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North Macedonia 2024 Report

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1. INTRODUCTION¹

1.1. CONTEXT

Following the first Intergovernmental Conference on accession negotiations on 19 July 2022, the screening sessions for all six clusters were completed on 7 December 2023. North Macedonia continued to implement the Stabilisation and Association Agreement and the joint bodies under the agreement met.

North Macedonia has consistently stated its political commitment to the strategic goal of EU integration and its ambition to move forward in the accession negotiations. The newly-elected President took office in May 2024 and in June 2024, after the parliamentary elections, a new government was formed. Essential EU-related reforms need to be implemented. North Macedonia maintained good relations with other enlargement countries and continued its engagement in regional initiatives. Existing bilateral agreements with neighbouring countries need to be implemented in good faith by all parties, including the Prespa Agreement between North Macedonia and Greece and the Treaty of Friendship, Good Neighbourliness and Cooperation with Bulgaria.

North Macedonia maintained its full alignment with the EU's common foreign and security policy, including on Russia's war of aggression against Ukraine, sending a strong signal of its strategic choice of EU accession and showing itself, once more, to be a reliable partner. In 2023, North Macedonia has played an active role in a complex geopolitical context during its term as chair of the Organisation for Security and Cooperation in Europe (OSCE).

North Macedonia has actively engaged in the implementation of the new Growth Plan for the Western Balkans across its four pillars: (i) gradual integration with the EU single market, (ii) regional economic integration, (iii) fundamental reforms and (iv) increased financial support. Its Reform Agenda covers reform milestones in the areas of: (i) governance, public administration reform and public financial management; (ii) green and digital transition; (iii) human capital; (iv) private sector development and business environment; and (v) fundamental rights and the rule of law.

The Commission's 2024 rule of law report² covered North Macedonia for the first time.

1.2. MAIN FINDINGS OF THE REPORT³

¹ The 2024 report is presented in a renewed format and structure. Main findings of the report, together with the recommendations (previously grey assessment boxes) are brought together at the beginning of the report. Furthermore, under the fundamentals cluster, for better readability and comparability across all reports, certain data is provided (also) in the form of graphs.

² COM(2024)800 final

³ This report covers the period from 15 June 2023 to 1 September 2024. It is based on input from a variety of sources, including contributions from the government of North Macedonia, EU Member States, European Parliament reports and

2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1.1 Democracy

The conduct of the **elections** was mostly satisfactory. The parliamentary and presidential elections were competitive. Fundamental freedoms were respected. The election legislation provides a suitable framework for holding democratic elections. However, limited progress was made on addressing the outstanding recommendations of the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) and the Venice Commission. North Macedonia should implement the recommendations rapidly and well before the next elections.

The **Parliament** was found to exercise its powers in a mostly satisfactory way. However, political polarisation in Parliament persisted, delaying the adoption of important reforms and several long-overdue appointments. In November 2023, new rules of procedure were adopted based on a high degree of consensus, completing the commitments under the 'Jean Monnet Dialogue'. The new Parliament, constituted in May, was able to find a broad consensus on the implementation of the new rules of procedure, on the need for a constructive and inclusive political debate and should accelerate its work on the continuation of reforms necessary for the EU integration process. Parliament should plan and adopt its agenda carefully and limit the use of fast-track legislative procedures or inappropriate use of the 'EU flag' procedure, which has been the practice up to now. Cross-party collaboration is essential to accelerate the implementation of EU-related reforms, in the interest of citizens. Despite attempts, thus far, no progress was made on adopting the constitutional changes, with a view to including in the Constitution citizens who live within the borders of the State and who are part of other peoples, such as Bulgarians, as referred to in the Council Conclusions of 18 July 2022, which the country committed to launch and achieve.

The institutions in charge of the **integration** process are in place. The new government established a Ministry of European Affairs, replacing the Secretariat for European Affairs. Following the successful completion of the screening process, North Macedonia needs to continue strengthening its EU negotiating structures and achieve sound coordination across line ministries and institutions, while further developing EU-*acquis*-related expertise across the public administration.

Permanent and decisive steps are needed to accelerate the implementation of EU reforms and move forward in the EU accession negotiation process. Cross-party collaboration remains vital in this regard. A reform of local self-government is urgently needed and the dialogue between different levels of **government** should be relaunched. Inter-ethnic relations remained stable, and the Ohrid Framework Agreement continued to be implemented.

Civil society organisations (CSOs) in North Macedonia operate in an overall enabling environment. However, the government should increase its efforts to mainstream civil society engagement in priority areas and in consultation activities. Existing legal and financial frameworks still need to be amended and implemented, particularly to provide consistent mechanisms for providing transparent public funding to CSOs. Urgent efforts are needed to resume the activities of the Council for Cooperation between the Government and Civil Society.

Public administration reform

North Macedonia remains **moderately prepared** in the area of public administration reform. **Limited progress** was made during the reporting period, notably the adoption of amendments to the Law on state organisation, which brought about improvements by clarifying lines of accountability,

information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

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

introducing impact assessments for the creation of new state bodies and decreasing the number of primary budget users.

The Commission's recommendations from last year were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- adopt and start implementing the revised Law on administrative servants, the revised Law on public service employees and the legal provisions on top management service;
- finalise the revision and start implementing the Law on state organisation and other related laws in line with the recommendations on the new organisation of state administrative bodies;
- ensure full implementation of the Law on general administrative procedures by completing the digitalisation of institutions' registers and data exchange and simplifying electronic procedures.

Chapter 23: Judiciary and fundamental rights

North Macedonia is **between having some and a moderate level of preparation** in applying the EU *acquis* and European standards in this area. Overall, there was **limited progress** on strengthening judicial independence and improving the legal framework for protecting fundamental rights.

Functioning of the judiciary

The judicial system of North Macedonia is **between having some and a moderate level of preparation** and made **limited progress**. The country adopted a new Strategy for Judicial Reform (2024-2028) and a roadmap on chapter 23 and has started to implement the recommendations of the 2023 peer review mission on the Judicial Council. The new government's announcements of plans to 'dissolve' the Judicial and Prosecution Councils are a matter of serious concern, as such actions would undermine the independence of the judiciary. The rising deficit in human resources in the judiciary raises concerns for impacting the quality and efficiency of justice.

The Commission's recommendations from last year were only partially implemented and are therefore largely valid. In the coming year, North Macedonia should in particular:

- adopt a new Law on civil procedure, in line with European standards and start implementing the new strategy on judicial reform;
- strengthen the Judicial Council by revising the legislative framework and its overall functioning to enhance its transparency and independence, in line with the recommendations of the 2023 peer review mission, and step up the implementation of the human resources strategies for the judiciary and the prosecution;
- ensure that the automated court case management information system (ACCMIS) is fully functional and compatible with level of complexity of court cases and the method for assessing judges and presidents of courts.

Fight against corruption

North Macedonia is **between having some level of preparation and a moderate level of preparation** and made **no progress** in the prevention and fight against corruption. Corruption remains prevalent in many areas and is an issue of serious concern. The current government has stated that the fight against corruption is a priority.

The institutional framework for the fight against corruption is in place and is satisfactory in terms of preventive measures. However, improvement is needed on law enforcement. The newly composed State Commission for the Prevention of Corruption (SCPC) started its mandate on 8 February 2024. It is critical that it acts with the highest level of professionalism, integrity, and independence. It needs to continue to provide proactively policy guidance to prevent corruption, and to work in an inclusive and transparent manner. Its recommendations need to be effectively followed up. To enhance the performance of the SCPC, the Public Prosecutor's Office, investigative centres and law enforcement units should all receive additional human resources and financial support. Strategic documents have been adopted and the legal framework for the fight against corruption is in place but needs to be improved, both in terms of preventive measures and law enforcement.

The amendments to the Criminal Code of September 2023 weakened the legal framework, negatively affecting the prosecution of corruption, especially in high-level cases. Many ongoing cases were terminated either because the statute of limitations had expired or because specific offences, such as the abuse of office in public procurement, no longer exist.

The Commission's recommendations from last year were not fully addressed and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt a new Criminal Code in line with the EU *acquis* and international standards. Improve its track record in high-level corruption cases – with timely, professional, and transparent proactive investigations, prosecutions, final convictions, and recovery, including confiscation of criminal assets, value-based confiscation, extended confiscation and third-party confiscation;
- improve the implementation of the national strategy for the prevention of corruption and conflict of interests and also the GRECO's recommendations, in particular on the system of sanctions for the violation of conflicts of interest, integrity and anti-corruption rules;
- allocate sufficient human and financial resources, including financial experts, to the Office of the Basic Public Prosecutor for Organised Crime and Corruption to ensure effective accountability in high-level corruption cases; and to the State Commission for the Prevention of Corruption to improve the verification of assets declarations and the oversight of election campaign financing.

Fundamental rights

The legal framework on the protection of fundamental rights is partially aligned with the EU *acquis* and European standards. The country continues to meet its general obligations on fundamental rights, but legislation should be implemented in a systematic manner. In November 2023, the Parliament appointed the *Macedonian Association of Young Lawyers* and the *Helsinki Committee for Human Rights* (HCHR) to serve as the civil control mechanism within the Ombudsman's office. The Parliament elected new anti-discrimination commissioners and filled vacant positions. No progress has been made on the protection of personal data. The overall situation in prisons remains dire although infrastructure was renovated and improved in several prison facilities.

The Commission's recommendations from last year were addressed only partially and therefore remain valid. In the coming year, the country should in particular:

- address the dire conditions in prisons and continue the efforts to promote alternatives to incarceration and implement relevant recommendations on detention conditions, made by national and international institutions, notably by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT);
- allocate the necessary resources to the Ombudsman's Office and to the Commission for the Prevention and Protection against Discrimination to enable them to fulfil their mandate;
- provide adequate support to vulnerable categories of children, especially children victims of violence, Roma⁴ children and children with disabilities.

Freedom of expression

North Macedonia is **between having some level of preparation and a moderate level of preparation** on freedom of expression and has made **limited progress** in this area. The Law on audio and audio-visual media services was amended in July 2023 to harmonise it with the Media Directive. It was amended again in February 2024 to reintroduce State advertising in commercial media, which was later criticised by the media regulator and media organisations. The Laws on media and the Electoral Code were also amended. However, these amendments were not comprehensive and multiple long-standing issues therefore remain unaddressed.

⁴In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, the country should in particular:

- continue to revise the legal framework governing the media to align it with the EU *acquis* and European standards, notably by introducing rules on full transparency in media ownership and advertising, competition and State aid, and intellectual property rights, in accord with the EU single market;
- implement the strategy to reform the Public Broadcaster and appoint the Public Service Broadcaster's Programme Council and the Media Regulator's Council;
- continue to promptly address all threats and acts of violence against journalists and ensure perpetrators are brought to justice.

Chapter 24: Justice, freedom and security

North Macedonia is **moderately prepared** to implement the EU *acquis*. **Some progress** was made in the area of asset recovery and confiscation by further aligning the legislation with the EU *acquis*. Limited progress was made on migration and asylum where there was no further alignment with EU *acquis*. The new Frontex agreement is implemented in a satisfactory manner.

The Commission's recommendations from last year were only partially met and remain mostly valid. Therefore, in the coming year the country should in particular:

- continue to proactively reform the structures responsible for fighting organised and financial crimes and money laundering with a focus on increasing operational capacity and cooperation and confiscating property when warranted;
- ensure effective implementation and monitoring of the national strategies for countering terrorism (2023-2027), countering violent extremism (2023-2027) and of the joint action plan on counterterrorism;
- systematically register migrants and improve protection-sensitive profiling and adopt a more systematic approach to fighting migrant smuggling.

Fight against organised crime

North Macedonia has **between some level of preparation and a moderate level of preparation** in the fight against organised crime. **Some progress** was made in the area of confiscation by aligning further the legislation on the Asset Recovery Office and management of confiscated property with the EU legal framework. Additional progress was made in setting up a Commission for the compensation of victims of trafficking in human beings.

The Commission's recommendations from last year were only partially met and remain valid. Therefore, in the coming year the country should in particular:

- improve its track record on investigations, prosecutions and convictions in organised crime, financial crimes and money laundering cases, with a focus on asset recovery and confiscation of proceeds of crimes;
- strengthen the human and financial capacity of the law enforcement agencies investigating organised and serious crimes, financial crimes and money laundering, and of the Asset Recovery Office (ARO) and the Agency for Management of Confiscated Property;
- align its legislation on money laundering, asset recovery, weapons, narcotic drugs and psychotropic substances with the EU *acquis*.

Economic criteria

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. Capital expenditure was raised significantly and fiscal governance reforms advanced. The current account balance improved markedly on account of falling import prices for energy and food. The central bank has kept the key interest rate unchanged since September 2023, as inflation has continued to subside. The banking sector remained resilient, and financial stability was bolstered by new macroprudential measures. The post-COVID recovery remained weak in 2023 and the fiscal deficit and public debt level increased. The labour market continues to face structural problems, including low participation rates, substantial emigration and a large gender gap. The business environment is still impeded by a large informal economy.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- adopt the implementing legislation for the organic budget law and comply with the fiscal rules that will apply from 2025, including by adopting further revenue-enhancing measures;
- accelerate the implementation of the public investment management action plan and improve the legal framework for public-private partnerships and concessions;
- implement the new 2023-2025 strategy for formalising the informal economy.

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

North Macedonia has made **some progress** and is **moderately prepared** to cope with competitive pressure and market forces within the EU. It has made some progress in increasing the share of energy production from renewable energy sources, and has modernised the legal framework for improving energy efficiency. Integration with the EU in trade and investment, as well as overall trade openness, remained high in 2023. The digitalisation of the economy is advancing, but domestic businesses suffer from low digital skills. The government adopted legislation to modernise the education system, but major skills shortages as well as gaps in transport and energy infrastructure persist.

The Commission's recommendations from last year were not fully implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- increase financial and human resources to speed up the VET system reforms;
- implement the action plan for the smart specialisation strategy;
- increase the use of renewable energy sources, including by adopting a new Law on renewable energy sources and the Law on biofuels;
- implement policies to reduce emissions, including by adopting the Law on climate action.

Chapter 5: Public procurement

North Macedonia is **moderately prepared** in the area of public procurement. **Limited progress** was made since the last assessment. The capacities of key institutions, contracting authorities and economic operators must be increased further through continuous training. Competition in public procurement and use of most economically advantageous tender (MEAT) criteria should increase. National authorities should implement more effective anti-corruption measures in the procurement cycle.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt the public-private partnership (PPP) law and the Law on concessions, to further align the legal framework in these areas with the EU *acquis*;

- increase the use of MEAT criteria for the award of contracts and improve the monitoring of public procurement procedures through reporting on and the follow-up of irregularities, cases of conflict of interest and fraudulent practices;
- improve coordination among key stakeholders to fight corruption and strengthen their capacities to implement the principles of transparency, free competition, equal treatment and non-discrimination.

Chapter 18: Statistics

The country is **between a moderate and a good level of preparation** in the area of statistics. **Some progress** was made, mainly in area of statistical infrastructure, business and trade and financial accounts statistics.

The Commission's recommendations from last year were not fully implemented and remain largely valid. In the coming year, North Macedonia should in particular:

- conduct the agriculture census;
- ensure adequate staffing and sufficient financial resources for the State Statistical Office;
- continue to improve macroeconomic statistics, notably by establishing transparency, enhancing consistency, timeliness and coverage of the excessive deficit procedure and government finance statistics and by further aligning financial accounts and quarterly national accounts with the European System of Accounts 2010 (ESA 2010).

Chapter 32: Financial control

The country is **moderately prepared** in the area of financial control and has made **limited progress**. Public internal financial controls (PIFC) and managerial accountability reforms are delayed due to substantial delays in the adoption of the PIFC law, which is still in Parliamentary procedure after more than 3 years. The institutional capacity of the financial inspection needs to be strengthened. The independence of the State Audit Office (SAO) is still not guaranteed by the Constitution and the State audit law is pending government adoption. The efficiency of Parliamentary oversight of public funds and follow-up of audit recommendations needs to improve.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt and start implementing the new PIFC law in order to strengthen the institutional capacity of internal audit units, managerial accountability and sound financial management;
- adopt the State audit law to strengthen SAO's independence, enhance cooperation between the SAO and the Parliament, improve Parliamentary scrutiny over individual audit reports, and the follow-up to SAO's recommendations;
- ensure the efficient functioning of the Anti-Fraud Coordination Service Network (AFCOS) and improve the prevention, management and reporting of irregularities that affect EU funds.

CLUSTER 2: INTERNAL MARKET

Chapter 1: Free movement of goods

North Macedonia is **moderately prepared** on the free movement of goods. While the national legislation allows goods to enter EU market, full alignment with the latest EU *acquis* is yet to be achieved. **No progress** was made in the reporting period.

The Commission's recommendations from last year were not fully implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt the Law on market surveillance and the implementing legislation necessary to complete the alignment with the EU General Products Safety Directive;
- Adopt a new strategy for the free movement of goods, which should include foreseeing a significantly increase in human resources for legal and policy development and implementation;
- adopt a new action plan to eliminate the non-tariff barriers to trade and ensure compliance with Articles 34-36 of the Treaty on Functioning of the European Union.

Chapter 2: Freedom of movement for workers

North Macedonia is at an **early stage of preparation** on freedom of movement for workers, and **no progress** was made in this area.

The Commission's recommendations from last year were not implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- strengthen the capacity of the Employment Service Agency, by continuing to organise training activities, and further align legislation and the exchange of good practices, in line with EURES and ELA regulations;
- continue to adapt the legal framework to the EU *acquis* on access to the labour market, particularly to rules on non-discrimination on grounds of nationality against EU workers in all sectors;
- continue to negotiate and conclude bilateral agreements on social security coordination and healthcare insurance with EU Member States and put in place administrative measures to prepare for accession.

Chapter 3: Right of establishment and freedom to provide services

On the right of establishment and the freedom to provide services, North Macedonia is **moderately prepared**. It made **limited progress** in continuing to align the sectoral legislation with the Services Directive.

The Commission's recommendations from last year were partially implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- continue the implementation of the 2024-2026 action plan to address non-compliance of listed sectoral laws with the Law on services;
- finalise alignment with the EU *acquis* on postal services and ensure sufficient capacity to monitor and enforce the new postal market rules;
- align with the EU *acquis* on mutual recognition of professional qualifications, in particular the Directive on recognition of professional qualifications and Directive on a proportionality test before adoption of the new regulation of professions.

Chapter 4: Free movement of capital

North Macedonia is **moderately prepared** in the area of free movement of capital. **Limited progress** was made in the area of payment systems and the fight against money laundering and terrorist financing (AML/CTF).

