures for proclamation of other areas is ongoing. Activities for re-proclamation of Mavrovo National Park need to be accelerated. The management plan for National Park Pelister has been adopted. The Ohrid Lake, including Studencisko Blato, has been designated as a Wetland of International Importance. Application for inclusion of Lake Ohrid and Studencisko Blato on the List of Ramsar Convention was submitted, and Dlaboka Reka (National Park Mavrovo) was listed on the UNESCO Preliminary List for old beech forests. The establishment of a monitoring system for the Balkan lynx in North Macedonia represents a first step towards its conservation. Sustainable financing for management of protected areas remains an important challenge, with largely insufficient national allocation for nature protection, and relying mostly on donor assistance. The implementation of UNESCO recommendations for the Natural and Cultural Heritage of the Ohrid Region is severely delayed and requires serious attention by the authorities.

On **industrial pollution and risk management**, the Law on industrial emissions is still not adopted. Insufficient enforcement of polluter accountability prevents the setting up of a system to prevent industrial and chemical accidents. Efforts are needed to align with the Seveso III Directive, EU Ecolabel regulations and environmental management audit system.

There was no significant improvement in the areas of **chemicals** and **noise** pollution in the reporting period.

On **civil protection**, North Macedonia benefitted from the Union Civil Protection Mechanism (UCPM) in the context of the COVID-19 crisis and some further steps were taken to finalise the technical connection to the Commission's common Emergency Communication and Information System (CECIS). North Macedonia received EU support under the UCPM following the wildfires in summer 2021.

The COVID-19 crisis and the recent wildfires highlighted the need to strengthen the legal framework and institutional capacities of civil protection authorities, notably in regard to health emergencies. Cooperation and coordination between the Protection and Rescue Directorate and the Crisis Management Centre needs to improve.

Climate change

The alignment of the legal framework with the EU *acquis* remains low and the human and financial resources are very limited. While the law on Climate Action has yet to be adopted, a long-term strategy on Climate Action, with a dedicated action plan, was adopted. More efforts are needed to implement the Paris Agreement. The enhanced Nationally Determined Contribution was submitted and is in line with the long term climate change strategy and energy strategy. A platform for monitoring, reporting and verification is being prepared.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Cluster 5 on resources, agriculture and cohesion covers: agriculture and rural development (chapter 11); food safety, veterinary and phytosanitary policy (chapter 12); fisheries (chapter 13); regional policy and coordination of structural instruments (chapter 22); financial and budgetary provisions (chapter 33). North Macedonia is moderately prepared in most areas of Cluster 5. It has a good level of preparation in the area of food safety, veterinary and phytosanitary policy and is at an early stage of preparation in financial and budgetary provisions. Over the reporting period, good progress was made in food safety, veterinary and phytosanitary policy and some progress was made in agriculture and rural development. However, further efforts are needed, in particular in areas where limited or no progress was made such as fisheries, regional policy and the coordination of structural instruments as well as financial and budgetary provisions.

Chapter 11: Agriculture and rural development

The common agricultural policy (CAP) supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming.

North Macedonia remains moderately prepared in the area of agriculture and rural development. Some progress was made during the reporting period, notably by the adoption of the National strategy for agriculture and rural development and by aligning with EU rules on common market organisation. In the coming year, North Macedonia should in particular:

→ progress in decoupling direct payments and transfer the farm register and the land parcel identification system to the paying agency;

- adopt a legislative framework for further alignment with the EU acquis in the area of common market organisation;
- employ qualified staff in the IPARD operating structure according to a workload analysis.

On **horizontal issues**, the National strategy for agriculture and rural development for the period 2021-2027 was adopted by the government. The functional review of the agriculture institutions was completed in 2020 but the recommendations on institutional reorganisation are not yet implemented. North Macedonia maintained the implementation of complex coupled direct payment, while the available annual budget decreased by 30%. Further alignment with EU policies is required for the decoupling of direct payments and implementation of cross-compliance standards. Decisions to simplify the administrative and control system at the paying agency are not yet fully effective.

The development of the integrated administrative and control system (IACS) has progressed slowly but currently all integrated administration and control system elements are in place and in accordance with the EU *acquis*. The land parcel identification system (LPIS) is used for calculating the area based payments. The legislative framework for transferring the farmers' register and LPIS to the paying agency has been further delayed. The farm accountancy data network (FADN) was automated and made operational, but its sample size needs to be expanded to be fully representative. Human and financial resources remain insufficient to sustain the FADN system at all levels of data collection, quality assurance and reporting. More needs to be done to align farm advisory services with the EU *acquis*. The National Extension Agency remains understaffed and insufficiently funded to support farming development.

Some progress was made in aligning with EU rules on the **common market organisation (CMO)** through the preparation of commodity-specific regimes for wine and honey and school schemes for fruits and vegetables. Some efforts were made to further align both institutionally and legally, with the preparation of a separate law on CMO and recognising producers' organisations for agricultural products, associations of producers' organisations and inter-branch organisations.

On **rural development**, good progress was made in the absorption of EU funds under the Instrument for pre-accession assistance for rural development (IPARD II). By the end of 2020, payments to recipients exceeded EUR 4 million. Yet, it is essential to increase the number of staff in the implementing agency. Preparations of the IPARD III programme are advancing. The national rural development policy needs to be aligned with the EU *acquis*.