The Commission's recommendations from last year were not fully implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt and implement the roadmap setting out actions and timelines for applying EU rules on the free movement of capital, including the acquisition of agricultural land;

- continue to implement the Law on payment systems and services to help roll out a broader set of high-quality and secure payment services, including by accelerating the set-up of the unified register of bank accounts;
- continue to implement the new legislation on the prevention of money laundering and financing of terrorism in line with the EU *acquis*, including by following up on the country's MONEYVAL assessment of 2023.

Chapter 6: Company law

The country has a **good level of preparation** in the area of company law. However, **no progress** was made during the reporting period. The country needs to step up efforts to align its legislation with the EU *acquis* in this area.

The Commission's recommendations from last year were not met and therefore remain valid. In the coming year, North Macedonia should in particular:

- align national legislation with the *acquis* on encouraging long-term shareholder engagement,
- align national legislation with directives on cross-border conversions, mergers and divisions and on the use of digital tools and processes in company law;
- adopt legislation on accounting and on audit, aligned with the latest EU *acquis* in these areas, including to strengthen the role and capacity of the Council for Advancement and Oversight of Audit.

Chapter 7: Intellectual property law

North Macedonia remains **moderately prepared** in the area of intellectual property law. **No progress** was made. Further efforts are needed to align the legislation with the EU *acquis* in this area.

The Commission's recommendations from last year were not met and therefore remain valid. In the coming year, North Macedonia should in particular:

- further improve the legal framework on copyright and related rights, notably by aligning with the Directive on collective rights management, the Directive on orphan works, as well as with the Directives on online transmissions of broadcasting organisations and retransmissions of television and radio programmes (SatCab II) and on Digital Single Market (DSM);
- further improve the legal framework on industrial property rights, by aligning with the Directive on the enforcement of intellectual property rights and with the Directive on trade secrets;
- implement the 2021-2026 intellectual property strategy and make operational the online information platform for law enforcement institutions to exchange data on intellectual property rights;
- leverage collaboration with the European Union Intellectual Property Office especially in the area of technical and operation support of *acquis* alignment and enforcement.

Chapter 8: Competition policy

The country is **moderately prepared** in the area of competition. **No progress** was made.

The Commission's recommendations from last year were not met and therefore remain valid. In the coming year, North Macedonia should in particular:

- further align the legislative framework, in particular the implementing legislation in the area of State aid and antitrust, with the EU *acquis*;
- ensure full transparency of State aid granted by the authorities;
- strengthen the administrative and financial capacity of the national competition authority.

Chapter 9: Financial services

The country is **moderately prepared** in the area of financial services. There was **some progress**. A bank recovery and resolution law was enacted which appointed a bank resolution authority. Two key pieces of legislation, the Law on financial instruments and the Law on prospectus and transparency of securities' issuers were also adopted, completing alignment with the Settlement Finality Directive.

The Commission's recommendations from last year were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- continue to align the banking regulation with the revised versions of the Capital Requirements Regulation, the Capital Requirements Directive (CRR/CRD) and the Bank Recovery and Resolution Directive (BRRD);
- align with the Solvency II Directive, notably pillar 1 and pillar 3 of that Directive;
- step up implementation of the legislation regulating capital markets, notably by adopting implementing legislation for the Law on financial instruments and the Law on prospectuses and transparency of security issuers as well as the law on alternative investment funds, and continue efforts to align with the financial market infrastructures *acquis*.

Chapter 28: Consumer and health protection

In the area of consumer and health protection North Macedonia remains **moderately prepared**. **Limited progress** was made on cancer screening.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt the 2025-2028 consumer protection strategy, set up a web platform to inform the public on consumer issues, and strengthen market surveillance capacity;
- ensure effective tobacco control by implementing the relevant EU *acquis* and ratify the Protocol to Eliminate Illicit Trade in Tobacco Products, and complete alignment with the EU *acquis* on medicines for human use and medicines for veterinary use;
- increase funding and human resources in the area of health, particularly for cancer detection and the treatment of rare diseases, based on data from the respective registers.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

Chapter 10: Digital transformation and media

The country is **moderately prepared** in the area of digital transformation and media. **Limited progress** was made, notably a slight increase in electronic services available to citizens and businesses, and the adoption of rulebooks aimed at reducing the cost of deploying high-speed networks.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- finalise and adopt the long-term information and communication technology (ICT) strategy; finalise and adopt the national cybersecurity strategy; align national legislation with the European Electronic Communications Code, the EU Broadband Cost Reduction Directive; the EU Directive on security of network and information systems (NIS 2 Directive) and the 5G cybersecurity toolbox;
- strengthen the independence and capacity of the media regulator, the Public Service Broadcaster and the regulator on electronic communication;

- improve the functioning of the 112 emergency number by ensuring adequate human resources and improve communication among the emergency services.

Chapter 16: Taxation

North Macedonia remains **moderately prepared** in the area of taxation. **Limited progress** was made, specifically by reducing the administrative burden for taxpayers and setting up a reform management office to support the reform agenda of the Public Revenue Office (PRO).

The Commission's recommendations from last year were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- develop a new integrated IT tax system for the PRO, improve its compliance risk management and step up the strategic reform process of the PRO;
- start preparations 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.
- start the preparations towards achieving interconnection and interoperability with the EU taxation IT systems.

Chapter 17: Economic and monetary policy

The country is **between a moderate and a good level of preparation** in the area of economic and monetary policy and **some progress** was made. A prudent monetary policy helped contain inflation. Last year's recommendations were partly implemented by appointing Members of the Fiscal Council and steps were taken to ensure the independence of the central bank, notably by revising the legal framework setting out employment conditions for its personnel.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- ensure the organic budget law (OBL) is fully implemented by 2025, by adopting the necessary implementing legislation, in particular on budget classification and on the statement on fiscal policy; and by updating the manual on macro-fiscal projections;
- strengthen the central bank's independence; adopt the pending laws on administrative servants and the Law on public sector employees and take the measures necessary for the enforcement and operationalisation of the macroprudential and resolution frameworks by the central bank.

Chapter 19: Social policy and employment

The country remains **moderately prepared** in the area of social policy and employment. **Some progress** was made by further reducing the unemployment rate and increasing social assistance benefits. The countrywide implementation of the Youth Guarantee Scheme continued. The poverty rate decreased but remains significantly high.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- continue to implement labour market activation strategies for young people, the long-term unemployed and low-skilled individuals, as well as for women, persons with disabilities, and Roma, and ensure that these measures are properly evaluated;
- increase the capacity of the State Labour Inspectorate to tackle issues pertaining to occupational safety and health, set up a system to monitor work-related injuries and deaths, and strengthen bipartite social dialogue between employers and workers;

- set up a monitoring and evaluation framework for social services and advance the social protection reform, creating stronger connections to employment activation initiatives and strengthen the social dialogue.

Chapter 20: Enterprise and industrial policy

The country has between a **moderate and a good level of preparation** in the area of enterprise and industrial policy. **Some progress** was made. The plan to consolidate the institutional structures and mandates of public bodies and the export promotion strategy were adopted, and a set of measures to implement the strategy on the formalisation of the informal economy were introduced.

The Commission's recommendations from last year were implemented to some extent. In the coming year, North Macedonia should in particular:

- implement the plan for the consolidation of the institutional structure and the mandates of public bodies;
- adopt the strategy for the development of small and medium-sized companies (SMEs), and boost export readiness and the integration of companies in supply chains by stepping up efforts to implement the export promotion strategy;
- improve the process of consulting enterprises during the preparation of measures and of informing them with sufficient lead time about implementation conditions.

Chapter 25: Science and research

The country has a **good level of preparation** in the area of science and research. **Some progress** was made, notably by adopting the smart specialisation strategy for 2024-2027, setting up the European Institute of Innovation and Technology regional innovation scheme (EIT RIS), and continuing to participate in Horizon Europe.

The Commission's recommendations from last year were only partially implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- increase the efficiency of State resources for science and research in line with the new European Research Area priorities;
- promote and increase participation in Horizon Europe;
- step up the design and implementation of measures included in the smart specialisation strategy.

Chapter 26: Education and culture

North Macedonia is **moderately prepared** in the area of education and culture. **Limited progress** was made. Work on the 2018-2025 education strategy and on developing a proper monitoring system continued to be slow. The adoption of key legislation such as the Law on secondary education, the Law on adult education and the Law on vocational education and training (VET) was delayed.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- adopt the Laws on secondary education, on adult education and on VET, as well as the related implementing legislation, and continue to set up and operationalise the regional VET centres;
- improve access to quality education for all, in particular for children with disabilities and children from Roma communities; further develop teachers' skills and invest in their continuous professional development;
- optimise the school network; adopt and apply the new formulas for financing primary education; complete and apply similar formulas for secondary, VET and higher education.

Chapter 29: Customs union

North Macedonia has a **good level of preparation** in this area. **Limited progress** was made on the consolidation and upgrade of IT systems. The customs administration implements a fully paperless environment for processing customs declarations and excise documents.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, North Macedonia should in particular:

- upgrade its national component of the New Computerised Transit System (NCTS) to Phase 5;
- ensure continued alignment of the customs legislation with the EU *acquis* and continue the consolidation and application of its national customs IT systems in line with the Commission's Union Customs Code (UCC) Work Programme and multiannual strategic plan (MASP) modules, and ensure their upgrade;
- ratify the Protocol on Elimination of Illicit Trade in Tobacco Products.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

Chapter 14: Transport policy

The country is **moderately prepared** in the area of transport. **Some progress** was made in the reporting period, notably by adopting the new Law on aviation. The sector inspection bodies still lack administrative and operational capacity to improve.

The Commission's recommendations from last year were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- ensure qualified operational and administrative capacity of the inspection bodies and develop their enforcement capacity to reduce accidents and fatalities in road and rail transport;
- implement the connectivity reform measures for road and rail and finalise pending border-crossing agreements/protocols to facilitate the flow of traffic and goods;
- adopt and implement legislation on multimodal and intelligent transport systems (ITS) for road and rail and on electronic freight transport information .

Chapter 15: Energy

North Macedonia is **moderately prepared** in the area of energy. **Some progress** was made on renewable energy, with investments in solar power plants and in regional gas interconnectors. The country needs to accelerate its transition towards green energy and reduce its dependence on coal and gas.

The Commission's recommendations from last year were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- implement the Just Transition roadmap, in particular to make the governance mechanisms planned in the roadmap fully operational;
- ensure sufficient human resources and institutional capacities for the newly established Ministry in charge of Energy;
- adopt and start implementing the necessary legislation on the energy market, renewable energy and energy efficiency, in line with the relevant EU directives.

Chapter 21: Trans-European networks

North Macedonia has a **good level of preparation** in the area of trans-European networks. **Limited progress** was made during the reporting period.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- strengthen the operational and technical capacity of all management and stakeholder institutions dealing with the development of both the Trans-European Transport (TEN-T) and Trans-European Energy (TEN-E) networks, harmonise the legal framework and increase compliance with the Trans-European Network Regulation;
- mobilise sufficient resources to implement the goals and deadlines set out in the Transport Community's five-year rolling work plan for the development of the TEN-T extension ;
- make the Railway Border-Crossing Protocol signed with Kosovo operational, finalise the mutual agreement for border crossings procedures with Greece, and accelerate progress on the construction and completion of the rail connection along Corridor VIII with Bulgaria.

Chapter 27: Environment and climate change

North Macedonia has **some level of preparation** in this area. **Limited progress** was made during the reporting period, notably in the area of waste management, by adopting a law on expanding the producer's responsibility. Further efforts on implementation and enforcement are still needed in all sectors, in particular, in climate change where no progress was made. The country is encouraged to enhance its civil protection operational capacity and coordination with the Union Civil Protection Mechanism.

The Commission's recommendations from last year were not fully addressed and remain valid. In the coming year, North Macedonia should, in particular:

- strengthen its administrative and inspection capacities for implementation and enforcement of the environmental *acquis* significantly, implement structural reforms in all sectors and ensure that there is an institutional structure in place to deliver coordinated, strategic planning for environmental investments;
- make the regional waste management system in the Eastern and Northeastern regions operational;
- adopt the Law on climate change, consistent with the EU 2030 framework, implement the National Energy and Climate Plan (NECP) and the Energy Community's Decarbonisation Roadmap, focusing on the MRVA package to introduce carbon pricing and align with the EU ETS and make the climate change unit within the Ministry of Environment and Physical Planning operational.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Chapter 11: Agriculture and rural development

North Macedonia remains **moderately prepared** in the area of agriculture and rural development. **Good progress** was made during the reporting period, notably by adopting the Law on advisory services and by making progress on IPARD II and IPARD III implementation.

The Commission's recommendations from last year's report were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- adopt legislation to further align with the EU *acquis* in the areas of agriculture support payments, common market organisation, quality policy and organic farming;
- ensure the inter-operability of various elements from IACS together with the verification of data accuracy and transfer of the farm register and the land parcel identification system (LPIS) to the paying agency;

- improve the administrative capacity in the instrument for pre-accession assistance for rural development (IPARD) operating structures to ensure robust implementation of the IPARD III programme.

Chapter 12: Food safety, veterinary and phytosanitary policy

North Macedonia has a **good level of preparation** in the areas of food safety, and veterinary and phytosanitary policy. **Some progress** was made over the reporting period, particularly in fighting animal diseases, plant health control and implementing pest eradication measures based on phytosanitary monitoring programmes results.

The Commission's recommendations from last year were not implemented and therefore remain valid. In the coming year, North Macedonia should in particular:

- adopt the draft law on official controls and the new Law on animal health and continue to approximate national rules with EU animal welfare legislation;
- strengthen capacity for data analysis and improve structures for implementation of the General Food Law Regulation in the Food and Veterinary Agency;
- implement measures on the sustainable use of pesticides.

Chapter 13: Fisheries and aquaculture

North Macedonia is **moderately prepared** in the area of fisheries and aquaculture. **Good progress** was made during the reporting period, with the adoption of the new Law for aquaculture and fisheries in line with the EU *acquis* on marketing standards, structural measures and State aid, but also setting the basic provisions in line with the EU Eel Regulation.

The Commission's recommendations from last year not fully implemented and remain largely valid. In the coming year, North Macedonia should in particular:

- adopt the implementing legislation on marketing standards, consumer information, traceability, and producer's organisations as well as a national strategic plan on aquaculture;
- improve the data collection system and reporting, such as by setting up a data framework for collecting data on fisheries and aquaculture, and including information on catches of European eel both in recreational and in commercial fishing as well as an analysis of its consequences;
- improve the controls of fish stock management and of illegal, unreported and unregulated (IUU) fishing by introducing a catch certification system.

Chapter 22: Regional policy and coordination of structural instruments

North Macedonia is **moderately prepared** in the area of regional policy and coordination of structural instruments. **Limited progress** was made over the reporting period.

The Commission's recommendations from last year were partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- upgrade its institutional, administrative and technical capacity to manage EU funds by adopting an overall staff retention policy, strengthening capacities, improving the implementation of EU and audit recommendations, and stepping up interinstitutional cooperation;
- strengthen public investment by adopting the Decree on public investment management and the Law on public-private partnerships;
- accelerate the decentralisation process by putting in place a credible financing framework for municipalities and strengthening policy dialogue on regional development.

Chapter 33: Financial and budgetary provisions

Preparations under this chapter are at an **early stage**. **Limited progress** was made over the reporting period. National accounts and gross national income calculations need to be further aligned with the EU *acquis*. All Customs declarations and excise documents are electronically processed, but the institutional set-up necessary for the efficient functioning of the own resources system is yet to be established.

The Commission's recommendations from last year were not fully implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- improve the legal basis and methodological tools for the own resources system;
- continue aligning data on national accounts with ESA 2010 and improving the comprehensiveness of data transmission to Eurostat;
- strengthen the administrative capacities of and coordination mechanisms for key stakeholders in the system.

CLUSTER 6: EXTERNAL RELATIONS

Chapter 30: External relations

The country has a **good level of preparation** in the area of external relations and made **limited progress** during the reporting period, in particular in implementing the CEFTA protocols and in efforts to develop its export control system.

The Commission's recommendations from last year were only partially implemented and therefore remain largely valid. In the coming year, North Macedonia should in particular:

- put in place a legal framework on international cooperation and development policy, and humanitarian aid for non-EU countries, in line with EU policies and principles;
- continue to implement commitments under the CRM Action Plan for 2021-2024 and implement actions under the new action plan for 2025-2028, further implement CEFTA Protocol 6 on trade in services, and take the necessary steps to implement CEFTA Protocol 7 on dispute settlement.

Chapter 31: Foreign, security and defence policy

North Macedonia has a **good level of preparation** in the area of common foreign, security and defence policy. **Good progress** was made as the country maintained its track record of full alignment with relevant High Representative statements on behalf of the EU and relevant Council Decisions, including EU restrictive measures related to Russia's war of aggression against Ukraine. North Macedonia continued to participate in EU crisis management missions and operations. The country initiated negotiations on a Security and Defence Partnership with the EU in spring 2024.

The recommendations from last year were to a great extent implemented and remain partially valid. In the coming year, North Macedonia should in particular:

- maintain full alignment with the EU common foreign and security policy;
- continue to strengthen its capacity to implement and enforce the sanctions in place;
- make additional efforts to align legislation in the area of small arms and light weapons.

1.3. STATE OF PLAY OF THE ACCESSION NEGOTIATIONS

Following the first **Intergovernmental Conference** on accession negotiations with North Macedonia, the Commission immediately launched the analytical examination of the EU *acquis* – the 'screening' process. After tabling the screening report on cluster 1 in July 2023, in the autumn of 2023 the Council outlined to North Macedonia the terms for opening accession negotiations on the first cluster

(fundamentals) once the constitutional amendments are adopted. In response, the government adopted the roadmaps on the rule of law and on public administration reform. The adoption of the action plan on the protection of minorities is still pending. The screening reports on cluster – 2 internal market was presented to the Council in May 2024, followed by the screening reports on cluster 6 – external relations and cluster 3 – competitiveness and inclusive growth in October 2024.

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2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

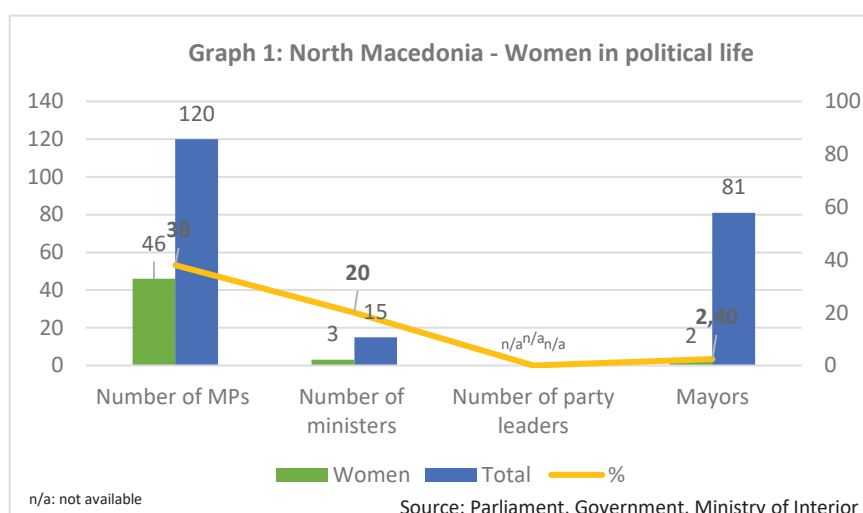
2.1.1 Democracy

The functioning of democratic institutions is mostly satisfactory. The situation was polarised during the period preceding the elections of April and May 2024.

Elections

The first round of the **presidential elections** took place on 24 April and the second round on 8 May. The **parliamentary elections** also took place on 8 May. According to the findings and conclusions of the OSCE's ODIHR, the parliamentary and presidential elections were competitive, and fundamental freedoms were respected. The election legislation provides a suitable framework for holding democratic elections. However, campaign rules, access to the media and distribution of State funding are not adequately regulated. Persisting inconsistencies, gaps, and ambiguities compromised legal certainty and merit a revision of the Electoral Code.

Only a few weeks ahead of the elections, the Parliament adopted several amendments to the Electoral Code in an expedited fast-track procedure. However, they did not address a number of key outstanding recommendations by the ODIHR and the Council of Europe's Venice Commission or by an inter-agency working group set up by the Ministry of Justice in May 2023. Such recommendations included: (i) revising the Electoral Code through inclusive consultations; (ii) adopting measures to increase transparency on party and campaign financing; (iii) revising the regulations on the apportioning of paid political advertisement; (iv) laying down clear tenure and appointment procedures for State Election Commissioners; and (v) eliminating restrictions that impede effective electoral dispute resolution.



Such recommendations included: (i) revising the Electoral Code through inclusive consultations; (ii) adopting measures to increase transparency on party and campaign financing; (iii) revising the regulations on the apportioning of paid political advertisement; (iv) laying down clear tenure and appointment procedures for State Election Commissioners; and (v) eliminating restrictions that impede effective electoral dispute resolution.

Parliament

The 10th legislature of the Parliament, which ended in May, was the first since 2006 to complete its 4-year mandate. The new Parliament was constituted and the Speaker was elected on 28 May. Its working bodies, some with competences adjusted to newly-established or restructured ministries, and delegations were set up in July. A new Committee for Monitoring Equitable Representation of Citizens belonging to all Communities was established in August. An Inter-Party Group on Anti-Corruption was established in July. The Speaker survived a no confidence motion on 3 September.

In November 2023, the Parliament adopted new **rules of procedure** based on a high degree of consensus, fulfilling the main commitment of the 'Jean Monnet Dialogue' process. A spirit of consensus prevailed for the adoption of the 2024 annual programme and the financial and investment plan of the Parliament's own TV information channel. All parties supported the Law on the national development strategy. The midterm evaluation of the Parliament's Gender Action Plan for 2022-2024 confirmed that the measures were implemented successfully. Nine inter-party groups continued their active work as did the Committee on Inter-Ethnic Relations. In August, the new Parliament adopted its 2025-2029 Strategic Plan.

The necessary two-thirds majority was not achieved in Parliament to adopt the proposal to **amend the Constitution** to include six further communities in the preamble and in two articles of the Constitution, namely Bulgarian people, Croatian people, Montenegrin people, Slovenian people, Jewish people, and Egyptian people. During the 10th legislature, no consensus was reached on the adoption of important laws regulating public administration reform, or on improving the status of the Ombudsman's Office. The then opposition party VMRO-DPMNE proposed or supported several legislative proposals and at times ensured a quorum, whereas the ethnic Albanian opposition boycotted several plenary sessions in protest against the delayed election of a new member of the State Election Commission.

Parliamentary **oversight** of the executive continued, with monthly sessions for parliamentary questions. The outgoing Parliament held three public hearings. The Parliament elected two judges of the Constitutional Court, the Chief Prosecutor, members of the Anti-discrimination Commission, of the Competition Commission, and of the Agency for Electronic Communications.

The **law-making process** saw an increase in the use of shortened procedures including for draft laws proposed by the Members of Parliament of the 10th legislature. The opposition criticised the government and voted against the inappropriate use of the fast-track 'EU flag' procedure for proposals not related to aligning legislation with the EU *acquis*. The use of the 'EU flag' procedure must be consistent, linked to laws aimed primarily at aligning national law with the EU *acquis* and based on comprehensive consultations, including with the European Commission. The use of shortened procedures should be limited. (*See 2.1.2. Public administration reform*)

EU integration

The new government established a Ministry of European Affairs, led by a Minister for European Affairs. Previously, the Secretariat for European Affairs, led by the Deputy Prime Minister for European Affairs, successfully coordinated the work of the State administrative and other bodies during the screening process, which was completed in December. However, the Secretariat lacked the resources necessary to cope with the challenges related to the EU integration process. The EU directorate in the Ministry of Foreign Affairs assists in coordinating relations with EU institutions. A similar structure exists in Parliament with the National Council for EU Integration, and the Committee on European Affairs. The respective competences of these two bodies should be better defined. The Stabilisation and Association Agreement bodies meet regularly.

No monitoring reports were produced on the implementation of the latest National plan for the adoption of the EU *acquis* (NPAA) adopted in June 2021. The NPAA should be fully aligned with the government annual and institutional work plans. The government communicated regularly to the public about the screening process and more generally about the EU integration process.

Governance

A caretaker government, tasked with organising the elections, supported by 65 Members of Parliament, took office on 28 January.

On 23 June 2024, Parliament approved the new **government coalition** comprised of VMRO-DPMNE⁵, VLEN⁶ and ZNAM⁷, with 77 Members of Parliament voting in favour, 22 against and no abstentions. The DUI⁸-led European Front Members of Parliament did not take part in the vote. The government is composed of five deputy prime ministers and 18 ministers. The newly established or restructured ministries became operational by September 2024. No progress was made on the reform of the **local self-government**. The delayed review of the decentralisation system, combined with economic challenges experienced by municipalities, have had a negative impact on the quality of local

⁵Internal Macedonian Revolutionary Organisation - Democratic Party for Macedonian National Unity.

⁶Political coalition formed by various political parties representing the ethnic Albanian community.

⁷For Our Macedonia.

⁸Democratic Union for Integration.

services. The new government should urgently and actively relaunch the dialogue between different governance levels to improve the regulatory and financial framework in line with the 2021-2026 programme for sustainable local development and decentralisation and its action plan for 2024-2026. Efforts to build a sustainable and predictable financial foundation for local self-governments should continue.

The **inter-ethnic situation** remained stable overall. The 2001 Ohrid Framework Agreement, which fosters the multi-ethnic character of the society, continued to be implemented.

Civil society

CSOs continue to operate in an overall enabling environment and have the opportunity to be informed about and participate in the Council for Cooperation between the Government and Civil Society, the National Council for EU Integration and the Council for Open Government Partnership. There is an urgent need to develop a consistent approach to involving CSOs in policymaking at national and local levels, and to rebuild trust and cooperation between stakeholders and reactivate this important channel.

Along with transparency on State funding to CSOs, the proper implementation of the existing legal and financial frameworks requires a clear institutional set-up for cooperation with civil society, and implementation and monitoring of the government strategy for cooperation with civil society 2022-2024.

Civilian oversight of the security and intelligence sector

The parliamentary committees overseeing the security and intelligence services held meetings in line with their respective responsibilities. All vacant positions of the Special Department for investigation and prosecution of crimes committed by persons with police powers and members of the prison police have to be filled. The composition of the Civil Control Mechanism within the Ombudsman's Office has been completed with selected representatives of civil associations. To enable the proper functioning of the mechanism, adequate financial resources, equipment, and offices have to be provided. Although the Law on interception of communication was amended in July 2023, the configuration of the Council for Civilian Supervision has not yet been completed with the required technical experts. The Council has therefore not been operational.

2.1.2. Public administration reform

Strategic framework for public administration reform

The strategic framework for public administration is in place. The quality of the public administration reform (PAR) strategy is broadly satisfactory while its effectiveness is very limited due to very slow implementation.

The 2023-2030 **public administration strategy** and the related action plan for 2023-2026 were adopted in July 2023. The quality and the scope of the strategy is adequate. It covers all key reform areas, sets out a clear baseline and clear objectives and targets, and identifies policy challenges. Political support, leadership, supervision, and management of PAR reforms across the government remained insufficient, which was further undermined by the weak coordination between the Ministry of Information Society and Administration (MISA) and the Ministry of Finance, as well as the frequent changes of MISA's leadership. The new Ministry of Administration (MoA), established after the reorganisation of MISA in early July 2024 continues to lack sufficient human resources and political leverage to drive forward the reforms at the technical level. Monitoring and management structures are not functioning fully and effectively.

The implementation rate of PAR and PFM measures continues to be low. Monitoring reports are published very late. Only one-third of all costed activities of both strategies are estimated to be funded by the State budget.

Policy development and coordination

Policy development and coordination aspects are in place.

Further efforts are needed to clarify the responsibilities of **policymaking** institutions, to ensure their proper functioning and streamline reporting lines, including strengthening the role of the General Secretariat. **Evidence-based policy and legislative development** is only partially ensured. The quality and impact of regulatory impact assessments and **public consultations** are very limited. About half of all 123 laws enacted by the Parliament in 2023 were approved through shortened procedures. The use of the ‘EU flag’ procedure has not been consistent. In a number of cases, it was not linked to laws primarily aimed at aligning national legislation with the EU *acquis*. Neither the Parliament nor the government have procedures in place for a systematic *ex post* evaluation of laws and policies.

As regards **public scrutiny of government work**, the annual work plan of the government and the annual reports are not publicly available. Only around 40% of planned items in the government’s annual work plan for 2023 and only 22% of draft laws were implemented. The number of items added to the government session agendas at the last minute is high. The agendas of government sessions are not made public prior to the meetings. Minutes and decisions of government sessions are not systematically published online.

Public financial management

Public financial management is broadly in place but needs to be further improved.

In December 2023, the Ministry of Finance carried out a midterm review of the 2022-2025 public finance management reform programme (PFMRP) and formulated a new reform programme covering 2024-2027, not yet formally adopted by the government. The implementation rate of the 2022-2025 PFMRP was quite low. The new 2024-2027 PFMRP is structured around eight pillars, covering the main weaknesses identified in international assessments. The institutional capacity of the Ministry of Finance continues to be limited, as it faces challenges in attracting and retaining staff with the required skills and qualifications.

The adoption of the implementing legislation accompanying the organic budget law and the setting up of the Integrated Financial Management Information System (IFMIS) have been substantially delayed. There was some progress in the area of public investment management (PIM) with the establishment of a new PIM Department in the Ministry of Finance. Budget credibility has been strengthened thanks to the Fiscal Council being set up and entering into operation, improvements to the fiscal strategy and better monitoring of fiscal risks.

The Organic Budget Law established gender-responsive budgeting as a principle and introduced an obligation for budget users to submit a gender budget statement for policies with potential gender implications. Nevertheless, an efficient gender-responsive budget will require strengthening policy discussions during budget preparation, further developing budget classifications and expanding the number of indicators disaggregated by gender.

The Ministry of Finance continued its efforts to improve **budget transparency** by publishing data on the revenue and expenditure of public institutions, local government authorities and State-owned companies on a quarterly basis. Budget transparency in North Macedonia continues to be limited, as indicated by the low score of 35 in the latest Open Budget Survey, well below the global average of 45. The Ministry of Finance must invest further in increasing public participation at every phase of budget preparation, execution and reporting.

Public service and human resources management

Public service and human resources management remains insufficient. The politicisation of the public service has continuously undermined the consistent application of provisions on merit-based and transparent processes and has further decreased trust in the administration and its work. The shift in governing structures after the May 2024 parliamentary elections did not bring any improvements in this regard as a number of middle management staff was replaced and many demoted.

North Macedonia failed to adopt the long-awaited revised legislation on administrative servants and public sector employees. These laws aim at ensuring **merit-based recruitment and fair promotions and dismissals**. Since their adoption in 2014, the current civil service laws have undergone numerous

amendments, resulting in an inconsistent application. In addition, contradictory rules in sectoral laws have allowed certain employees to be excluded from the scope of the Law on administrative servants.

Despite the existence of rules on the conduct of performance appraisal, it is not carried out systematically or fit for purpose. Transparency on the grounds for dismissing civil servants is insufficient, and no data is provided on dismissals of both managerial and non-managerial staff. The proper follow-up to the recommendations of the State Commission for Prevention of Corruption on improving recruitment procedures has not yet been ensured. The administration faces serious challenges to attract and retain qualified trained staff. Sporadic initiatives to raise salaries in some ministries or bodies increased the fragmentation of the **remuneration system**, and in some cases were challenged by the Constitutional Court. The continuous turnover of staff working on the management and implementation of EU funds undermines the effectiveness of these measures. Many senior rank positions continue to be filled by acting managers. A number of holders of management posts were replaced before expiration of their mandate and replaced with acting managers after the May 2024 parliamentary elections. The number of temporary and service contract employments continues to be high, without a system in place for monitoring their effective number and duration at the level of all institutions. Most institutions now use the human resources management information systems. According to the State auditor's reports, a number of public service employees receive a salary despite not having a formal assignment and not having to show up for work. The Ministry of Political System and Relations continued to recruit staff and plans to deploy the new recruits to various institutions.

Women accounted for 56.8% of all public service employees according to the register of public sector employees. This does not include institutions such as the army and several law enforcement agencies. On **professional development**, no measures were taken to set up a centralised database gathering information on all training provided. Whistle-blower legislation is satisfactory. No information was available on the protection of whistle-blowers in 2023.

Accountability of administration

The accountability of administration still needs to be improved.

As regards **accountability**, North Macedonia adopted some amendments to the Law on State organisation in June 2024. Progress on the revision of the law should continue as well as on the overall implementation of the reform. The reorganisation of the three pilot ministerial systems has been postponed several times since 2019 when the reform began. A large number of bodies remain accountable to the Parliament, but their performance is not being monitored in practice. Delegating decision-making to middle management is still limited both at central and local levels of government.

Legislation on **citizens' right to access public information** is in place but responding to requests for public information and proactive disclosure of information need to be further encouraged. Less information is available on the web-sites of the state institutions, open government portal has not updated the information, while publication of government meetings and agendas incurs significant delays. The Agency for Protection of Free Access to Public Information continued to process appeals promptly, registering some increase of the appeals for silence of the administration. Debate in Parliament on Ombudsman and State Audit Office reports was very limited in 2023, and findings and recommendations need to be followed up more systematically. There were no developments on **citizens' rights to good administration**. Although the legal framework is satisfactory, administrative disputes continue to face unreasonable delays. The appeal procedures remain complex and lengthy with most decisions based on procedural considerations and not on merit. The legislation lays down **citizens' rights to seek compensation** and the liability of public authorities in cases of wrongdoing.

Service delivery to citizens and businesses

The service delivery to citizens and business needs to be further improved.

The National e-Services Portal (<https://uslugi.gov.mk/>) is up and running. It provides information and practical administrative services online in three languages, and caters to people with special needs. Although the portal was upgraded with only a few new electronic services, the most commonly

requested services are not yet available online. The long-awaited 135 new services for citizens and businesses are not configured on the portal yet. The portal currently has 292 179 users, but the number of monthly transactions continues to be low (2 070 applications). Furthermore, the poor planning and insufficient organisation of the replacement of personal documents bearing the previous constitutional name of the country caused much dissatisfaction and distrust among citizens. The use of the population register is still limited. North Macedonia should ensure alignment with both the European Interoperability Framework (latest revision in 2017) and the Interoperable Europe Act (2022). The interoperability framework is currently only used by a few institutions, although the number of transactions has increased. As the national legislation is harmonised with the eIDAS Regulation of 2014, the country needs to take steps to align its laws with the revised 2024 version of the Regulation, establishing the new EU Digital Identity framework, which includes the setting up of a national Digital Identity Wallet. The current existing tools for e-identification and e-signature certificates are cumbersome, often demanding change of credentials, neither free of charge for citizens, nor particularly user friendly.

No progress was made on **simplifying administrative procedures**. The Law on general administrative procedures is aligned with the principles of good administration but is not implemented systematically across the administration, and the exercise to harmonise special laws with the Law is still not complete.

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, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect of fundamental rights in law and in practice.

Functioning of the judiciary

Strategic documents

The Strategy for Judicial Reform 2024-2028 and the accompanying action plan have been adopted by the government in December 2023. The Strategy is structured in five priority areas: courts and public prosecutor's offices; institutions of the judicial system; independent professions and public services; reform of the Constitutional Court; and reforms of the specific (criminal and civil) legal areas. Albeit adopted with a significant delay, it is based on the assessment of the previous strategy, and consultations with the legal community and CSOs. The action plan has realistic timelines and its actions follow a logical sequence, but it is not budgeted. The action plan includes three areas aside from the judiciary: reform of the Electoral Code; reform of the Law on financing of political parties; and adoption of a Law on equitable and fair representation. The Council for Monitoring Implementation of the Strategy, set up in March 2024, has not met. Various outstanding activities from the previous justice sector strategy (2017-2022) were carried over. No progress was made in the implementation of the 2020 strategies for human resources management in the courts and in the public prosecutor's offices.

Management bodies

The management bodies are in place but need to further step up their efforts to safeguard the independence, integrity and professionalism of judges and prosecutors.

In January 2024, the **Judicial Council** swiftly implemented the decision of the Administrative Court to reinstate its unlawfully demoted President. On 1 March 2014, the Judicial Council adopted an action plan for implementing the recommendations of the 2023 peer review mission, within the competencies of the Council. In line with the plan, the Council approved on 29 May 2024 amendments to its rules of procedure and to the Rulebook on the manner of ranking candidates for the promotion of judges to higher courts, among others, requiring Council members to explain their decisions. The authorities will need to advance on addressing the recommendations of the peer

review, concerning the revision of the legislative framework to improve the functioning and independence of the Judicial Council.

The new communication strategy for 2024-2028, adopted in June 2024, focuses on strengthening public trust in the judiciary. The Judicial Council has taken steps to increase transparency, such as publishing session schedules, meeting minutes, decisions, reports, and other relevant documents on its website, and has started to web stream its sessions. The practice of regular bi-monthly media briefings started in April 2024.