On **quality policy**, implementation of the quality schemes was slow as the administrative capacities remained insufficient, despite the sectors potential for traditional products and designation of origin. Additional efforts are needed to establish the legislative framework for spirit drinks and to ensure protection of geographical indications in line with the EU *acquis*.

As regards **organic farming**, the legislation, competent authority, control bodies, and the accreditation and certification system are established and operational. The monitoring and control of organic certification and products need to be carried out more systematically. There is potential for further development of the sector and for the opportunities under the IPARD III programme to be fully used.

Chapter 12: Food safety, veterinary and phytosanitary policy

EU hygiene rules for food production ensure a high level of food safety. Animal health and welfare, and the safety of food of animal origin and animal nutrition are safeguarded together

with the quality of seeds, plant protection material and the protection against harmful organisms.

North Macedonia has a **good level of preparation** in the area of food safety and veterinary policy. **Good progress** was made, particularly on improving plant health control in the country. As not all previous recommendations were fulfilled, in the coming year, the country should in particular:

- strengthen the capacities for data collection, verification and analysis of the Food and Veterinary Agency;
- improve the functioning and reliability of the Animal Identification and Registration System;
- implement actions to achieve a sustainable use of pesticides.

On **general food safety**, the Food and Veterinary Agency (FVA) developed a new Food Safety Strategy covering the period 2021-2025. The National Rapid Alert System for Food and Feed, as well as the agency's internal audit and training systems, are operational. The agency is performing its work according to the ISO 9001:2015 quality management standard and is undertaking measures to protect consumers by providing accurate information about foods and preventing food fraud associated with e-commerce. There is a good level of preparation concerning veterinary and food safety legislation.

On **veterinary policy**, the implementing legislation on the control system of the internal market and on imports of live animals and animal products, on certification, the computer system (TRACES or other system) and the Border Control Posts (BCPs), is aligned with the EU *acquis*. On the control system for imports, the Agency continues to provide regular updates on the safeguard measures of imports and import requirements for live animals and animal products.

Good progress was made on control measures for animal diseases. In accordance with the OIE Terrestrial animal health code, the country has been recognised as free from sheep and goat plague. The Agency is conducting an active surveillance programme for Classical Swine Fever, African Swine Fever and Lumpy Skin Disease. There is a lack of human resources in the FVA for data collection, verification and analysis, the development of veterinary risk analysis and the design of corresponding surveillance systems. This is reflected in the limited implementation of the surveillance activities for diseases required under the EU animal health legislation. There was no improvement in the functioning and reliability of the animal identification and registration system. The official control of aquaculture also needs to be improved. The Agency continued implementing the monitoring programme on antimicrobial resistance. The 2021 national monitoring programme on the control of residues of veterinary medicinal products, and contaminants in live animals and food stuffs of animal origin is in line with the EU *acquis* on cattle, sheep, pigs, poultry, aquaculture, milk, eggs, wild game and honey. The Agency continued implementing the action plan on animal welfare. There is no improvement in the capacity to further align with, and implement the EU *acquis* on zoo-technical issues.

North Macedonia continued rabies eradication vaccination campaigns with EU support. Taking full ownership of these campaigns, North Macedonia should transition to using its own means for future campaigns in line with obligations to harmonise with the relevant EU *acquis*.

Good progress was made in the **placing of food, feed and animal by-products on the market** with the adoption of implementing legislation aligned with the EU *acquis*. However,

the revised Law on animal by-products is yet to be adopted. A rulebook on the specific safety requirements on novel foods was adopted.

Good progress was also made on **food safety rules**. The legislation was aligned during the reporting period with the EU *acquis* on food information, flavourings, enzymes, food additives, food for particular nutritional uses, food contact materials and the maximum levels for certain contaminants in foodstuffs. The Agency continued implementing a program for monitoring food safety, but the data needs further analysis.

Regarding **specific rules for feed**, the legislation is yet to be aligned with the EU *acquis*. The Agency continues to implement a programme for monitoring feed safety.

Good progress was made on **phytosanitary policy**. The Phytosanitary Directorate is regularly updating the list of harmful organisms in line with the new EU *acquis* and the country's pest status. A Catalogue for Selected Plant Pests covering Phytosanitary Action, Pest Identity Cards and Survey Protocols for quarantine pests has been developed. The phytosanitary information system was installed and is used as a platform for information sharing and coordination between relevant authorities. The phytosanitary inspection is implementing measures to eradicate pests identified through the monitoring and control programmes. A new law on phyto-pharmacy, aligned with the EU *acquis* was adopted during the reporting period. Actions to achieve a sustainable use of pesticides are not implemented and there is neither reliable data on the pesticide use in the country nor an analysis on the risks and impact of pesticide use on human health and the environment.

The Law on **genetically modified organisms** is aligned with the EU *acquis*. Some parts of the aligned legislation (production, placing on the market and import of genetically modified organisms food and feed) will be applied only upon accession.

Chapter 13: Fisheries

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on markets and aquaculture and support for fisheries and coastal communities.

The country is **moderately prepared** in this area fisheries. **No progress** was made over the reporting period. In the coming year, North Macedonia should in particular:

- align the law on fisheries and aquaculture with the EU *acquis* in the area of market policy, structural measures and state aid;
- improve the data collection system and reporting
- establish a multi-annual programming of structural measures.

As North Macedonia only has inland fishing in lakes and aquaculture, a large part of the EU *acquis* on fisheries is not applicable. The national legal framework is not keeping pace with changes to the EU's Common Fisheries Policy.