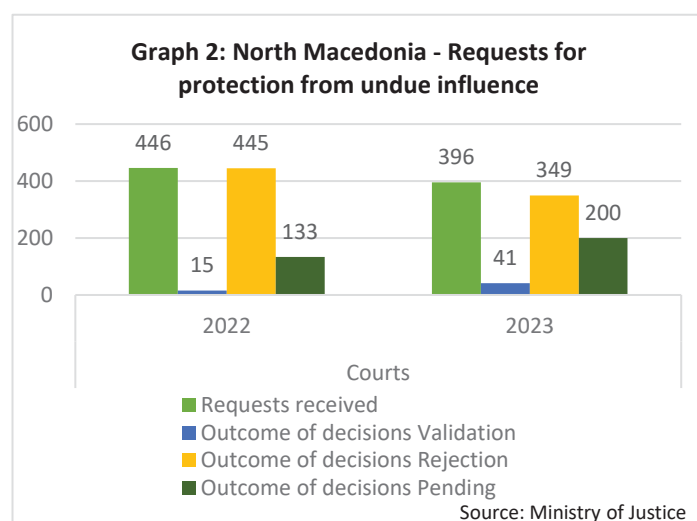
The reluctance of judges of the Supreme Court to apply for Judicial Council vacancies, until the Council had remedied the unlawful demotion of its President, resulted in three failed vacancy publications. In June and September 2024, the judges elected three new members of the Judicial Council: a judge from the Supreme Court a judge from the courts under jurisdiction of the Court of Appeals in Bitola, and a judge from non-majority communities.

Five new members were elected by their peers to the **Council of Public Prosecutors**. In its decision of December 2024 on a complaint from a public prosecutor, the Commission for the Prevention and Protection against Discrimination found that the Council discriminated against the plaintiff based on age and civil status when deciding whether to approve her application for promotion. After a delay in publishing the vacancy, the Parliament elected in February 2024 the new Chief Prosecutor, who was the only one of the three candidates supported by the Council of Public Prosecutors. The Council of Public Prosecutors has increased transparency by engaging more with the media, issuing regular press statements, and sharing sessions on social media.

Nevertheless, both the Judicial Council and the Council of Public Prosecutors must provide comprehensive reasoning for their decisions, including for the election, appointment and promotion of judges and prosecutors.

Independence and impartiality

The independence and impartiality of the judiciary needs to be improved. External or political interference remain a serious concern. The perceived level of trust in the judiciary remains very low. Further efforts are needed to increase transparency and prevent attempts to exert undue influence or use intimidation. In particular, announced intentions by the executive to disband the two Councils are a matter of serious concern, as such actions would undermine the independence of the judiciary. , The merit-based and independent appointment and promotion decisions need to be ensured consistently.



In January 2024, a majority of Judicial Council members, mostly judges elected by their peers, stopped the dismissal procedure against the President of the Supreme Court for her public allegations of external political interference in the work of the Supreme Court, and for her absence from Council sessions following the unlawful demotion of its President.

The Judicial Council suspended procedures for the election or dismissals of judges or court presidents during the parliamentary and presidential election period, based on a public notice issued by the State Commission for the

Prevention of Corruption (SCPC), referring to a provision in the Electoral Code on halting appointment decisions for public officials. The suspension of these activities raises questions about their independence. The Council of Public Prosecutors continued to perform its work during the elections period. The recruitment process at the Academy for Judges and Prosecutors was also halted (details below under “Quality of justice”).

On 15 May 2024, the Constitutional Court found the claims of the Judicial Council and of the Association of Judges that the amendments to the laws on salaries of judges and of the Members of the Judicial Council, of February 2024, jeopardise the independence of the judiciary to be inadmissible. The Court assessed that the minimal increase in the salaries will match the status of the judges and prosecutors, as they would be among the public officials with the highest income in the country.

Accountability

The accountability of the judiciary needs to be improved. The Judicial Council's decision to fine a judge from the Court of Appeals Skopje instead of dismissing him, for procrastinating on one of the high-level corruption cases of the former Special Public Prosecutor's Office (SPO), was widely seen as a confirmation of political interference.

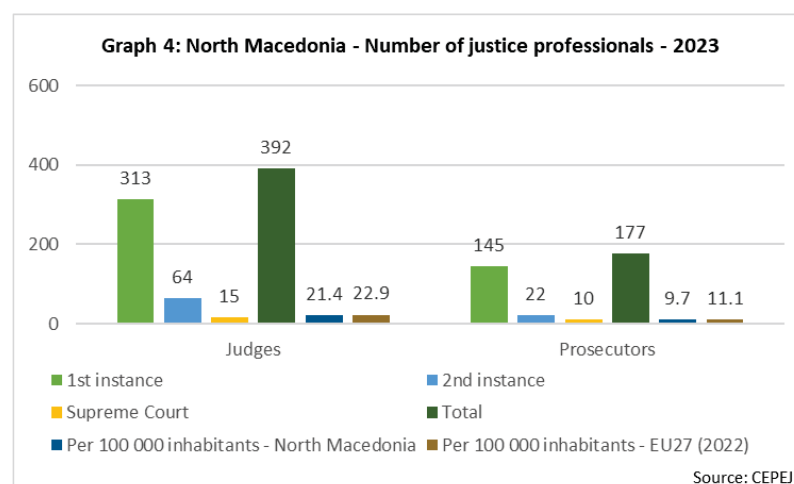
A Supreme Court judge and a member of the Council for Public Prosecutors were involved in a case of accepting a reward for unlawful influence. The Judicial Council held two urgent sessions on 20 May and 16 August 2024 where it decided to lift the immunity of the Supreme Court Judge, allowing his detention. Both the former Supreme Court judge and the CPP member entered into plea bargain agreements. The former was sentenced to a 3-year prison sentence; the latter received a one-year suspended sentence. In September 2024, Parliament took note of the resignation of the CPP member. The sentences following the plea bargains were widely received as mild and inappropriate compared with the severity of the offence. In response, the Judicial Council set up a commission to examine allegations of unlawful acts by the court which tried the case.

The Association of Judges' Advisory Body for Judicial Ethics received no new requests for opinions since 2022. The Council of Public Prosecutors, upon a proposal of the Association of Public Prosecutors, amended in November 2023 the Code of Ethics to implement GRECO recommendations from the Fourth Evaluation Round. The amendments addressed the provisions on the conduct of public prosecutors in public appearances and the definition of 'hospitality', with reference to protocolary events.

The Council of Public Prosecutors, accepting the proposal of an *ad hoc* disciplinary commission within the PPO, unanimously dismissed in November 2023 a public prosecutor who was the former head of the Office of the Public Prosecutor for Organised Crime and Corruption (OCCPPO), citing a serious disciplinary violation. The Council also imposed a fine on the associate of the public prosecutor, in the form of a 30% salary decrease for the next 6 months. In a public statement, the dismissed public prosecutor said that she would not appeal but would instead initiate the procedure for her retirement, which raised suspicions of possible political interference.

Quality of justice

The quality of justice needs to be improved. Poor planning and delays in the tender procedure for carrying out electronic tests for several public institutions, including the admission exams for the Academy for Judges and Prosecutors, resulted in a need for legislative amendments. The Constitutional Court in June 2024, deciding upon an initiative filed by the Academy and two attorneys at law challenging the erroneous article, annulled it.



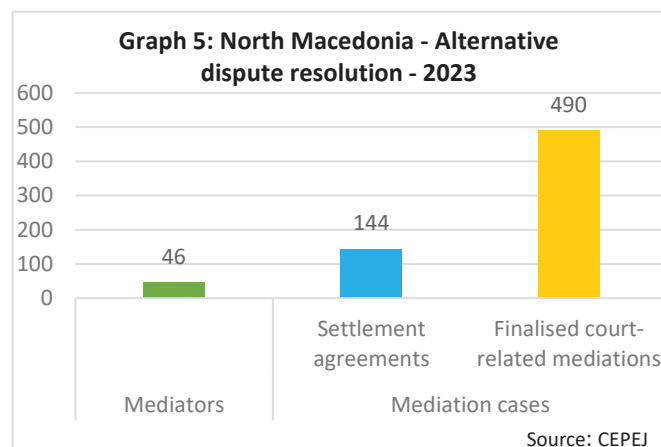
The State Commission for the Prevention of Corruption (SCPC) accepted appeals from a presidential candidate and an attorney to pause admission tests to the Academy during the election period. The Administrative Court initially asked the SCPC to reevaluate, but the Higher Administrative Court ultimately upheld the decision, pausing the selection

process until the new government was formed, as it was deemed an employment matter. These actions delayed the Academy's biggest ever recruitment of 130 candidates aimed at addressing the shortage of judges and prosecutors. The Director of the Academy resigned in July 2024.

In December 2023, the Ministry of Justice adopted the new Rulebook on the composition and working methods of the Council for coordinating information and communication technology in judiciary (ICT Council). The ICT Council, which includes, for the first time, representatives of the civil sector and of the Academy of Judges and Public Prosecutors, is tasked with drafting the new ICT Strategy for the judiciary. The **automated court case management information system** (ACCMIS) needs to be updated in line with changes in procedural laws and the software needs to be adapted to the new measures for complex cases. The Commission for the supervision of the functionality of ACCMIS completed eight of the 19 supervisions planned for 2023. It was determined that all supervised courts use ACCMIS and that no cases are allocated manually.

More efforts are necessary to digitalise the justice system, in particular in relation to communication with courts and the use of videoconferencing for court hearings.

In September 2024, the Supreme Court judges unanimously approved amendments to the rules of procedure, which govern the attendance of the public and media at general court sessions. These changes were enacted to enhance transparency and improve the public trust in the judicial system.



The Supreme Court and the four Courts of Appeal continued their efforts to ensure the consistency of judgments. The Supreme Court issued additional eight principled legal opinions, stances and conclusions, and published a compendium of judgments for 2018-2023. In July 2024, it held its first general session in presence of the media discussing the need to determine a principled stance in relation to the infringement of the right to a healthy environment.

The Academy for Judges and Prosecutors and the Association of Judges should continue to promote mediation and other alternative dispute resolution methods.

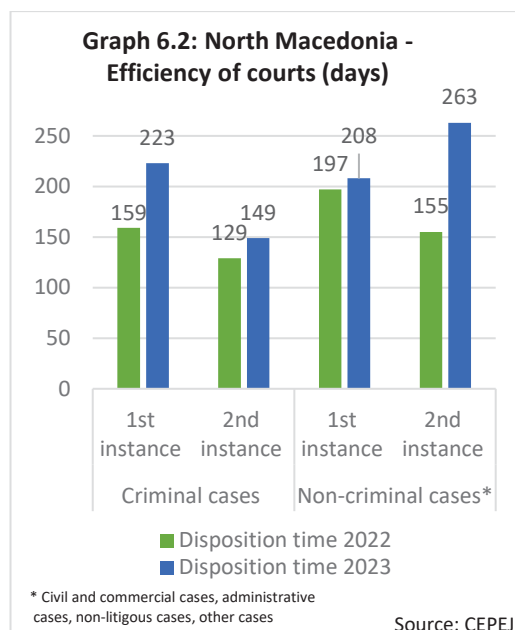
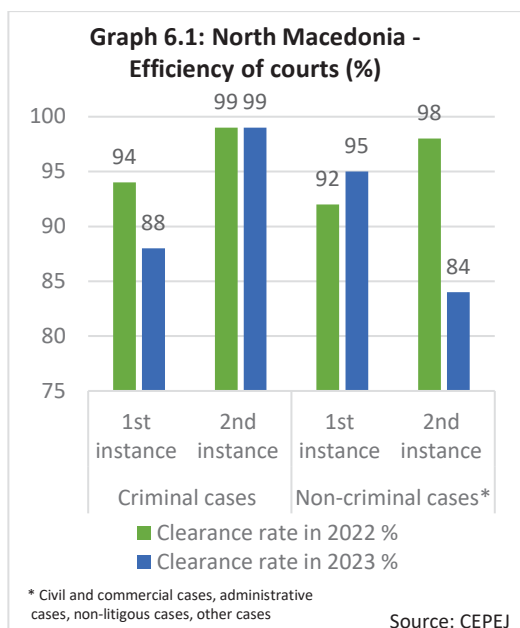
Efficiency

The justice system's efficiency needs to be improved. According to the Judicial Council assessment, there is a need for 162 new judges (434 total judges would be needed, while currently only 272 are appointed; with 40 retirements upcoming in the next 3 years). There are difficulties to fill vacancies in the judiciary, for example, from seven vacancies for presidents of basic courts, several were repeated, as no candidates applied or fulfilled the eligibility criteria. Additionally, according to the 2023 annual report by the Council of Public Prosecutors, there are currently 179 prosecutors working in the country, which falls short of the estimated need for 279 prosecutors to adequately fill all necessary positions.

The rigid interpretation of the Electoral Code to ban employment procedures for judges during election periods, further delayed recruitment procedures and promotions. The lack of measures to address the impact of scheduled retirements and the lack of progress in implementing the human resources strategies for the judiciary and prosecution services also affected efficiency.

The budget allocated to the judiciary in 2024 is 0.29% of GDP, which is low considering that the legally provided amount is 0.8% of GDP. Sufficient financial resources should be provided to improve the efficiency of the justice system and ensure its financial autonomy.

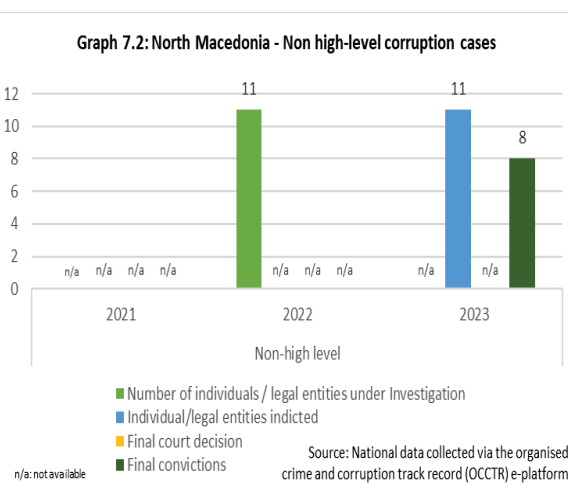
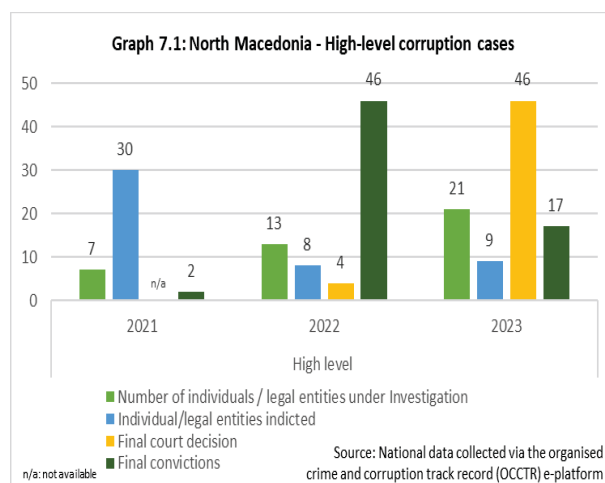
The recommendations of the Venice Commission to re-examine the provisions of the Law on the use of languages related to bilingualism in judicial proceedings have not been addressed.



Fight against corruption

Track record

The track record in the fight against corruption has worsened. There are still concerning patterns regarding an increasing number of delays in court proceedings and an increase in reversals of court rulings on corruption and organised crime. The most frequent reasons for postponement include the absence at the court proceedings of defendants or defence counsel and prosecutors - mainly for health reasons, and members of trial panels when these are appointed to another court. Judges and prosecutors must proactively and efficiently manage their cases to ensure timely justice. Judicial accountability should be ensured in this respect.



In September 2023, North Macedonia amended the Criminal Code in a fast-track procedure. Amendments concerning the crime of abuse of office and criminal association have raised concerns because they reduce the maximum penalties and have implications for the statute of limitations and create risks of impunity for past and future crimes. The suppression of a specific category of offences, notably 'abuse of office in public procurement' is considered particularly problematic. The amendments also undermine the applicable criminal procedures by limiting the scope and specific methods of investigations, which makes the task of the prosecution more difficult. The amendments to the Criminal Code have had an immediate impact on many high-profile cases. It has been particularly difficult for public prosecutors to requalify charges to ensure accountability for cases previously dealt with by the former SPO, and many ongoing cases were terminated either because the statute of limitations had expired or because the offence of abuse of office in public procurement no longer

exists. To challenge this practice, the Chief Prosecutor submitted an initiative to the Supreme Court for an extraordinary legal remedy-motion for the protection of legality. The Supreme Court accepted the PPO's request for legality and ruled against the Appellate Court's reasoning that the crime of abuse of office in public procurement is decriminalised.

Institutional framework

The institutional framework on the fight against corruption is in place and is satisfactory in terms of preventive measures. However, the law enforcement aspect needs to be improved. The SCPC continued to provide policy advice to public institutions proactively and opened several new cases. Following appointments by the Parliament, the newly composed State Commission held its constitutive session on 16 February 2024. Some CSOs assessed the selection process of the new SCPC members as not being fully transparent and politically biased.

The SCPC needs to further strengthen its capacity to proactively instigate initiatives before the competent authorities, identifying possible wrongdoings before they are reported in the media. Too often, the conclusions of the SCPC reports are not followed up by the institutions concerned. The electronic system to file statements of declaration of assets and interest has been operational since January 2024. However, the SCPC's ability to verify declarations of interest and asset declarations continues to be limited. Software to enable communication between the IT systems of the cadastre, the Revenue Service, the Ministry of the Interior and the central register must be put in place to enable more effective checks of asset declarations. The SCPC's oversight of election campaign financing is weak due to limited resources, and the fact that data are processed manually. Further action is needed to strengthen and support the SCPC and ensure it is adequately resourced, notably with specialised staff with investigative experience. The SCPC would benefit from specialist staff with investigative experience who could better prepare the documentation to be submitted to the PPO, verify asset declarations more effectively and ensure proper oversight of election campaign financing.

The **Public Prosecutor's Office for Prosecuting Organised Crime and Corruption (OCCPPO)** has moved to its new premises. Its budget and staffing levels continue to be insufficient to effectively tackle cases of corruption and organised crime. It has no financial experts or analysts and still lacks strategic planning in the handling of investigations and cases, which affects its overall efficiency. The OCCPPO would become more efficient if more specialisations were introduced and if resources were focused on the most complicated cases. It should increase cooperation, information-sharing and follow-up to SCPC initiatives and recommendations. After the amendments to the Criminal Code that resulted in reduced penalties, the Basic Public Prosecutor's Offices (PPOs) have been granted jurisdiction over cases involving high-level corruption and organised crime. However, their insufficient specialised expertise and resources could impede the effective prosecution of such offences.

The **State Audit Office**, the investigative centre/judicial police in the PPO and the police all lack sufficient resources. The quality and efficiency of investigations needs to improve. Moreover, there is often a need for investigations to be accompanied by parallel financial investigations into individuals and companies suspected of being involved in wrongdoing. Limited use is made of freezing and confiscation mechanisms. To increase the number of financial investigations, the prosecution service should be allocated appropriate financial and human resources. Interinstitutional coordination should be strengthened and access to integrated databases must be put in place.

Strategic documents

The strategic documents are in place. The implementation of the national strategy for the **prevention of corruption and conflict of interest (2021-2025)** and the related action plan continues to be slow, indicating an overall lack of commitment and ownership across institutions. Only 13% of the activities planned for 2023 were implemented in full, 33% are ongoing and 54% have not been implemented. This is a very limited increase from last year when 10% of the planned activities had been implemented in full, 35% were ongoing and 55% had not been implemented. Parliament has yet to discuss the SCPC report on the 2021 local elections.

Legal framework

The legal framework on the fight against corruption is in place but needs to be improved both in terms of preventive measures and law enforcement.

The country is party to the United Nations Convention against Corruption. It is not a signatory party to the OECD Anti-Bribery Convention. The Law on prevention of corruption and conflict of interest does not provide an adequate sanctioning mechanism for the violation of conflicts of interest, integrity and anti-corruption rules as noted by Council of Europe's Group of States against Corruption (GRECO).

The Law on the financing of political parties lays down how funding can be provided to political parties and managed correctly. The Electoral Code sets out the rules on the financing of electoral campaigns. The Law on free access to public information allows applicants to obtain information on the public financing of political parties. Consistency of the legal framework should be ensured to allow legal certainty and enable effective oversight of political parties financing. The Law on lobbying entered into force in June 2022. One organisation registered to date. The Law on the protection of whistle-blowers still needs to be further aligned with the EU *acquis*.

Fundamental rights

General framework

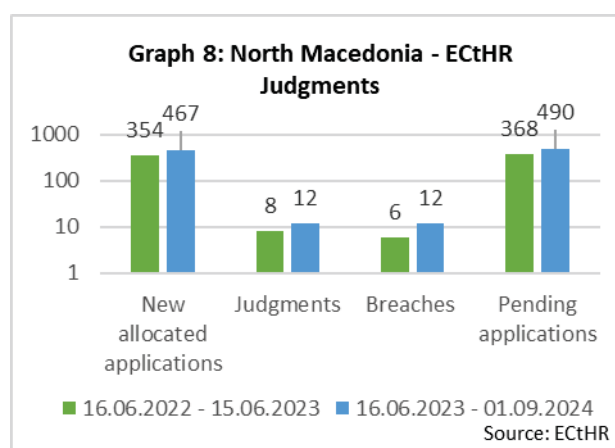
The general framework for fundamental rights is broadly satisfactory.

International human rights instruments

North Macedonia has ratified most international human rights instruments. The country needs to develop a comprehensive monitoring and data collection system to assess the level of implementation of human rights legislation, policies, and strategies and to fully benefit from its observer status in the European Union Agency for Fundamental Rights (FRA).

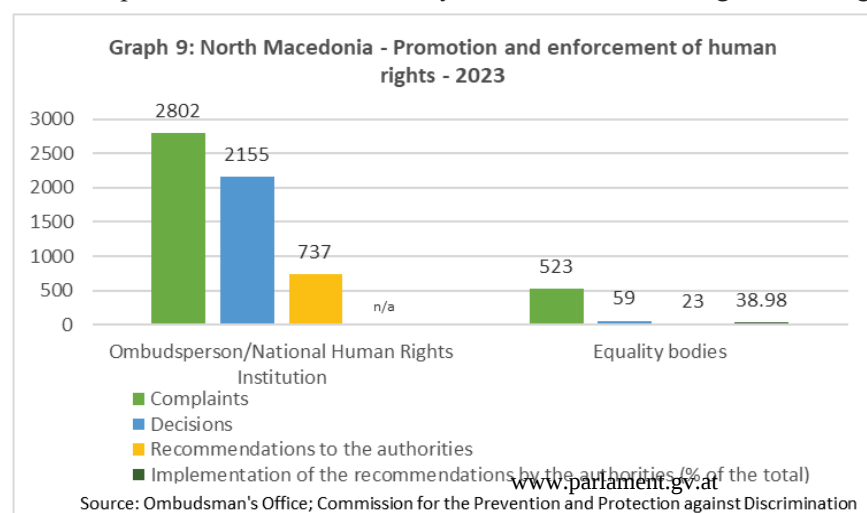
European Court of Human Rights

North Macedonia has a good level of cooperation with the European Court of Human Rights (ECtHR). During the reporting period, the ECtHR found breaches of the European Convention on Human Rights relating to the right to a fair trial, the right to liberty and security and the protection of property. Currently, there are seven cases under enhanced supervision by the Committee of Ministers. North Macedonia needs to make efforts to address systemic or structural issues raised by these cases related notably to freedom of association, ill-treatment by police and discrimination and to ensure systematic enforcement of ECtHR judgements.



Promotion and enforcement of human rights

The legal framework on the protection of fundamental rights is partially aligned with the EU *acquis* and European standards. The country continues to meet its general obligations on fundamental rights,



but legislation and pertinent strategies should be implemented in a systematic manner. The Parliament did not manage to adopt the long-awaited amendment to the Law on the Ombudsman's Office, needed to upgrade its 'B'

accreditation status, based on the Paris Principles, and failed to elect six out of 10 Deputy Ombudspersons.

In November 2023, the Parliament appointed the *Macedonian Association of Young Lawyers* (MYLA) and the Helsinki Committee for Human Rights (HCHR) to serve as the civil control mechanism within the Ombudsman's office. The authorities made no substantial improvements in implementing the Ombudsman's recommendations. At the end of 2023 the Parliament elected new anti-discrimination commissioners and filled vacant positions. This enabled the Commission to fulfil its mandate with a complete composition. The Commission's capacity building relies heavily on support from donors and collaboration with CSOs.

Prevention of torture and ill-treatment

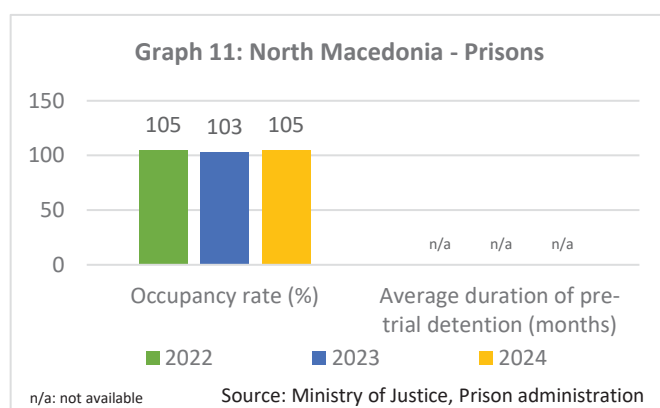
North Macedonia is currently among the countries for which there is the highest concern about conditions in detention. The country should urgently tackle the persistent issue of inadequate detention conditions in prisons, police stations, social care and psychiatric facilities. Although infrastructure was renovated and improved in several prison facilities, conditions in parts of Idrizovo prison and other detention facilities remain extremely problematic. ECtHR case law shows that poor detention conditions can be considered grounds for a violation of Article 3 on the prohibition of torture.

North Macedonia needs to continue the dialogue mechanism for the implementation of the recommendations published in 2021 by the Committee for the Prevention of Torture of the Council of Europe (CPT) and those from previous reports. The CPT made a regular visit to North Macedonia in October 2023 and submitted a report with recommendations on May 2024.

The external oversight mechanism for the police, including the prison police, was completed with the selection of three representatives by the Parliament. It should boost its working methods by collaborating with the Ombudsman's Office.

Execution of criminal sanctions

Prisons are overcrowded. Amendments to the Law on execution of sanctions adopted in March 2024 address prison governors' appointments and dismissal procedures and include UNICEF's recommendations on separating girls from adults in correctional facilities. Prison inspections continue, but corruption remains a serious issue. Despite efforts to incentivise medical staff to work in prisons, such as providing a hardship allowance, the lack of adequate healthcare or measures to treat drug addiction in prisons remains an issue of serious concern.

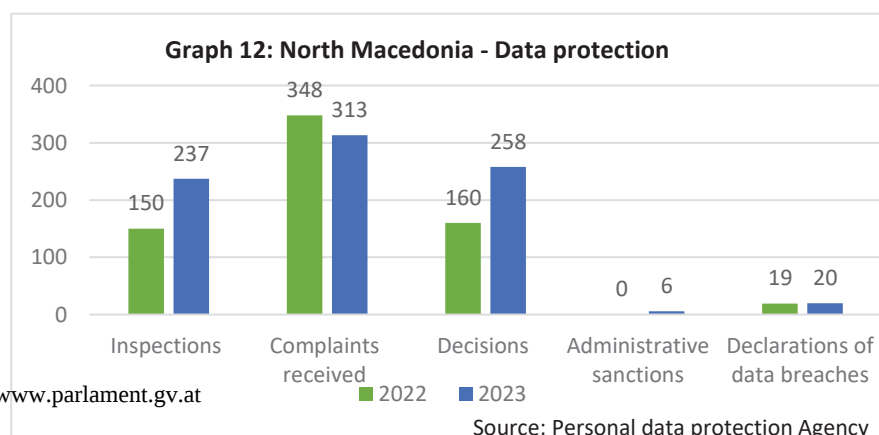


The probation system is improving, with more cases handled by probation officers and better coordination between stakeholders. No progress has been made on amending the legal framework for alternative sentences or on addressing the lack of purposeful activities for prisoners. Educational and resocialisation services and treatment programmes should be provided in all penitentiary facilities.

Protection of personal data

No progress has been made on the

protection of personal data. Full alignment with the General Data Protection Regulation is still pending, as is the adoption of national legislation to align with the EU Law Enforcement Directive. The performance of the Personal Data Protection Agency



(PDPA) is restricted as it lacks the independence to autonomously hire staff and spend its budget. The number of staff has further decreased due to low salaries, and now stands at only 20. This, along with insufficient funds, prevents the Agency from carrying out its tasks and powers in full. The PDPA is not systematically consulted on sectoral laws or implementing legislation. Coordination, communication and responsiveness to recommendations of the Agency is still weak. There is no follow-up in the Parliament to the annual report of the Agency and reports on specific issues, such as the interception of communication.

Freedom of religion or belief

The rights to freedom of religion or belief continue to be guaranteed by the Constitution and upheld in practice.

Freedom of expression

Protection of journalists

In 2023, the Ministry of the Interior recorded seven cases of attacks against journalists and opened investigations into them. The *Association of Journalists of Macedonia* recorded five incidents against journalists. Of these, three involved nonphysical threats and harassment, and two involved threats against the lives and physical safety of journalists. The courts reported fewer defamation lawsuits (19) against journalists in 2023 than in the previous year and registered six strategic lawsuits against public participation (SLAPP), highlighting the absence of support mechanisms for SLAPP.

Journalists faced inappropriate language from politicians and public figures. A prosecutor has been specifically assigned to monitor attacks on journalists, and cyberbullying incidents can be reported to the Ministry of Interior's cybercrime department.

Legislative environment

The legal framework governing the media is not fully aligned with EU *acquis*, notably the European Media Freedom Act. Following the revisions of July 2023, the Law on audio and audio-visual media services abolished the government's discretionary rights in fund allocation to the broadcasting sector. Nevertheless, the government persisted in allotting reduced funds. Government advertising in commercial media was reinstated in February 2024, increasing the risk of the potential misuse of political funds, endangering media independence and creating market disruption.

Parliament once again failed to appoint new members to both the Public Service Broadcaster's Programme Council and the Media Regulator's Council.

Implementation of legislation/institutions

In 2023, the media regulator continued its oversight of broadcast media and of illicit media concentration and ownership. It collaborated with CSOs and media outlets to promote media literacy and human rights.

Public service broadcaster

The public service broadcaster needs modernising and should improve competitiveness, independence and professional standards. The organisation's funding has been inconsistent, causing uncertainty in planning. The Law on audio and audio-visual media services of July 2023 increased overall funding, but the authorities have transferred less than legally required.

Economic factors

Challenges persist regarding the transparency of media ownership and the concentration of media. Political parties continue to use State funds for advertising, and the lack of transparency on paid political advertising persists. Both print and broadcast media are legally required to disclose information about their ownership to the regulatory body for audio-visual media, yet no legislation

exists on the ownership and financial disclosures of digital national media. The ownership register for digital national media is a self-regulatory mechanism.

Internet

Net neutrality is guaranteed, both in terms of legal provisions and practical implementation. However, challenges remain in the online media sector, with growing threats arising from disinformation, hate speech and breaches of intellectual rights. The Council of Media Ethics observed a fourfold rise in complaints about hate speech compared to the previous year.

Professional organisations and working conditions

The Independent Union of Journalists and Media Workers defends the labour and social rights of journalists. Separate unions defend the rights of journalists working for public service broadcasters and those working for news agencies. Shortcomings in journalists' working conditions persist, notably, the short-term or part-time contracts without health and social insurance coverage, unpaid overtime and low wages, which contribute to self-censorship and influence over editorial content by media owners.

(See also Chapter 10 – Digital transformation and media)

Freedom of assembly and association

The right to freedom of assembly and association is guaranteed by the Constitution. The country's legal framework is broadly aligned with its international obligations on freedom of association. Additional efforts are needed to implement rulings of the ECtHR related to registration of associations.

Legislative changes should comply with international standards. One way to ensure this would be to consult the Venice Commission before adopting the Law on associations and foundations, in line with the Recommendation of the European Commission against Racism and Intolerance (ECRI).

Labour and trade union rights are covered in *Chapter 19 - Social policy and employment*.

Property rights

Progress on property rights remains limited due to lengthy and costly procedures. The national strategy on property rights has not advanced, and municipal property registers are outdated and kept in analogue format. The Cadastre Office reduced unresolved cases and backlog by 62% and 5%, respectively, and completed land and property registration. Administrations handling restitutions are facing an excessive caseload due to understaffing and funding constraints. Over 6 000 denationalisation cases remain open, despite the process being officially closed in 2013.

Non-discrimination

The legal and institutional framework for non-discrimination remains partially aligned with EU *acquis* and European standards.

The 2021-2026 strategy for equality and non-discrimination has not produced significant results. At the end of 2023, the Parliament elected new anti-discrimination commissioners and filled vacant positions. While the Commission for the Prevention and Protection against Discrimination has efficiently addressed increasing complaints, it still requires more resources and support from donors and CSOs. The main challenges hampering the Commission's work are the lack of financial independence and the low numbers of administrative staff. In 2023 the Commission issued 117 legal opinions, and in 59 cases identified discrimination and provided recommendations. Instances of discrimination were most prevalent in the areas of employment, public information and media, as well as access to goods and services.

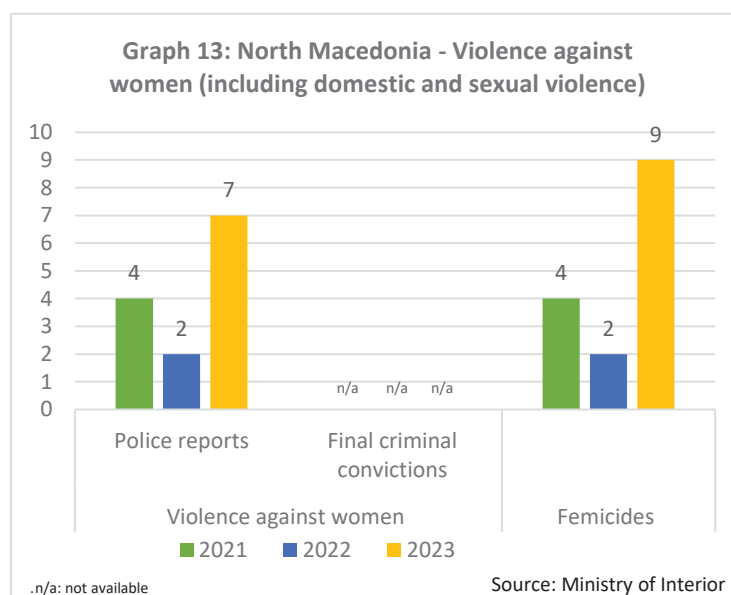
The legal framework and interinstitutional capacity to combat hate speech and hate crime needs further improvement, notably to include sexual orientation and gender identity as grounds of hate

speech. The country should follow up on ECRI's General Policy Recommendation No 15 on combating hate speech and fully address the findings and recommendations set out in ECRI's report of September 2023.

The authorities do not yet collect data on hate speech and hate crime in a systematic manner. CSOs consistently register hate crime cases in a database. In 2023, 1 171 cases of hate speech were registered, the most prevalent being on the grounds of ethnicity, sexual orientation, gender identity and nationality.

Gender equality

North Macedonia has made no progress on advancing gender equality, with no significant developments in its national policy framework for integrating gender equality and aligning with the EU *acquis*. The anti-gender movement has continued gaining traction in the country. This has had an impact on the legislative and policy-making process. The implementation of the national strategy for gender equality (2022-2027) is poor, and cross-institutional mechanisms for implementing and monitoring gender equality policies need to be strengthened. The implementation of the Istanbul Convention is also suboptimal due to insufficient funding and ineffective cross-institutional protocols. In 2023, the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO) identified a number of issues that require urgent action by the authorities to comply fully with the convention's provisions. Access to health services for victims of gender-based violence is hindered by the limited number of shelters and lack of personnel.



Rights of the child

The legislative and institutional framework for the rights of the child is generally aligned with the EU *acquis* and international human rights standards, but effective implementation remains challenging due to issues with accountability, capacity, monitoring and funding.

Key areas requiring attention include education, health, protection from violence and non-discrimination. More support for mechanisms to combat violence and sufficient funding for the national strategy to end violence against children (2020-2025) are needed. A national body responsible for coordinating all policies relating to implementation of the UN Convention on Child Rights and the Optional Protocols is yet to be set up. The strategy for the fight against trafficking of children (2021-2025) should be aligned with the Lanzarote Convention and the the EU legislation on child sexual abuse (Directive 2011/93).

The implementation of the Strategy for de-institutionalisation (2018-2027) continues and all the children have been relocated to foster care or small group homes.

Further efforts are needed to reduce child poverty and improve social protection. Local stakeholder cooperation and the capacity of social work centres should be enhanced, especially for at-risk children, including Roma and those with disabilities. The policy of including children with disabilities in regular schools is facing challenges.

Regularly monitoring and inspecting educational correctional facilities and prisons is crucial to protect and provide services to detained children. Access to justice, legal representation, and capacity

building for public officials working with child victims, witnesses and offenders are currently insufficient.