Administrative capacities for **resource and fleet management**, and **inspections and control** of fisheries policy remain insufficient. The capacities to control illegal, unreported and unregulated (IUU) fishing in line with the EU requirements need to improve. North Macedonia has yet to strengthen its policy formulation, implementation, and enforcement capacities.

Overall coordination, including with the environment authorities, regarding biodiversity protection, needs to be improved.

Structural measures proved to be insufficient for the development of aquaculture and restoration of fish funds. The data collection system for fisheries and aquaculture needs to be further developed in line with the EU *acquis*.

Preparatory steps were taken for the alignment on **market policy** and **State aid**. Alignment of the EU Eel Regulation is not ensured.

On the **international agreements** for fisheries management, a cooperation agreement with Albania was concluded at the end of 2020. Specifically to Prespa lake, the agreement needs to be in line with the International Agreement for the Protection and Sustainable Development of the Prespa Park Region involving all the countries sharing the Prespa Lakes Area.

Chapter 22: Regional policy and coordination of structural instruments

Regional policy is the EU's main investment policy for sustainable and inclusive economic growth. Member States bear responsibility for implementation, which requires adequate administrative capacity and sound financial management of project design and execution.

North Macedonia is **moderately prepared** in the area of regional policy and coordination of structural instruments. **Limited progress** was made over the reporting period, particularly with the adoption of the Law on balanced regional development. Most of 2020 recommendations remain valid. In the coming year, the country should:

- upgrade the administrative and technical capacity across the IPA operating structures, adopt a retention policy and put in place a permanent capacity-building mechanism for all structures involved in the management of the EU funds, and improve the dynamics in implementation of the EU-funded projects, including planning, management and monitoring of the infrastructure investments and, particularly for the ongoing Economic and Investment Plan projects, such as railway corridor VIII and waste water treatment plant in Skopje, and ensure the sustainability of project results;
- ensure the implementation of the legal and strategic framework for regional development, upgrade the local and regional project planning and implementation capacity and put in place an integrated system to monitor national investments at local level;
- keep fiscal decentralisation high on the agenda in order to build a long-term sustainable financial framework for municipalities, based on predictable resources and collection of local taxes.

On the **legislative framework**, limited progress was made in aligning the public financial management and control framework with the EU *acquis*. The organic budget law introduces fiscal rules, multi-annual expenditure framework and programme-based budgeting and the public internal financial control law defines strengthened managerial accountability and internal audit functions, has not been adopted and is significantly delayed.

Regional policy improved with the amended Law on balanced regional development was adopted in January 2021, committing 1% of the GDP to regional development, the Strategy for balanced regional development (2021-2031) and the national programme upscaling the state funds for regional development. The integrated system allowing planning, management and monitoring of the national investments in regional development is yet to be put in place. Progress is still needed on decisional, operational and fiscal decentralisation.

The **institutional framework** for the management of the EU funds is established and functioning. The new manuals for the National Authorising Officer and the Management Structure improve the procedures for electronic management and strengthen control, verification and expenditure certification. The annual management declaration for 2020 for all

ongoing programmes certifies the reliability of the accounts, the use of the EU funds for the intended purposes, and the legality and regularity of the transactions.

The administrative capacity continues to deteriorate and no progress was made on staff retention policy and on training and capacity building function. Following the 2021 workload analysis, which highlighted the need to urgently fill the vacant managerial positions and recruit additional 82 persons across the operating structures, the country developed and put in place an action plan, which is still to be implemented.

On **programming**, North Macedonia has further strengthened the sector policy-making and strategic planning process, which was reflected in the preparation of the Strategic Response to the IPA III programming framework. The National Investment Committee upgraded the single project pipeline with digital connectivity and sustainable energy projects. However, delays with the programming of the funds under the multi-annual programme for transport and environment have not been overcome yet and the risks for decommitment of EU funds have increased.

On **monitoring and evaluation**, the participation of North Macedonia in the bilateral dialogue with the EU has improved with the involvement of the line ministers in the IPA Monitoring and Sectoral committees. However, the track record in addressing the recommendations and strengthening the role of National IPA Coordinator on monitoring the implementation of the conclusions of the bilateral dialogue with the EU needs to improve. The monitoring and supervision of infrastructure investments needs to be considerably improved.

Financial management and control is based on well-established and functioning systems, which, however, continue to be under pressure due to low staffing levels and vacant managerial positions across all IPA structures. As a result, the procurement, evaluation, contracting, control, monitoring and implementation functions are at stress, which impacts on the quality of the aid management and produces delays in the implementation, particularly of the multi-annual programme on environment and transport (2014-2020). All flagship projects have been delayed, which is an issue of concern.

The internal and external **audit** functions are in place and measures are ongoing for strengthening the audit skills, capacities and methodology. More efforts are needed to improve the coverage and quality assurance of the internal audit. The Audit Authority performs to a good standard, following sound audit methodology and achieving good audit coverage. The Strategic Plan (2021-2023) adopted in January 2021 encompasses adequate capacity development measures. The audit findings identified through the completed regular (systems, operations and accounts) and follow-up audits still need to be addressed. The institutional capacity for fighting fraud and protecting the financial interests of the EU needs to be significantly strengthened (see *Chapter 32 — Financial control*).

Chapter 33: Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

Preparations in this area are at an **early stage**. **Limited progress** was achieved during the reporting period. National accounts and gross national income-based (GNI) calculations were further aligned and customs declarations and excise documents are fully electronically

processed. The institutional set-up to ensure the efficient functioning of the own resources system has not yet been established.

Since the recommendations from the 2020 report were not fully implemented, in the coming year, North Macedonia should:

- further harmonise the legal basis for the underlying policy areas affecting the correct application of the own resources system;
- enhance the administrative capacities and co-ordination mechanisms among key stakeholders in the system.

Limited progress was made on the specific own resources administrative conditions, as laid down in the own resources regulations. Progress was made to harmonise the legal framework in the underlying policy areas affecting the correct application of the own resources system, especially on customs, taxation, statistics and financial control. In particular, progress was made in aligning national accounts and GNI calculations and customs legislation. Customs declarations and excise documents are now fully electronically processed. The measures to fight and reduce tax evasion, fraud and informal economy as well as to improve internal control in public sector are not yet efficiently applied by the relevant authorities. *(For further information see developments under Chapter 16 - Taxation, Chapter 18 - Statistics, Chapter 29 - Customs union and Chapter 32 - Financial control).*

Preparatory work on accounting and revenue allocation processes as per the EU provisions on A and B accounts is ongoing. Progress was made on building up the operational and administrative capacities of the customs administration for enforcement of national legislation and procedures, accounting management and IT services as a basis for the establishment of the traditional own resources system. A detailed analysis of the current process of the customs administration for recording customs debt and customs duties in its IT system was elaborated.

The Tax System Reform Strategy 2021-25 was adopted in December 2020 and a 2021 annual action plan was elaborated. Its implementation will be monitored quarterly by an established working group *(see also under Chapter 16 – Taxation)*.

With regard to the **administrative infrastructure**, some progress was made in building up capacities of relevant key institutions in this area. However, further efforts are needed in order to ensure timely and efficient functioning of the process of calculation, collection, payment and control of own resources as well as to improve the reporting and co-ordination mechanisms among all bodies involved.

CLUSTER 6: EXTERNAL RELATIONS

Cluster 6 covers: external relations (chapter 30) and foreign, security and defence policy (chapter 31). North Macedonia is moderately prepared in the areas covered by this cluster and has made some progress during the reporting period. In its common commercial policy, North Macedonia continued its efforts to coordinate its positions and closely align its commercial policies with those of the EU, including within the WTO. The country has increased its alignment with the EU common foreign and security policy to 96% and its participation in EU crisis management missions and operations.

Chapter 30: External relations

The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements, and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

The country is **moderately prepared** in the area of external relations and made **some progress** over the last year. North Macedonia continued its good cooperation with the EU, including within the World Trade Organisation (WTO). The Additional Protocol 5 on trade facilitation was implemented, including the expansion of the concept of authorised economic operators (AEO). The institutional capacity to fully participate in the EU commercial, development and humanitarian policies is still insufficient. In the coming year, the country should in particular:

- enhance its overall administrative capacity regarding trade policy, the Central European Free Trade Agreement (CEFTA) and work in the WTO framework;
- implement the action plan for the development of a Common Regional Market 2021-2024;
- implement CEFTA Protocol 6 on trade in services, and negotiate and adopt CEFTA Protocol 7 on dispute settlement.

In the area of the **common commercial policy**, North Macedonia continued to coordinate its positions and align closely its policies with those of the EU, including within the WTO, and is supporting the EU's proposals for WTO reforms. The provisions of the Trade Facilitation Agreement are fully applied and the National Committee on Trade Facilitation met twice in 2020. The country continued the negotiations for accession to the WTO Agreement on Government Procurement by participating in three sessions of its Committee in 2020. The administrative capacity of the Ministry of Economy, in charge of trade policy, should be further strengthened.

North Macedonia continued to participate actively in CEFTA and is chairing its activities in 2021. The country has committed to implement the action plan for the development of a common regional market among the Western Balkan countries. The Additional Protocol 5 on trade facilitation was implemented, including the expansion of the concept of authorised economic operators (AEO). The Protocol 6 on trade in services was ratified in December 2020. In the wake of the COVID-19 crisis, the country took an active role in establishing the green corridors, ensuring an uninterrupted flow of essential goods at the three key border crossings with the neighbouring CEFTA countries.

The system for export control of **dual-use goods** and technologies is functional. The country aligned its list of dual-use goods with the 2020/1749 EU Regulation on exports, transfer, brokering, and transit of dual-use goods and technologies. Outreach is performed regularly to inform the industry about legislative changes.

39 **bilateral agreements with third countries** (BITs) are in force (the agreement with India was terminated), of which 19 are with EU Member States. An investment protection agreement was signed with the United Arab Emirates. An Agreement on partnership, trade and cooperation was signed with the United Kingdom of Great Britain and Northern Ireland. The country is working on updating the existing model agreement for BITs.

There was no progress in **development policy** and **humanitarian aid**. The country is encouraged to establish a policy framework in the areas of development and international cooperation as well as humanitarian aid towards non-EU countries in line with the applicable EU policies and principles.

Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogues in the framework of foreign, security and defence policy, align with EU statements, take part in EU actions, and apply agreed sanctions and restrictive measures.

The country continues to be **moderately prepared** in the area of common foreign, security and defence policy. **Some progress** was made during the reporting period, with an increased alignment with the EU common foreign and security policy, and participation in EU crisis management missions and operations. In the coming year, the country should in particular:

→ further improve alignment with the EU common foreign and security policy.