Persons with disabilities

Persons with disabilities are still unable to fully enjoy their rights because legislation and government policies are not aligned with the UN Convention on the Rights of Persons with Disabilities (UNCRPD). The national authority's capacity to align its institutional and legislative framework on social protection and inclusion with the EU *acquis* concerning the persons with disabilities needs to be strengthened. The Office of the Ombudsman oversees the implementation of the UNCRPD in close cooperation with CSOs. The national strategy to achieve equal rights for individuals with disabilities was adopted in December 2023 and implementation is in its initial stages. The action plan for the deinstitutionalisation strategy for 2022-2024 is nearly finalised, with only the relocation of the beneficiaries from the Special Institute Demir Kapija remaining to be completed.

A total of 2 200 students with special needs have been integrated into mainstream primary schools, with an additional 314 enrolled in secondary education, benefiting from the support of educational assistants to bolster inclusivity initiatives. Individuals with disabilities continue to encounter significant forms of discrimination, stemming from barriers in infrastructure, insufficient access to information and services, discriminatory attitudes and social marginalisation.

(see Chapter 19 – Social policy and employment for aspects related to social services, assistance and benefits).

LGBTIQ persons

No progress was made on improving the legal or policy framework protecting the rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons. The current legal framework does not recognise same-sex partnerships. On 22 June 2024, a LGBTIQ pride parade was successfully organised but hate speech against the community persists on social media. As an observer to the work of the European Union Agency for Fundamental Rights, North Macedonia was covered by the III LGBTIQ Trust Survey, which found that overall, in North Macedonia in 2023, 39% felt discriminated against in at least one area of life in the year before the survey (for the EU-27 it was 37%). No progress has been made in implementing the ECtHR judgment from January 2019 on legal gender recognition.

CSOs registered 298 cases of hate speech on the grounds of sexual orientation and gender identity but legal consequences are still inadequate. In March 2024, a basic court issued a suspended prison sentence against a citizen for perpetrating hate speech against members of the LGBTIQ community, marking the first ruling on this ground in the country. CSOs documented 27 cases of hate-motivated violence against LGBTIQ people. No progress was made on investigating the attacks on the LGBTIQ support centre that happened more than a decade ago, or on the acts of vandalism on the office of an LGBTIQ organisation and death threats against activists.

Procedural rights and victims' rights

The country is still only partially aligned with the EU *acquis* on the protection of procedural rights of people who are accused or suspected of crimes. In March 2024, the Parliament adopted the Law on justice for children, which broadly reflects the requirement for procedural safeguards for children who are suspects or accused in criminal proceedings. The Law on free legal aid was amended in September 2024. The country has a solid network providing primary and secondary free legal aid, including for victims of crime. The system of legal aid in criminal proceedings needs to be reformed to improve access to justice. The authorities need to revise the eligibility criteria in criminal proceedings, for mandatory defence, defence of indigent persons and representation of the interests of victims of crime.

The country is not yet aligned with the European Protection Order Directive. The adoption of an amended Law on criminal procedure, to ensure alignment with the Victims' Rights Directive, is still pending. At the beginning of 2024, the Commission for the Implementation of the Law on the payment of monetary compensation to victims of violent crimes became operational and started to

hold sessions.

Protection of minorities

The recommendations issued by the Advisory Committee on the Framework Convention for the Protection of National Minorities on the promotion and assurance of sustainability of the national strategy to support a multi-ethnic society, ‘One Society for All and Interculturalism’, were not fully implemented.

The Agency for the Rights of the Non-Majority Communities has published the National Strategy for Inter-culturalism and Social Cohesion 2024-2026, but it still needs to be adopted by the Parliament. To ensure the sustainability of the strategy, the authorities need to provide high-level political support, funding and outreach to the media.

North Macedonia still did not ratify the European Charter for Regional or Minority Languages, signed in 1996.

The Language Implementation Agency and the Agency for Community Rights Realisation remain understaffed and inadequately funded.

Roma

North Macedonia has made satisfactory progress in the area of Roma inclusion, implementing the strategy for 2022-2030. New action plans for 2024/2025 have been prepared and an adviser on Roma inclusion has been appointed to assist the Prime Minister. However, the strategy lacks a clear approach to participation, empowerment and capacity building. The action plan for Roma women and girls’ rights is moderately implemented. Outstanding challenges include irregular school attendance, street children and segregation in schools. The government remains committed to the Poznan Declaration priorities.

Citizenship rights

In December 2012, North Macedonia amended the law allowing the acquisition of citizenship for special economic interests. The scheme could pose migratory and security risks, especially given the different criteria for granting citizenship. The Commission maintains the view, as expressed in the sixth report under the visa suspension mechanism, that North Macedonia should refrain from systematically granting citizenship based on special economic interest, as such investor citizenship schemes pose serious risks and are incompatible with the EU *acquis*. In 2023, five such requests were submitted.

2.2.2 Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation, all with the support of the EU Justice and Home Affairs agencies.

Fight against organised crime

North Macedonia has continued to work on aligning its legal framework on organised crime with the EU *acquis*.

Institutional set-up and legal alignment

North Macedonia is partially aligned with the EU *acquis* in the fight against organised crime. It complies with multiple **strategic documents** on organised crime and other forms of serious crime, based on the corresponding EU strategies. A ‘national Serious and Organised Crime Threat Assessment (SOCTA) 2021’ was prepared with Europol methodology and policy, and presented in 2022, which authorities reviewed in December 2023.

Regarding the **institutional set-up**, the National Coordination Centre for the Fight against Organised Crime is operational but requires more permanent staff. Four investigative centres were set up in the Public Prosecutor’s Office to support investigations into complex cases of organised crime. All

centres are operational and in use, but they lack sufficient human and financial resources, appropriate access to the necessary databases, professional training courses and equipment.

Since the 2018 reform of the security and intelligence sector, the National Security Agency has been located in the premises of the Ministry of the Interior, which could jeopardise its independence. Similarly, the Operational and Technical Agency, responsible for authorised surveillance of communications operates from the premises of a national telecommunications operator, so its independence could also be compromised. The Operational and Technical Agency has completed the process to digitalise the procedure related to acquiring and implementing authorised surveillance of communications. The digitalised procedure is not yet utilised by the relevant national authorities because of a lack of proper legal regulation of its implementation. A new Director was appointed at the end of November 2023.

Regarding **asset recovery**, the Law on the Asset Recovery Office, aligned further with the EU *acquis*, was adopted in March 2024. The office, which is part of the Public Prosecutor's office, still requires the necessary implementing legislation, a proper budget, access to databases and staff. Only one prosecutor works for the Asset Recovery Office (ARO). The Law on management of confiscated property in criminal and misdemeanour procedures was amended in March 2024 to align further with EU *acquis*. The Agency for Management of Confiscated Property is lacking sufficient staff, storage facilities, equipment and budget, as well as an effective case management system. In addition, in February 2024, the Parliament adopted the Law on asset confiscation in civil proceedings, which proposes a non-conviction-based system for seizing assets assumed to be unlawfully obtained. Concerns have been raised regarding the scope of the Law and because it may lead to confusion with other legislation and thus legal uncertainty.

On **trafficking in human beings**, a Commission for monetary compensation for victims of violent crime, tasked with providing support to victims of criminal acts of violence, was set up in early 2024. The Criminal Code needs to be further aligned with the EU *acquis* in the area of trafficking in human beings, notably regarding penalties of certain offences. Capacities of law enforcement should be further strengthened allowing them for more proactive investigations.

Regarding **firearms**-related crime, a Memorandum of Cooperation was signed in November 2023 between the Ministry of Interior, the Public Prosecutor's Office and the Customs Administration to strengthen cooperation in prosecuting firearms-related crime. The amendments to the Criminal Code of September 2023 criminalise the possession of materials for producing 3D weapons and the actual production of such weapons, in compliance with the UN Firearms Protocol.

On **child sexual abuse**, the Sector for Cybercrime and digital forensics at the Ministry of Interior acquired access to the child protection system database. However, the country is still not connected to the Interpol I-24/7 Child Sexual Exploitation system.

Regarding **cybercrime**, there are no new developments on the ratification of the Second Additional Protocol to the Budapest convention.

Implementation and enforcement capacity

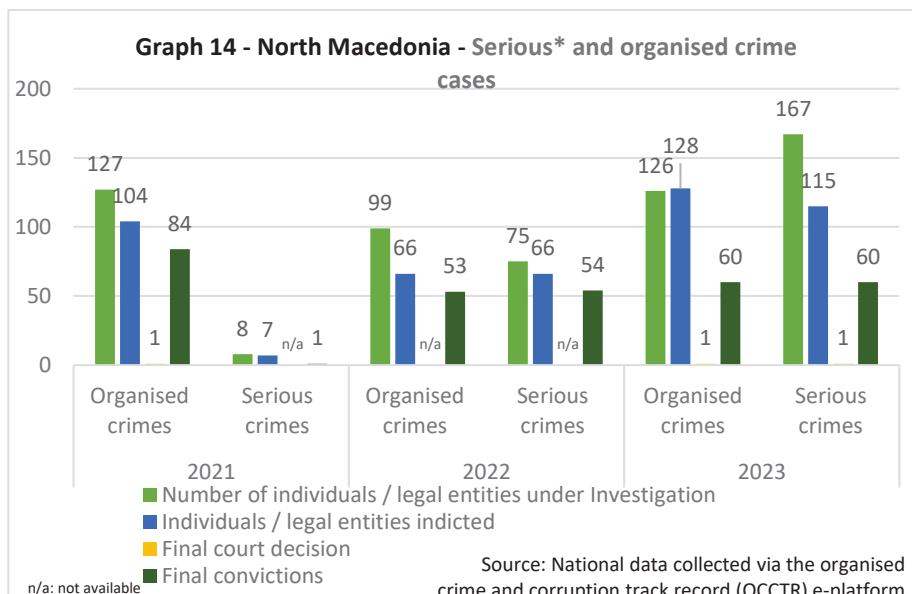
North Macedonia continues to develop its track record in prosecuting cases of organised crime. The number of investigations remains stable, although the number of verdicts reached has substantially declined. The number of individuals indicted has increased.

Exchanges of information with Europol on criminal matters and on analytical projects increased significantly in 2023 compared with the previous year. The number of new cases initiated, based on exchanged information, rose in 2023, as did the number of messages exchanged through the Secure Information Exchange Network Application (SIENA).

Information on various crime-related matters was exchanged with Interpol, but North Macedonia is not connected to all of Interpol's databases for instance the Child Sexual Exploitation Database – ICSE.

In 2023, North Macedonia participated in several EMPACT operational actions plans, including in some cases as co-leader of actions, as well as in joint action days (JAD). Skopje hosted the International Coordination Centre during the EMPACT Joint Action Days Southeast Europe (JAD SEE) 2023 to target firearms trafficking, drug trafficking, migrant smuggling and trafficking in human beings, and high-risk criminal networks. North Macedonia takes part in the Global Alliance against Migrant Smuggling, launched in November 2023.

The Ministry of Interior adopted its 2024 annual plan, which includes activities for intelligence-led policing. The structures responsible for fighting organised crime should improve their operational capacity and cooperation. They require better financing, equipment, access to databases, staffing and training, as well as legislative harmonisation with European and international standards.



*Data on serious crime cases stem from the aggregation of cases of money laundering, cybercrime, production and trafficking of drugs, firearms related offenses, terrorism, trafficking in human beings and smuggling of persons. Corruption cases are showcased in Chapter 23.

A total of 293 computer crimes were registered in 2023. As in 2022, ransomware was the most frequently reported crime.

Online child sexual abuse crimes increased by 28.6% in 2023, with 18 crimes registered that year. Of those registered, 13 crimes were solved and 14 perpetrators were charged.

North Macedonia is making progress on addressing the recommendations of Moneyval's 2023 fifth round of evaluation.

Financial investigations remain an area of weakness for North Macedonia. The Financial Police Office within the Ministry of Finance launched 220 financial investigations in 2023. In addition, the custom administration initiated 20 financial investigations, 18 of which are parallel financial investigations.

In 2023, the Agency for Management of Confiscated Property confiscated property and property benefits, as well as items in criminal and misdemeanour proceedings, namely: two pieces of real estate, 150 vehicles and EUR 535 000 in monetary assets after a final judgment.

Cooperation in the field of drugs

Cooperation in the field of drugs needs to be improved.

Institutional set-up and legal alignment

The main coordinating body tackling the illegal production, trafficking and use of drugs - the Interministerial Commission for Narcotic Drugs (IMCND) - has not been operational. The country has a national strategy against drugs for 2021-2025, which is aligned with the EU strategy. The operational capacity of the National Drugs Observatory remains limited, as the Observatory lacks sufficient resources to cope with its daily drug monitoring tasks. An early warning system has not yet been set up.

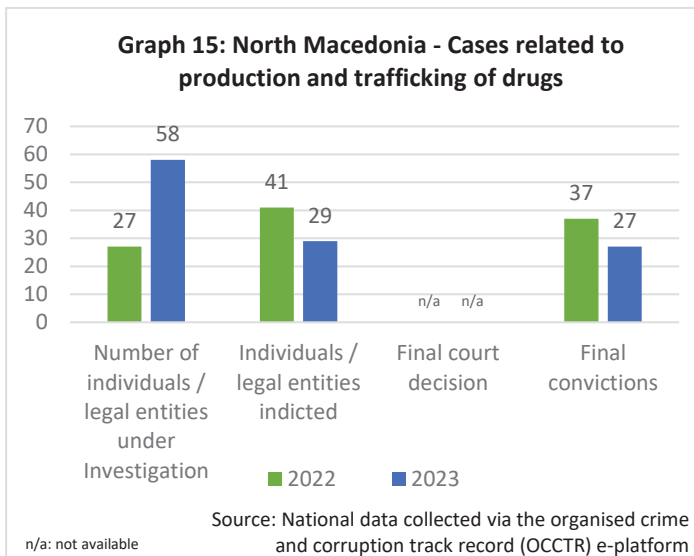
The process to renew the agreement with the European Union Drug Agency (EUDA) is under way.

Legislation on drugs, psychotropic substances and precursors does not comply with the EU *acquis* or international standards, notably on the establishing an early warning system and rapid exchange of data on new psychotropic substances.

Implementation and enforcement capacity

The number of detected crimes related to drug trafficking and the number of organised crimes groups broken up has remained steady, while the number of detected perpetrators has increased. North Macedonia still does not practice drugs destruction.

International police cooperation to prevent drug trafficking is good. In 2023, information was regularly exchanged via established channels with Europol, Interpol and the Southeast European Law Enforcement Centre (SELEC). A total of 789 messages were exchanged through Europol's SIENA. Under SELEC, North Macedonia initiated two cases of drug trafficking.



No confiscated drugs were destroyed during the reporting period.

Fight against terrorism

The fight against terrorism is satisfactory. North Macedonia should continue to implement the actions agreed under the Joint Action Plan on Counter Terrorism for the Western Balkans and keep its strategic and legislative framework up to date and aligned to the EU *acquis* and policy priorities.

Institutional set-up and legal alignment

North Macedonia's legislative framework is broadly aligned with the EU *acquis* and international counterterrorism instruments.

North Macedonia has a newly appointed national coordinator for counterterrorism and countering violent extremism, after the former national coordinator and his two deputies were dismissed in July 2024, before the expiration of their mandates. North Macedonia submits regular reports and carries out the actions necessary for fulfilling the objectives of the Joint Action Plan on Counterterrorism for the Western Balkans.

In January 2024, the government adopted the national terrorism threat assessment, which was prepared by using Europol's Terrorism Situation and Trend (TeSAT) methodology.

The country does not have a referral mechanism for preventing and countering violent extremism and radicalisation.

Implementation and enforcement capacity

North Macedonia implements the Joint Action Plan on Counterterrorism for the Western Balkans and submits regular reports.

Greater clarity is needed on the division of powers, tasks and responsibilities between local and central level actors involved in the prevention of violent extremism and terrorism. Measures are currently being implemented by local councils for prevention, six community action teams and nine local multidisciplinary teams.

The penitentiary system strategy (2021-2025) includes measures against prison radicalisation. Prisons currently allow interaction between persons convicted for terrorists offences and other inmates, which increases the risk of radicalisation and can potentially lead to the emergence of links between terrorism and organised crime. Security services should be more actively involved in the pre- and post-release activities and processes.

Online radicalisation remains one of the most prevalent forms of radicalisation. Appropriate financial and human resources, equipment and professional training are needed to tackle it. No foreign terrorist fighters were repatriated during the reporting period.

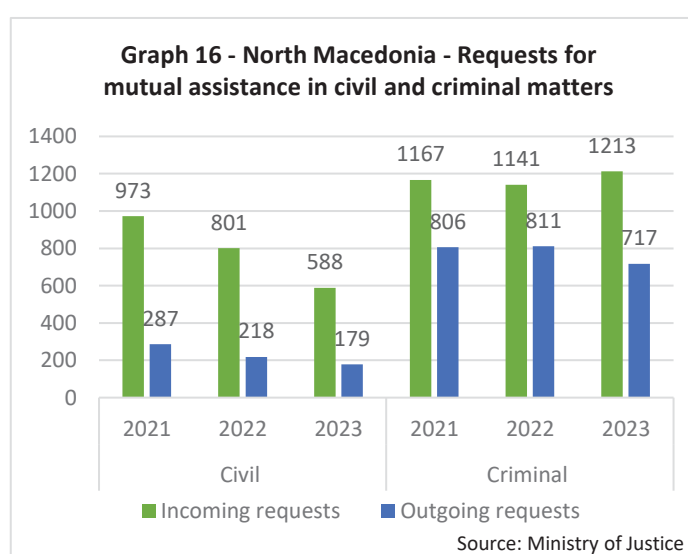
During the reporting period, the Public Prosecutor's Office for Organised Crime and Corruption, Financial Investigation Unit of the Ministry of Interior, and other competent divisions within the National Security Agency and the Ministry of Interior submitted 18 orders and initiatives for conducting analysis based on suspicions of terrorist financing and money laundering submitted to the Financial Intelligence Office.

Judicial cooperation in civil and criminal matters

Judicial cooperation in civil and criminal matters needs to be improved.

The number of requests for mutual legal assistance in civil matters has fallen steadily, while the number of requests for mutual legal assistance in criminal matters has remained steady.

Progress on the legal framework for cooperation in civil and commercial matters was limited. The Draft Law ratifying the Hague Convention of 30 June 2005 on Choice of Court Agreements, is in the Parliamentary procedure. North Macedonia should still ratify the 1996 Hague Child Protection Convention, the 2007 Hague Child Support Convention and its Protocol on Applicable law, which have been already signed. The country should take the necessary steps to ratify the 2019 Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the 'Hague Judgments Convention').



Progress on the legal framework for cooperation in civil and commercial matters was limited. The Draft Law ratifying the Hague Convention of 30 June 2005 on Choice of Court Agreements, is in the Parliamentary procedure. North Macedonia should still ratify the 1996 Hague Child Protection Convention, the 2007 Hague Child Support Convention and its Protocol on Applicable law, which have been already signed. The country should take the necessary steps to ratify the 2019 Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the 'Hague Judgments Convention').

In February 2024, the Minister of Justice signed the Ljubljana–Hague Convention on International Cooperation in the Investigation and Prosecution of the Crime of Genocide, Crimes against Humanity, War Crimes and other International Crimes.

Cooperation with Eurojust continues. The Eurojust Liaison Prosecutor of North Macedonia was officially appointed in February 2024, but the government has still not ensured the necessary funds to become fully operational. The Eurojust Liaison Prosecutor was actively engaged in facilitating investigations. In 2023 there was a workload of 95 cases, out of which 36 were new. North Macedonia has a working arrangement with EPPO.

Four joint international team (JIT) agreements were signed.

Legal and irregular migration

The management of legal and irregular migration needs to be improved.

Institutional set-up and legal alignment

North Macedonia has strategic documents in place on migration, including the 2021-2025 national strategy for integrated border management and accompanying action plan for 2022-2025, and the resolution on migration policy for 2021-2025.

The country continues to actively manage mixed migration flows. The legal framework is broadly in line with European standards. Institutional and administrative capacity needs to be strengthened by increasing human, technical and material resources.

The Law on work and employment of foreigners and legislation on the right to family reunification in the case of registered partnerships needs to be further aligned with the EU *acquis*.

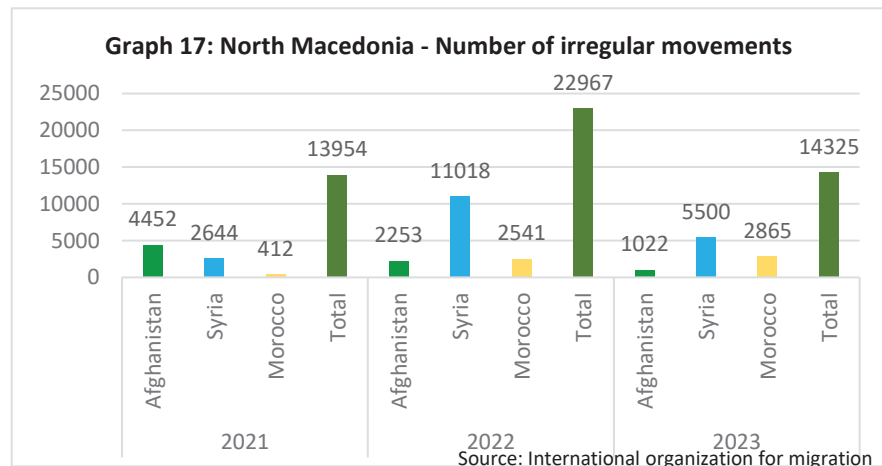
Overall, North Macedonia needs to strengthen its institutional and administrative capacity for managing migration by increasing the number of employees and providing additional material and technical resources.

In 2023, a total of 235 Roma, Askhali and Egyptian individuals from Kosovo* remained in the country, 160 of whom had their international protection expired. These individuals were in a vulnerable position due to their lack of legal status and insufficient access to basic rights. However, this issue has been resolved. The majority of the 190 refugees received documents giving them the right to remain in North Macedonia, and a few were granted citizenship by Kosovo.

Implementation and enforcement capacity

Arrivals from Syria fell in 2023 and arrivals from Afghanistan continue to decrease steadily. Arrivals from Morocco are increasing, however. Cases of migrant smuggling increased in 2023, and the number of smuggled migrants that were detected in 2023 was similar to that of 2022.

Systematic migrant registration and protection-sensitive profiling remains a priority. The fragmentation of tasks across institutions makes migration management less effective. Frontex conducted an in-depth review, which provided a comprehensive and



detailed implementation plan to develop IT systems that are interoperable with EU IT systems and communication infrastructure to identify and register migration flows, in line with EU requirements.

The two temporary transit centres for short-term accommodation, with a joint capacity of 2 000, are unsuitable for longer stays. Their status does not yet comply with national legal standards, and they lack adequate protection services such as medical or psychosocial assistance and interpretation.

Since Frontex became operational at the southern border, the registration of apprehended irregular migrants has improved significantly. The fight against migrant smuggling needs to be stepped up by targeting individual members of migrant smuggling groups, including through international cooperation.

North Macedonia continues to implement readmission agreements with EU countries. It has an agreement with the EU and implementing protocols with 11 Member States, and bilateral readmission agreements with eight non-EU countries. North Macedonia is negotiating additional protocols. The lack of readmission agreements with countries of origin remains a challenge.

* 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.

The arbitrary detention of irregular migrants in the Gazi Baba Detention Centre who are to be brought before the Criminal Court to make a statement is still a cause for concern. Registration of asylum applications increased significantly in 2023 to 59.3% (from 19.6% in 2022). Effective judicial control over detention practices is lacking and detained migrants benefit only from legal counselling and assistance in the asylum procedure. Living conditions are still unsatisfactory, as pointed out by the National Preventive Mechanism under the Ombudsman.

Asylum

The management of asylum needs to be improved.

Institutional set-up and legal alignment

Despite only partial alignment with the EU *acquis*, there were no legislative developments on asylum during the reporting period, and the **quality of asylum** procedures remains a concern.

The absence of personal identification numbers for asylum seekers remains a critical barrier to their systematic access to rights such as employment, opening a bank account or education certificates. ID cards are not issued immediately after an asylum application is submitted and are not machine-readable, in contrast to documents issued to other non-nationals.

Asylum decisions lack legal reasoning and individualised assessments. Highly qualified staff are needed to work on asylum cases at administrative level. A lack of State-funded interpretation services throughout the asylum procedure is still a major gap.

Efforts are also needed to improve the provision of information on international protection and counselling in detention facilities and at border crossings. Further efforts are needed to address delayed family reunification for people under subsidiary protection, notably unaccompanied minors.

The third generation of the Roadmap for Cooperation agreed between the European Union Agency for Asylum (EUAA) and North Macedonia for 2023-2025 is in place and remains a key tool to strengthen the asylum and reception system. The cooperation with the EUAA is good, while further progress is needed, notably as regards the improvement of reception conditions, including for asylum seekers with special needs.

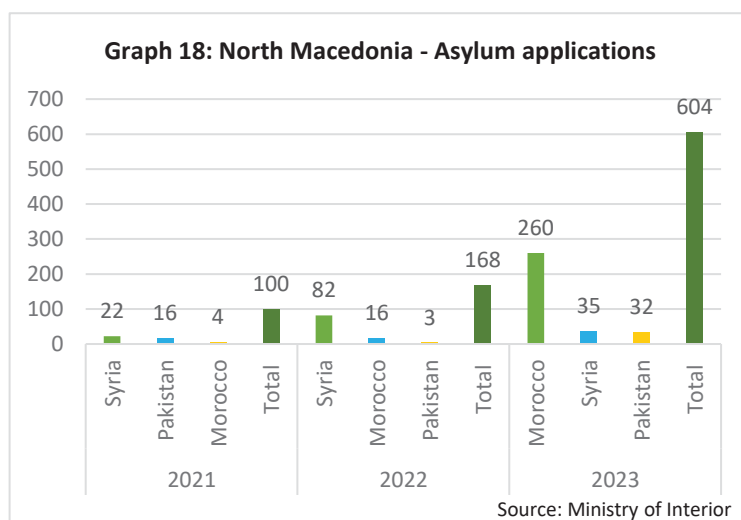
Implementation and enforcement capacity

North Macedonia remains a transit country. However, asylum applications in the country increased significantly from 168 in 2022 to 604 in 2023. There was a major increase in asylum applications from Morocco. However, no individual has been granted refugee status since 2016.

Implementation of the asylum procedure is not aligned with the EU *acquis*. Expulsion decisions are made without quality assessment, and without ensuring that returned asylum seekers will not face persecution in their country of origin. Asylum procedures are lengthy and may last for several years as from the date of first registration.

There is no legal framework on the **integration** of asylum seekers and no comprehensive approach on integration. There is a delay in the activation of social assistance and health insurance for those granted international protection.

Asylum-seeking children's enrolment in primary education continued as provided for under the Law on primary education, but not always immediately after arrival. A lengthy diploma verification



process or the inability to provide documents should not delay school enrolment. The same should be replicated in secondary education.

Visa policy

The visa regime is broadly aligned with the EU lists of visa-required and visa-free countries, except for Türkiye, whose nationals are subject to a visa requirement to enter the Schengen Area but can enter North Macedonia visa free. The Commission's sixth report under the Visa Suspension Mechanism of 2023 concluded that North Macedonia continued taking action to address the Commission's previous recommendations and recommended that North Macedonia continue this good progress. According to Eurostat, in 2023, 6 760 nationals of North Macedonia applied for asylum in the EU27 (slight increase of 2% compared to 6 605 in 2022).

Schengen and external borders

The legislative framework for the management of external borders is broadly aligned with the EU *acquis*.

Institutional set-up and legal alignment

No major changes were made to the Department of Border Affairs and Migration during the reporting period. The status agreement between North Macedonia and the EU is being implemented without problems, through the Frontex Joint Operation North Macedonia.

Implementation of the integrated border management strategy and the corresponding action plan is under way. Cross-border cooperation with neighbouring countries continues.

In line with the Prespa Agreement, albeit with delay, the country is in the process of changing all travel documents to include the name of North Macedonia. Old travel documents were no longer valid as from 12 April 2024 and North Macedonia did not allow citizens with old travel documents to exit the country.

Implementation and enforcement capacity

Cooperation with the competent border services of Albania, Bulgaria, Kosovo and Serbia is done in line with the Schengen catalogue of recommendations and best practices. The following agreements were signed and are being implemented: agreement on freedom of movement with identity cards (Western Balkans); agreement on regulation of local traffic; and agreement on continuous prosecution of perpetrators of crimes.

Euro counterfeiting (criminal law aspect)

The relevant legislation is broadly in line with the EU *acquis* on the suppression of counterfeit currency.

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

2.3. ECONOMIC CRITERIA

Table 7.1: North Macedonia - Key economic figures	2015-20 average	2021	2022	2023
GDP per capita (% of EU-27 in PPS) ¹⁾	41	43	42	41
Real GDP growth	1.6	4.5	2.2	1.0
Activity rate of the population aged 15-64 (%) , total	65.3	66.8	66.4	65.4
<i>female</i>	52.6	55.1	54.3	54.7
<i>male</i>	77.7	78.4	78.4	76.0
Unemployment rate of the population aged 15-64 (%) , total ²⁾	21.3	15.8	14.5	13.2
<i>female</i>	20.8	13.8	12.6	11.4
<i>male</i>	21.6	16.9	15.9	14.4
Employment of the population aged 15-64 (annual growth %) ²⁾	2.3	n.a.	n.a.	-0.2
Nominal wages (annual growth %)	4.4	5.7	11.1	15.3
Consumer price index (annual growth %)	0.7	3.2	14.2	9.4
Exchange rate against EUR	61.58	61.63	61.62	61.56
Current account balance (% of GDP)	-1.8	-2.8	-6.1	0.7
Net foreign direct investment, FDI (% of GDP)	2.9	3.3	5.0	3.8
General government balance (% of GDP)	-3.4	-5.3	-4.4	-4.9
General government debt (% of GDP)	41.5	51.4	50.5	53.1

Notes :

1) Eurostat

2) From Q1-2022, the Labour Force Survey is based on the results of the 2021 population census, restricting comparability with previous year's data. The Statistical Office has so far revised 2017-21 data based on census data.

Source: national sources

2.3.1. The existence of a functioning market economy

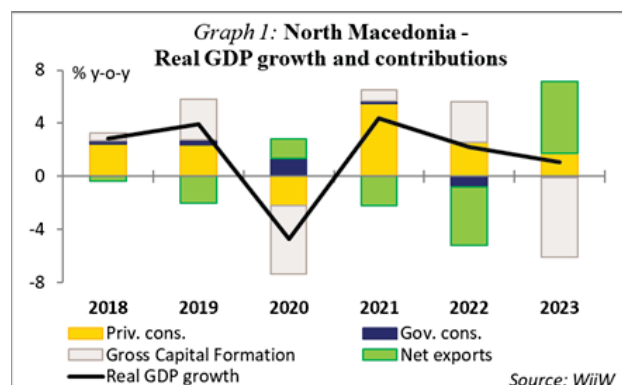
Economic governance

The government started work on key reforms. The new Fiscal Council was set up, despite some recruitment obstacles, and its rulebook and statutes were adopted. A new department for public investment management was set up in the Ministry of Finance, but its operations are still hampered by staffing and IT issues. The government phased out certain untargeted energy support measures and, at the end of 2023, adopted some electricity market reforms, including a gradual reduction of the regulated market, which are expected to lead to a lower fiscal burden. The Parliament adopted amendments to several tax laws, cutting tax expenditure and broadening the revenue base.

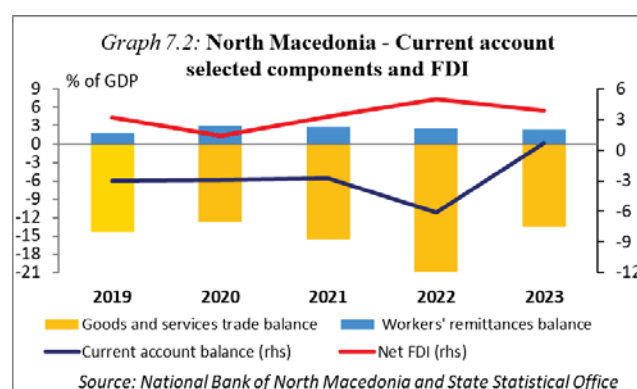
The policy guidance jointly agreed at the May 2023 Economic and Financial Dialogue has been partially implemented. Besides the fiscal reforms, the government took steps to address the informal economy and promote energy efficiency investments. It also adopted three key laws on education and strengthened active labour market policies. North Macedonia met the policy conditions linked to the first instalment (EUR 50 million) of the EU's macro-financial assistance, which was disbursed in May 2024. In January, the IMF completed the first review of the precautionary and liquidity line (PLL), which gives the authorities access to around EUR 200 million.

Macroeconomic stability

The post-pandemic economic recovery remained weak. Annual GDP growth dropped to an estimated 1% in 2023, down from 2.2% in 2022, due to weak domestic demand. Gross capital formation declined sharply, mainly as a result of a draw-down of inventories. Growth in household consumption slowed despite being bolstered by wage growth, remittances and government support. The foreign balance made a large positive contribution to economic growth, as imports of goods and services dropped sharply, amid falling global energy prices. In the first half of 2024, GDP increased by 1.8% on average, largely on account of a steep drop in imports, overcompensating for the simultaneous decline in exports. Domestic demand remained weak, with household consumption growth slowing further, to 1.4% on average, after a 2.4% rise in 2023, while the positive contribution from investment largely reflected base effects. Convergence with EU income levels remained slow, with real GDP per capita increasing from 37% of the EU-27 average in 2017 to 43% in 2021, and then dropping gradually to 41% in 2023.



The country's external position improved substantially. The current account deficit, which had surged to 6.1% of GDP in 2022 due to the rise in energy prices, improved gradually throughout 2023



and moved into an annual surplus of 0.7% of GDP. As energy prices declined and domestic production of electricity increased, reducing the need for imported electricity, the merchandise trade deficit fell by 7.6 percentage points (pps) to 18.9% of GDP. This was coupled with a rise in remittances, while the services balance surplus dropped, and the primary balance deficit deteriorated. Yet, in the first half of 2024 the current account moved back into deficit, as the merchandise trade balance deteriorated and remittances declined, in annual comparison.

Foreign direct investment, at some 3.8% of GDP, was lower than in 2022 (5%), but still above the 5-year average. It recovered significantly in the first half of 2024, amounting to 4.9% of GDP. However, the economy remains vulnerable to a potential renewed surge in energy prices, given its high energy-intensity and still large reliance on imported energy. Foreign exchange reserves increased substantially in 2023 and were 16.5% y-o-y at end-July 2024, covering some 4.2 months of prospective imports. Gross external debt, excluding central bank transactions, stood at 85% of GDP at the end of the first quarter ., with its structure, dominated by long-term and fixed-rate financing, posing little risk.

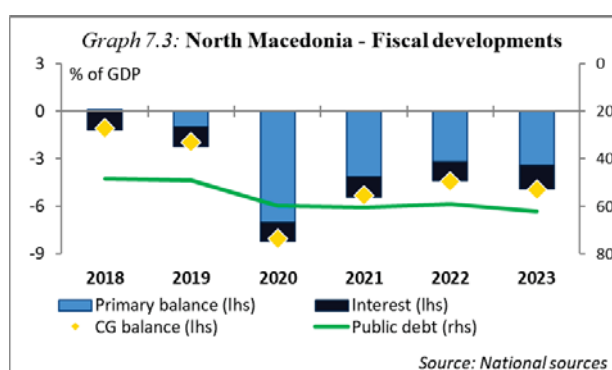
Inflation slowed down, allowing the central bank to stop tightening monetary policy. Annual inflation peaked in October 2022 at 19.8% and receded gradually in 2023, due to the global levelling-out of food and energy prices and to monetary policy tightening. Average annual inflation fell from 9.6% in 2023 to 3.8% on average in the first half of 2024, dropping to 2.2% in August. Core inflation slowed, too - albeit at a slower pace - amid high nominal wage growth. Since September 2023, the central bank has kept the key policy rate unchanged at 6.3%.

The fiscal deficit widened, despite revenue-increasing tax measures. At 4.9% of GDP, the 2023 budget deficit increased and was slightly higher than the government's target (4.8%), partly due to weaker than projected GDP growth. A budget reallocation became necessary in September 2023, mainly to accommodate higher public sector wages, pensions and social transfers, while leaving the deficit target unchanged. The high execution of capital expenditure in 2023, at 97% of the government's target, well above the average of the previous 5 years (83%), was mainly due to EUR

230 million pre-payment to the building consortium tasked with the construction of parts of Corridors 8 and 10d, as well as EUR 80 million in subsidies to the domestic electricity producer. Revenues in 2023 increased by 14% y-o-y, boosted by a one-off ‘solidarity tax’ on excess corporate profits. Tax-base broadening amendments to several tax laws entered into force in October 2023. In autumn 2023, the Parliament adopted further amendments to several laws to eliminate tax exemptions, notably to the Law on excise taxes, the VAT law, the Corporate Income Tax law, and the Decree on motor vehicle taxation, which entered into force on 1 January 2024. In the first seven months of 2024, revenue was higher by 12.6% compared to the same period one year earlier, mainly due to higher taxes and contributions, and expenditure had risen by 7.8%. The general government deficit dropped by 19.5% during this period. In July, the new government adopted a budget revision for 2024, which was approved by the Parliament in August. It projects an increase in both revenue and expenditure, compared to the original targets, with the planned deficit rising from previously 3.4% - as agreed with the IMF - to 4.9% of projected GDP.