Regular **political dialogue** on foreign and security policy issues between the EU and the country continued. The institutional framework enabling the country's participation in the common foreign and security policy (CFSP) and the common security and defence policy (CSDP) is in place.

On the **common foreign and security policy (CFSP)**, the country's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions was 96% as of August 2021 (compared to 92% in 2019 and 94% in 2020). This shows a positive trend, reflecting the country's choice of strategic orientation. While the country continues not to align on restrictive measures against Russia related to the situation in Ukraine, it did align in March 2021 with those related to serious human rights violations in Russia and Alexei Navalny.

North Macedonia maintains a bilateral immunity agreement with the United States, granting US citizens exemptions from the jurisdiction of the **International Criminal Court**. In doing so, the country does not comply with the EU common positions on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements.

On **non-proliferation**, North Macedonia participates in the Proliferation Security Initiative and the Hague Code of Conduct but not in the Nuclear Suppliers Group, the Australia Group, the Zangger Committee or the Missile Technology Control Regime. The country is committed to meet the requirements to join the Wassenaar Arrangement. The country is an active member of the Center for Security Cooperation (RACVIAC) and is chairing its Multinational Advisory Group until October 2021.

North Macedonia continued the implementation of the 2018 Regional Roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons, and their ammunition in the Western Balkans.

North Macedonia continued to actively **cooperate with international organisations**. The country secured its 2023 Chairmanship of the OSCE. In November 2020, the country became the thirteenth member of the Black Sea Economic Cooperation Council (BSEC) and co-chaired, with Bulgaria, the Berlin Process Foreign Ministers Meeting.

In terms of **security measures**, the law on Classified Information, based on the 2013 Council Decision, is in force. By-laws regulating the inspection supervision of work with classified information as well as on personal security were adopted. An agreement on the exchange and mutual protection of classified information was signed with Greece in February 2021.

The country continued to actively participate in EU crisis management operations under the **common security and defence policy (CSDP)**, notably EUFOR ALTHEA in Bosnia and Herzegovina. Since December 2020, North Macedonia participates in the military training mission in the Central African Republic (EUTM RCA). In 2021, military personnel participated in a military exercise in Germany and in Greece. As a new NATO ally, North Macedonia maintained a presence in a number of NATO-led missions including 'KFOR' in

Kosovo. North Macedonia withdrew its contingent from the ‘Resolute Support’ mission in Afghanistan together with other contributing states. The country continues to participate in the UNIFIL operation in Lebanon.

North Macedonia ratified the technical arrangement between the Ministry of Defence and the Greek Ministry of National Defence on the protection of its air space Fight Information Region SKOPJE (LWSS).

On **hybrid threats**, North Macedonia engaged with three other Western Balkans partners in the EU’s hybrid risk survey. The objective was to identify systemic vulnerabilities and provide EU assistance in those areas where gaps discovered. The National Strategy on building resilience and confronting hybrid threats (2021-2025) was finalised and aims at addressing the recommendations from the 2020 Hybrid Risk Survey.

ANNEX I – RELATIONS BETWEEN THE EU AND NORTH MACEDONIA

North Macedonia has been participating in the **Stabilisation and Association process** since 1999. The Stabilisation and Association Agreement (SAA) with the EU, signed in 2001, sets the framework for relations with the EU, including political, economic and technical dialogues. Experts met in seven Sub-committees and one Special Group, according to schedule. The Stabilisation and Association Committee took place in June 2021. Discussions focused on the decision to open accession negotiations and the progress made in advancing EU reforms, in particular in the areas of the fundamentals and the strengthening of good neighbourly relations.

North Macedonia is a candidate country since 2005, with consecutive recommendations by the European Commission to open accession negotiations since 2009. On 26 March 2020, the European Council endorsed the Council's decision to open accession negotiations with North Macedonia.

Visa liberalisation for citizens of North Macedonia travelling to the Schengen area has been in force since December 2009. A readmission agreement has been in force since 2008. The Commission's August 2020 fourth report under the visa suspension mechanism concluded that North Macedonia continues to meet the visa liberalisation benchmarks.

North Macedonia continued to increase its alignment with **EU common foreign and security policy** positions and declarations. North Macedonia continued to actively participate in EU crisis management missions and operations under the common security and defence policy.

The bilateral EU support for North Macedonia under the **Instrument for Pre-accession Assistance II** (IPA II) in 2014-2020 amounts to EUR 633 million, or 104% of the funds allocated by the revised Country Strategy Paper. Its implementation has progressed on the grounds of the sector approach and inclusive programming. In response to the COVID-19 pandemic, EUR 4 million have been refocused for urgent medical equipment and EUR 62 million for socio-economic recovery measures. In particular, the EUR 50 million performance reward in 2020 was re-directed towards responding to the health needs, and to mitigating the economic and social effects of the crisis and to support the country in its EU integration efforts. As part of the wider COVID-19 response, the EU has also made available a Macro-Financial Assistance scheme of EUR 160 million, which has been fully disbursed. The Commission set aside EUR 70 million in grants from IPA II for the Western Balkan partners to reimburse the Member States for the resale of doses they obtained under the EU Advance Purchase Agreements with COVID-19 vaccine producers, of which North Macedonia received EUR 8.2 million. The first vaccines provided under this grant were a total of 651,000 Pfizer doses for the region (including almost 120,000 for North Macedonia) facilitated by Austria, which were delivered between May and August 2021. Further donations by EU Member States brought the total provided by Team Europe to almost 350 000 by early October.

IPA II has continued to help the country to deliver on key reforms, including in the area in rule of law, public finance management, economic governance and public administration. The civil society and private sector benefits of important EU support providing opportunities to grow and develop in a favourable environment. North Macedonia also benefits of dedicated EU support for protecting the environment and boosting the connectivity with the EU transport systems.

North Macedonia continues to benefit from support under the IPA multi-country and regional programmes, as well as participates in five cross-border cooperation programmes and in one transnational cooperation programme. The EU also supports the participation of the country in 12 **EU programmes** with EUR 40.3 million.

The IPA III Regulation for the 2021-2027 financial period¹³ will continue to provide financial support to the region and will also finance the Economic Investment Plan (EIP) for the Western Balkans. The EIP, accompanied by the Green Agenda for the Western Balkans, was agreed by the Commission and the countries of the region in October 2020 and aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union.

¹³ OJ L 330, 20.9.2021

STATISTICAL DATA (as of 09.09.2021)
North Macedonia

Basic data	Note	2008	2015	2016	2017	2018	2019
Population (thousand)		2 045 s	2 069 es	2 071 es	2 074 es	2 075 es	2 077 s
Total area of the country (km ²)	1)	25 436 w	25 436 w	25 436 w	25 436 w	25 436 w	25 436 w

National accounts	Note	2008	2015	2016	2017	2018	2019
Gross domestic product (GDP) (million national currency)		414 890	558 954	594 795	618 106	660 878	689 425 p
Gross domestic product (GDP) (million euro)		6 772	9 072	9 657	10 038	10 744	11 209 p
GDP (euro per capita)		3 310 e	4 380 e	4 660 e	4 840 e	5 170 e	:
GDP per capita (in purchasing power standards (PPS))		8 320 e	10 440 e	10 820 e	10 990 e	11 560 e	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		32.3	36.3	37.3	36.8	37.5	:
Real GDP growth rate: change on previous year of GDP volume (%)		5.5	3.9	2.8	1.1	2.9	3.2 p
Employment growth (national accounts data), relative to the previous year (%)		8	2	2	3	0	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		- 2	2	1	- 2	3	:
Unit labour cost growth, relative to the previous year (%)		11	0	5	5	3 p	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		13.9	2.2	9.1	10.8	13.4 p	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		45	43	44	43	44	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		13.3	11.1	10.6	9.1	9.8	9.3 p
Industry (%)		16.1	19.3	19.7	20.5	21.5	20.7 p
Construction (%)		6.6	8.1	8.0	7.5	6.2	6.4 p
Services (%)		64.1 s	61.6 s	61.8 s	62.9 s	62.6 s	63.6 ps
Final consumption expenditure, as a share of GDP (%)		97.2	85.8	82.3	81.6	80.1	79.7 p
Gross fixed capital formation, as a share of GDP (%)		25.8	23.8	24.4	22.5	20.0	21.2 p
Changes in inventories, as a share of GDP (%)		2.1	6.5	8.1	9.7	12.2	13.3 p
Exports of goods and services, relative to GDP (%)		43.2	48.7	50.7	55.1	60.4	62.3 p
Imports of goods and services, relative to GDP (%)		68.3	65.0	65.5	69.0	72.8	76.5 p
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2008	2015	2016	2017	2018	2019
Industrial production volume index (2015 = 100)		97.5	100.0	103.4	103.6	109.2	113.2
Number of active enterprises (number)		:	54 738 w	55 469 w	55 359 w	58 231 w	58 318 pw

Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	:	10.2	10.3	9.2	8.8	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	:	8.8	9.3	7.7	7.0	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	:	74.4 sw	75.4 sw	74.3 sw	74.2 psw	:
Value added by SMEs (in the non-financial business economy) (EUR million)	:	2 413 ps	2 607 ps	2 698 sw	2 895 sw	3 183 psw
Total value added (in the non-financial business economy) (EUR million)	:	3 740 p	4 031 p	4 252	4 579	4 836 pw

Inflation rate and house prices

Note	2008	2015	2016	2017	2018	2019
Consumer price index (CPI), change relative to the previous year (%)	7.6 d	0.1 d	0.2 d	2.1 d	2.3 d	0.7 d
**Annual change in the deflated house price index (2015 = 100)	:	:	:	:	:	:

Balance of payments

Note	2008	2015	2016	2017	2018	2019
Balance of payments: current account total (million euro)	- 862.2 w	- 177.1	- 275.5	- 102.9	- 7.1	- 372.3
Balance of payments current account: trade balance (million euro)	- 1 933.6 w	- 1 822.8	- 1 812.9	- 1 787.9	- 1 736.2	- 1 969.6
Balance of payments current account: net services (million euro)	188.0 w	348.8	340.7	377.0	370.9	349.8
Balance of payments current account: net balance for primary income (million euro)	- 94.4 w	- 286.1	- 383.9	- 397.5	- 450.7	- 519.6
Balance of payments current account: net balance for secondary income (million euro)	977.8 w	1 583.0	1 580.6	1 705.6	1 808.9	1 767.1
Net balance for primary and secondary income: of which government transfers (million euro)	:	54.3	90.8	112.8	109.1	38.0
**3 year backward moving average of the current account balance relative to GDP (%)	:	- 1.5	- 1.9	- 2.0	- 1.3	- 1.5
**Five year change in share of world exports of goods and services (%)	:	:	22.3	42.1	51.7	39.7
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)	409.4 w	202.8 w	316.9 w	180.0 w	603.7 w	363.3 w
Foreign direct investment (FDI) abroad (million euro)	- 9.5 w	18.2	21.7	1.8	10.4	35.5
of which FDI of the reporting economy in the EU-27 countries (million euro)	:	5.4 w	13.6 w	7.2 w	0.4	27.2
Foreign direct investment (FDI) in the reporting economy (million euro)	399.9 w	216.7 w	338.4 w	181.7 w	614.1 w	398.8 w
of which FDI of the EU-27 countries in the reporting economy (million euro)	244.0 w	22.4 w	162.5 w	86.0 w	290.4 w	220.2
**Net international investment position, relative to GDP (%)	- 48.2 w	- 56.0 w	- 57.7 w	- 58.0 w	- 56.2 w	- 57.6 pw
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	3.9 sw	2.3 sw	- 7.5 sw	0.4 sw	3.2 sw	:

Public finance

Note	2008	2015	2016	2017	2018	2019
General government deficit / surplus, relative to GDP (%)	- 0.9 w	- 3.5 w	- 2.7 w	- 2.7 w	- 1.8 w	- 2.0 w
General government gross debt relative to GDP (%)	20.5 w	38.1 w	39.9 w	39.4 w	40.4 w	40.7 w
Total government revenues, as a percentage of GDP (%)	32.9 w	28.8 w	28.5 w	29.1 w	28.6 w	29.2 w
Total government expenditure, as a percentage of GDP (%)	33.8 w	32.3 w	31.2 w	31.8 w	30.4 w	31.2 w

Financial indicators

Note	2008	2015	2016	2017	2018	2019
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Gross external debt of the whole economy, relative to GDP (%)		:	69.3 s	74.7 s	73.4 s	73.0 s	72.7 ps
Gross external debt of the whole economy, relative to total exports (%)		114.8 w	142.2 w	146.7 w	133.8 w	121.4 w	117.2 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		927.2 w	1 694.2 w	1 867.8 w	2 053.3 w	2 436.7 w	2 857.4 w
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		2 958.8 w	4 130.8 w	4 395.9 w	4 564.2 w	5 103.4 w	5 609.3 w
Money supply: M3 (M2 plus marketable instruments, million euro)		3 229.8 w	4 936.7 w	5 240.6 w	5 480.3 w	6 072.6 w	6 571.1 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		2 803.2 w	4 625.9 w	4 632.0 w	4 883.0 w	5 237.6 w	5 552.3 w
**Annual change in financial sector liabilities (%)		:	5.5 w	6.9 w	1.9 w	7.6 w	12.2 w
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)	2)	4.12 w	0.99 w	1.02 w	1.01 w	0.99 w	1.00 w
Lending interest rate (one year), per annum (%)	3)	8.50 w	3.75 w	4.25 w	3.75 w	3.00 w	2.75 w
Deposit interest rate (one year), per annum (%)	3)	:	0.25 w	0.25 w	0.25 w	0.15 w	0.15 w
Euro exchange rates: average of period (1 euro = ... national currency)		61.265	61.611	61.596	61.575	61.512	61.506
Trade-weighted effective exchange rate index, 42 countries (2010 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2010 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)	3)	1 494.9 w	2 261.8 w	2 613.4 w	2 336.3 w	2 867.1 w	3 262.6 w

External trade in goods

	Note	2008	2015	2016	2017	2018	2019
Value of imports: all goods, all partners (million euro)		4 664	5 801	6 177	6 825	7 676	8 463
Value of exports: all goods, all partners (million euro)		2 698	4 088	4 390	5 007	5 873	6 424
Trade balance: all goods, all partners (million euro)		- 1 967	- 1 714	- 1 786	- 1 818	- 1 804	- 2 040
Terms of trade (export price index / import price index * 100) (number)	4)	100.8 sw	100.0 sw	96.6 sw	95.3 sw	94.9 sw	:
Share of exports to EU-27 countries in value of total exports (%)		63.6 s	76.0 s	78.8 s	79.7 s	80.3 s	78.5 s
Share of imports from EU-27 countries in value of total imports (%)		49.2 s	52.4 s	51.3 s	52.8 s	52.9 s	50.8 s

Demography

	Note	2008	2015	2016	2017	2018	2019
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		1.9	1.3	1.2	0.7	0.8	- 0.3
Infant mortality rate deaths of children under one year of age (per thousand live births)		9.7	8.6	11.9	9.2	5.7	5.6
Life expectancy at birth: male (years)		72.4	73.5	73.4	74.1	74.6	74.7
Life expectancy at birth: female (years)		76.5	77.4	77.5	77.9	78.8	78.6

Labour market

	Note	2008	2015	2016	2017	2018	2019
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		69.4	70.2	69.6	70.3	70.4	71.5
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		46.3	51.9	53.3	54.8	56.1	59.2

Male employment rate for persons aged 20–64 (%)		56.2	61.5	63.7	65.6	66.6	69.7
Female employment rate for persons aged 20–64 (%)		36.2	42.1	42.5	43.7	45.2	48.4
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		31.7	40.1	40.7	41.4	42.7	45.1
Employment by main sectors							
Agriculture, forestry and fisheries (%)		:	17.9 s	16.6 s	16.2 s	15.7 s	13.9 s
Industry (%)		:	23.4 s	23.1 s	23.3 s	23.9 s	24.1 s
Construction (%)		:	7.1 s	7.2 s	7.2 s	7.4 s	7.0 s
Services (%)		:	51.6 s	53.0 s	53.2 s	52.9 s	55.0 s
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	:	:	:	:	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	:	:	:	:	:
Unemployment rate: proportion of the labour force that is unemployed (%)		33.8	26.1	23.7	22.4	20.8	17.3
Male unemployment rate (%)		33.5	26.8	24.4	22.8	21.3	16.5
Female unemployment rate (%)		34.2	25.1	22.8	21.8	19.9	18.4
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		56.4	47.3	48.2	46.7	45.4	35.6
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		28.7 w	21.3	19.1	17.4	15.5	12.4
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		40.0	29.9	28.8	25.6	23.1	23.7
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		18.7	18.9	17.6	17.1	16.6	13.3

Social cohesion

	Note	2008	2015	2016	2017	2018	2019
Average nominal monthly wages and salaries (national currency)		16 096 w	21 906 w	22 342 w	22 928 w	24 276 w	25 213 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		80 w	98 w	100 w	101 w	106 w	109 w
GINI coefficient		:	34	34	32	32	31
Poverty gap		:	33.1	32.9	37.3	37.7	32.0
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		19.6	11.4	9.9	8.5	7.1	7.1

Standard of living

	Note	2008	2015	2016	2017	2018	2019
Number of passenger cars relative to population size (number per thousand population)		128.0	185.0	190.0	194.0	200.0	205.0
Number of mobile phone subscriptions relative to population size (number per thousand population)	5)	1 223.4 w	1 005.9 w	989.9 w	968.3 w	935.9 w	924.8 w
Mobile broadband penetration (per 100 inhabitants)	5)	:	54.5 w	57.4 w	61.1 w	60.9 w	65.1 w
Fixed broadband penetration (per 100 inhabitants)	5)	:	18 w	18 w	19 w	19 w	22 w

Infrastructure	Note	2008	2015	2016	2017	2018	2019
Density of railway network (lines in operation per thousand km ²)	1)	27.5 sw	27.5 s	26.9 s	26.9 s	26.9 s	26.9 s
Length of motorways (kilometres)		237	259	259	259	287	335

Innovation and research	Note	2008	2015	2016	2017	2018	2019
Public expenditure on education relative to GDP (%)		:	:	:	:	:	:
*Gross domestic expenditure on R&D relative to GDP (%)	7)	0.22 sw	0.44	0.44	0.35	0.36	0.37
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	:	:	:	:	:
Percentage of households who have internet access at home (%)		29.0	69.0	75.0	74.0	79.0	82.0

Environment	Note	2008	2015	2016	2017	2018	2019
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)	6)	84.8 w	70.3 w	65.4 w	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		388.5	293.3	290.0	293.0	267.2	284.1
Electricity generated from renewable sources relative to gross electricity consumption (%)		13.8	21.7	24.1	24.8	24.8	23.8
Road share of inland freight transport (based on tonne-km) (%)		84.3 w	96.0 w	96.9 w	96.4 w	97.2 w	96.7 w

Energy	Note	2008	2015	2016	2017	2018	2019
Primary production of all energy products (thousand TOE)		1 647	1 271	1 121	1 166	1 148	1 143
Primary production of crude oil (thousand TOE)		0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		1 378	876	745	849	800	860
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		1 404 s	1 395 s	1 590 s	1 553 s	1 514 s	1 664 s
Gross inland energy consumption (thousand TOE)		3 032	2 661	2 706	2 763	2 593	2 844
Gross electricity generation (GWh)		6 311	5 646	5 630	5 600	5 607	5 870

Agriculture	Note	2008	2015	2016	2017	2018	2019
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		97.6 w	106.4 w	112.2 w	99.9 w	111.8 w	:
Utilised agricultural area (thousand hectares)		1 064.4	1 264.4	1 267.1	1 266.0	1 264.1	1 264.6
Livestock numbers: live bovine animals (thousand heads, end of period)		253.5 w	253.0	255.0	255.0	256.0	219.0
Livestock numbers: live swine (thousand heads, end of period)		246.9 w	195.0	203.0	202.0	196.0	136.0
Livestock numbers: live sheep and live goats (thousand heads, end of period)		:	822.0 s	825.0 s	832.0 s	844.0 s	771.0 s
Raw milk available on farms (thousand tonnes)		:	417.4 w	477.4	462.2	478.5	456.1
Harvested crop production: cereals (including rice) (thousand tonnes)		615.1	483.8	640.9	447.7	598.3	563.1
Harvested crop production: sugar beet (thousand tonnes)		0.0	0.0	0.0	0.0	0.0	0.0
Harvested crop production: vegetables (thousand tonnes)		581.8	844.9	810.0	769.6	792.9	772.7

Source: Eurostat and the statistical authorities in North Macedonia

: = not available

d = definition differs

e = estimated value

p = provisional

s = Eurostat estimate

w = data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) Data is harmonised with the surface area in the Register of territorial units that is maintained by Agency for Real Estate Cadastre, as the official source of the surface areas of the territorial units in the country.
- 2) Data cover bilateral over-night transactions. The interest rates are calculated as weighted averages.
- 3) End of year (31 December).
- 4) Laspeyres unit value index. 2015 = 100.
- 5) Source: Agency for electronic communications (AEC).
- 6) Part of the greenhouse gas inventory prepared in the context of the Third National Communication (UNFCCC).
- 7) Total expenditures for R&D as published in statistical reviews for R&D activity.