Public debt increased further during the reporting period, and though it is still relatively high, its structure poses a low risk.

In 2023, the public debt ratio rose by 3 pps compared to end-2022. It stood at 62.1% of GDP, which was significantly above its level of five years earlier (48.4%). The rise mainly reflects the increase in general government debt during this period (+12.7pps), with the remainder due to higher debt of public sector enterprises which are financing the government’s large energy and transport infrastructure projects. The share of fixed interest rate debt in total debt remains high at 74%. Foreign currency debt, mostly denominated in euro accounted for 71% of total debt, somewhat less than in 2022⁹. The de facto exchange rate peg to the euro implies limited debt vulnerabilities stemming from fluctuations in the value of the denar. In view of the large investments required to reach the country’s decarbonisation targets, and the need to mobilise new funding sources, the government issued its first green bond in October 2023.



The share of fixed interest rate debt in total debt remains high at 74%. Foreign currency debt, mostly denominated in euro accounted for 71% of total debt, somewhat less than in 2022⁹. The de facto exchange rate peg to the euro implies limited debt vulnerabilities stemming from fluctuations in the value of the denar. In view of the large investments required to reach the country’s decarbonisation targets, and the need to mobilise new funding sources, the government issued its first green bond in October 2023.

The adoption of implementing legislation for the organic budget law (OBL) is progressing slowly. The OBL, which was passed by the Parliament in September 2022 and is supposed to enter into force in its entirety by 1 January 2025 introduces fiscal rules¹⁰ and a Fiscal Council, and strengthens the medium-term budget procedure. Fiscal Council members have been appointed by the Parliament and have taken up work assignments, but recruiting staff to the Council’s secretariat has been challenging. The adoption of secondary legislation to implement the OBL is behind schedule. This includes key implementing acts on introducing a budget classification, for example, which need to be in place to ensure the full application of the law by 2025. Fiscal risks are sizeable, not well monitored and some of them, such as contingent liabilities arising from public-private partnerships (PPPs) and other off-budget entities are not systematically reported to the central government¹¹. The construction of Road Corridor 8 and 10d sections, projected to cost EUR 1.3 billion (11.5% of 2023 GDP) with works spanning 6 years, is subject to opaque terms of contract as well as a risk of substantial cost overrun coupled with a lack of due diligence, which the government partially addressed in 2023 as requested by the IMF. Reforms to modernise the legal framework for PPPs stalled.

⁹ In 2023, the government increased domestic issuance above the original plan, as some planned disbursements of foreign loans were protracted.

¹⁰ The new organic budget law introduces a 3% limit for the general government deficit and a 60% limit for general government debt (in principle applicable since 2023, but suspended in response to an escape clause until 2025).

¹¹ The new organic budget law requires that the government includes a description of fiscal risks (at a minimum, those pertaining to the government’s contingent liabilities) in the annual fiscal strategy; and that the Fiscal Council assesses fiscal risks relating to various public entities, including public enterprises and public-private partnerships.

The policy mix did not fully address the challenges posed by high inflation. Monetary policy was appropriately tightened due to soaring inflation. It then turned neutral when inflation abated, while fiscal policy became expansionary, providing for a 10% ad hoc increase in public sector wages which entered into force in September 2023, and ad hoc pension increases (5.3% adjustment as of March 2024 and a flat sum of 2500 MKD for all pensioners in two rounds). This not only increases domestic risks should there be a new surge in inflation, but it also adds to already elevated fiscal risks.

Functioning of product markets

Business environment

Challenges posed by the large informal economy have not been addressed decisively. The large informal economy, accounting for as much as 38% of GDP according to IMF estimates, undermines the competitiveness of domestic companies. 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. This is of concern to local businesses, as it distorts competition, decreases the quality of the business environment, leads to shortfalls in public revenue and leaves some workers without social protection. In June 2023, the government adopted the new 2023-2025 strategy and action plan for the formalisation of the informal economy. The implementation of the government's 2018 strategy and action plan to combat the informal economy remained sluggish.

State influence on the product market

Transparency and efficiency of State aid is still unsatisfactory. The 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 competence of the Commission for the Protection of Competition (CPC) in State aid supervision. The public information on State aid that the government provides to companies is incomplete and the criteria for selecting beneficiaries is often unclear. To enable the establishment of a State aid registry, the government is setting up a management information system connecting different institutions, but the process is delayed.

Privatisation and restructuring

The public sector's stake in the economy is low. In 2023, the number of companies in full-State ownership declined by one, to 14. The number of companies in partial ownership remained at 38, most of these with a State ownership share of below 1% of issued capital¹². The total value of State ownership in enterprises declined, from about 10% of GDP in the preceding years, to 8%.

Functioning of the financial market

The banking sector proved resilient and the macroprudential toolkit was bolstered. The capital adequacy ratio of banks increased to 17.2% at the end of 2023, far exceeding the regulatory minimum of 8%. Their return on equity soared to 16.1%. Liquidity was ample, with liquid assets accounting for over one-third of total assets at the end of 2023. The ratio of non-performing loans in total loans to the non-financial sector fell to a record low of 2.8%. However, financial intermediation is still relatively weak, with financial sector assets at below 90% of GDP. Diversification has been progressing only slowly, with banks accounting for almost 80% of total financial sector assets at the end of 2023. The share of foreign equity in total bank equity continues to be high, at around 79%. Annual growth of deposits accelerated in 2023 amid higher interest rates, while bank lending to the private sector lost momentum (-3.4 pps y-o-y to 6.2%). The funding of loans by deposits remained solid, with the loan-to-deposit ratio for non-financial clients at 81.6% at the end of 2023. The macroprudential framework was further strengthened. The central bank continued to implement staggered increases in the counter-cyclical capital buffers and introduced borrower-based macroprudential measures to reduce

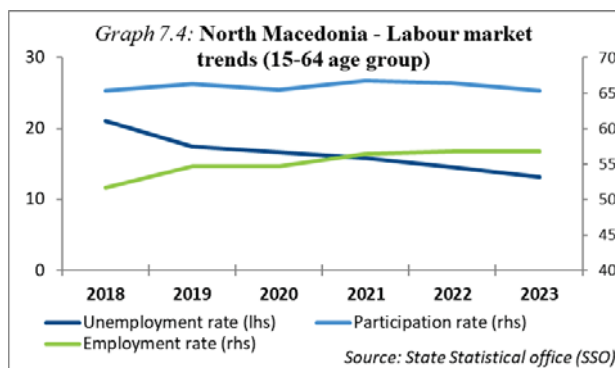
¹² The figures are based on information from the government. A new harmonised and internationally standardised global database of State-owned enterprises (SOEs) by the World Bank shows that there are 88 SOEs, of which 35 are owned by the Government of North Macedonia at 100% ownership.

vulnerabilities in the housing market. The bank resolution law was passed by the Parliament in October 2023, but the Deposit Insurance Law has not been adopted yet.

Functioning of the labour market

The labour market lost some momentum. Employment gains diminished somewhat in 2023, compared to preceding years, while the outflow of labour became more pronounced. On average, the unemployment rate fell to 13.2% in 2023, compared with 14.5% in 2022. Labour market participation dropped to 65.4% (-1 pp y-o-y), on account of a lower rate for men, while the activity rate for women increased slightly. The

unemployment rate for young people (aged 15-24) declined by 3.2 pps, to 29.3%, reflecting a strong fall in the labour force in this cohort (-5.5% y-o-y). North Macedonia has been implementing the Youth Guarantee since 2018, which has helped it to reduce youth unemployment significantly in recent years, which, however, still remains high. Average gross nominal wages rose by 15.3% y-o-y in 2023, with the annual increase accelerating to 16.8% in January. In real terms, wages rose by 5.4% in 2023, and by a further 13.2% in January 2024, reflecting the stark further decline in inflation.



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

Education and innovation

The reform of vocational education training (VET) is slow, while skills mismatches persist. The number of people with higher educational attainment has increased, but curricula fail to equip graduates with necessary skills to match labour demand. In particular, the lack of technical skills among VET graduates is seen as a major bottleneck by businesses. In 2023, the Government adopted the Law on VET, which aims to overcome the fragmentation of the VET institutions. The law has yet to be adopted by the Parliament. Public spending on education and training remained stable in 2023 at 3.7% of GDP (below the EU level of 5%). However, spending is inefficient, mainly due to outdated formulas for the redistribution of public education funds by the municipalities. At 0.4% of GDP (including a small share from the private sector), the economy's expenditure on research and innovation is still very low. In December 2023, the government adopted the new smart specialisation strategy and action plan to guide research and innovation for each sector.

Physical capital and quality of infrastructure

Despite the urgent need to modernise the economy's infrastructure, investment in this area is low. The need to modernise the country's capital stock, in particular the transport and energy networks is pressing, while works on a number of important projects, such as Road Corridors 8 and 10d, are delayed. While public investment as a share of GDP increased markedly in 2023, overall investment dropped sharply, mainly as companies drew down stockpiles gathered during the energy crisis.

The digitalisation of the economy is advancing slowly. The percentage of households with internet access at home increased by 10.1 pps between 2017 and 2021, to 83.6%. A fixed broadband connection to the internet is used by 88% of household users, and by 92% of larger businesses, while smaller companies and rural areas still face obstacles. More effort is needed to improve digital skills, including by: (i) setting up a national framework for digital skills for students and teachers; (ii) increasing IT tools in primary and secondary schools; and (iii) expanding access to fast-speed internet to small business and to non-urban areas.

Measures to improve energy efficiency are delayed. The economy is characterised by high energy intensity with low efficiency in energy production and consumption. Energy efficiency is one of the key pillars to reach the ambitious national energy and climate targets. The new Energy Efficiency

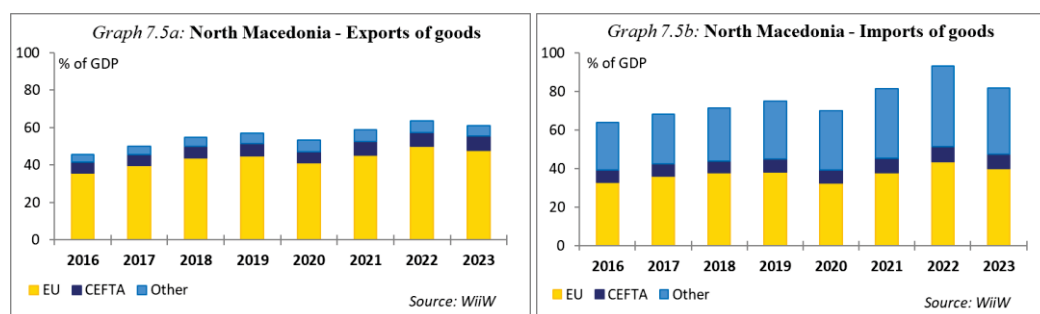
Fund (EEF) was set up in 2023 as a dedicated unit within the Development Bank, with the necessary amendments to the Law on the Development Bank adopted by the Parliament in October 2023. The first EEF will focus on municipalities and other public entities with the possibility of expanding the scope to the residential sector.

The government increased renewable energy capacities. While the economy continues to rely heavily on coal-fired electricity production, the installed capacity of power plants from renewable energy sources increased to 50% in 2023, from some 17% in 2021. Renewables accounted for 33% of total electricity production. The most notable increase is in the production of **electricity** from photovoltaic power plants, which increased by 287% in 2023 compared to 2022. However, progress on climate change abatement policies is lagging. The adoption of the Law on climate change, which provides for the introduction of carbon pricing mechanisms is delayed.

Sectoral and enterprise structure

Trade and services are becoming more important for the economy. The economy's output structure relies increasingly on services and trade (67.3% of total value added in 2023, compared with 66% in 2022). The share of manufacturing in value added decreased further in 2023, for the third year in a row, to 14.3%, after having progressively gained ground in the pre-pandemic years. The share of construction increased slightly to 6.3% y-o-y, in spite of weak investment activity, yet remained below its average of 7% in 2017-2021. The share of agriculture dropped to 8.1% of value added.

Economic integration with the EU and price competitiveness



Trade openness decreased but it is still at historically high levels. Exports and imports in goods and services as a share of GDP dropped by 12 pps to 159% in 2023 mainly due to a decrease in import values following the energy price drop, but remains above its 5-year pre-COVID average of 120%. The share of higher-value added products in the export structure rose further in 2023, including chemicals (38% of total goods exports) and machinery and transport equipment (34%). The EU is the country's main trading partner, accounting for 59.6% of total trade. CEFTA, the country's second biggest trading partner, accounting for 10%. EU countries are also still the biggest investors in North Macedonia, accounting for some 47.4% of total FDI inflows in 2023, after a record high of 69.7% in 2022. The EU-27 share in the total stock rose to 65% in 2022, up from 64.2% in 2021.

External competitiveness decreased slightly. The CPI-deflated real effective exchange rate (REER), as a measure of external competitiveness, appreciated by 2.5% in 2023, continuing the trend seen in previous years. This was due to an increase in the nominal effective exchange rate by 2.8%, mainly on account of its relation to the Turkish lira, with relative prices remaining stable. Nominal unit labour cost rose by some 8% in 2023, reflecting the strong rise in nominal wages in a context of subdued productivity growth. Over the preceding 5 years, the REER of the denar, which deflated due to inflation, barely changed in either direction (a small appreciation of 1% on average).

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.

Institutional set-up and legal alignment

The **legal framework** on public procurement is largely aligned with the EU *acquis*. The practice of ‘blacklisting’ companies due to professional misconduct during the procurement phase is still present, which is not in line with the EU rules. In 2023, 35 negative references were issued against 32 economic operators, 9 negative references expired and 3 negative references were removed by the Public Procurement Bureau (PPB). By end of 2023, 23 negative references were active. On 30 October 2023, North Macedonia became member of the WTO’s Agreement on Government Procurement (GPA) and thus gained new market access opportunities while opening its procurement market to other GPA parties.

The finalisation and adoption of the PPP Law and the Law on Concessions is delayed. The capacity of the Ministry of Economy, dealing with concessions and PPPs, remains limited. During 2023, two new agreements establishing a PPP were concluded. The PPP register and the register on concessions still needs to be established.

The Corridor VIII and X-d project continues to raise concerns over the use of the Law on strategic investments to bypass public procurement regulations. The contract for constructing the largest infrastructure project in the country’s history was directly awarded to an international consortium without a competitive bidding process. Additionally, the contract has been labelled confidential and has not been made public. The electronic system for public procurement is functioning efficiently. During 2023, the e-market system was used for awarding 258 small value procurements.

Implementation and enforcement capacity

In 2023, the **public procurement market**¹³ amounted to 10.9% of the country’s GDP as compared to 8.6% in 2022. It represented 28.3% of the state budget. Competition in public procurement remains limited. The use of negotiated procurement procedures decreased to 1.6% in 2023, as compared to 6.6% in 2022. Tender cancellation decreased to 26.95% (19% complete and 7.95% partial cancellation) in 2023 as compared to 31% (21% complete and 10% partial cancellation) in 2022.

Despite the publication on the use of qualitative award criteria, the use of most economically advantageous tender (MEAT) as an award criterion is still limited. In 2023 only 1 336 procurement notices out of 24 005 procurement notices applied MEAT criteria (5.6%). In terms of value, only 9% of the tenders used MEAT criteria. Further training and guidelines on the application of MEAT needs to be organised.

The **capacity to manage public procurement processes** needs to be further enhanced, especially at the local level, in order to ensure a more coherent approach in procurement cycle management. The quality of tender documentation remains a challenge for smaller contracting authorities. At the end of 2023 there were 1 142 certified public procurement officers.

The public procurement strategy includes measures to **fight against corruption** and conflict of interest. In this respect, the risk management systems incorporated in the procurement cycle and reporting on possible corrupt practices or irregularities have to be reinforced. Red flag reports are published on the PPB’s website but follow-up is still insufficient.

Efficient remedy system

The legislation on the **right to legal remedy** is broadly harmonised with the EU *acquis*. The **implementation capacity** of the State Appeal Commission (SAC) remains insufficient in view of the significantly number of appeals (1 019 in 2023, 967 in 2022). There is a need for additional qualified staff in order to ensure timely processing of the appeals. In 2023, 88 complaints were filed against the decisions of the State Appeals Commission before the Administrative Court.

¹³ Statistics do not include the contract for Corridor VIII and X-d as it was concluded by a special law and not following usual public procurement procedures.

Chapter 18: Statistics

European statistics are developed, produced and disseminated by EU Member States, guided by the principles and quality criteria elaborated in the Regulation on European statistics, such as professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information, which are further specified in sectoral legislation that constitute the EU acquis on statistics.

Whereas the **statistical infrastructure** has reached high level of alignment with the EU *acquis*, the level of human resources at the State statistical office (SSO) poses a significant challenge for efficient implementation. Further efforts are required to modernise statistical production by using existing administrative information.

On **classifications and registers**, the main classifications are in place and are in line with the EU *acquis*. The regional classification is highly compliant, but there is no compliance as regards the territorial typologies.

In the area of **macroeconomic statistics**, the excessive deficit procedure (EDP) statistics and the government finance statistics (GFS) are compiled, but the data is not complete and still flagged as not for publication. To reduce significant gaps in terms of basis for recording and coverage of units, the full set of data on GFS should be completed and aligned with ESA 2010 methodology. Sector classification needs to be updated and open issues related to the sectorisation of units will have to be resolved. Transparency on GFS and EDP needs to be established. Some progress was noted in national and regional accounts, but further improvements are required. In addition to production of annual financial accounts and stocks, the National Bank started with regular production, publication, and dissemination of data for quarterly financial accounts and stocks as of October 2023, but further efforts are needed to ensure full alignment with EU standards.

Some progress was made on **business and trade statistics**. Short-term statistics in the field of industry, construction, and retail trade are regularly produced according to the European Business Statistics. The country has not transmitted any data on services producer prices to Eurostat. North Macedonia still needs to fully align with the new requirements in business statistics.

As regards **social statistics**, labour market statistics are partly aligned and further improvements are needed, including solving some IT issues. The labour force survey and job vacancy statistics are conducted on a quarterly basis. The timeliness of the Survey of Income and Living Conditions should improve.

On **agricultural statistics**, after conducting a pilot census in June 2022, preparations for the main agricultural census were halted due to the lack of necessary means and resources. The country should resume preparations for the agriculture census and implement it. Forestry accounts were compiled for the first time.

On **energy and environmental statistics**, annual energy statistics and monthly and short-term energy statistics are transmitted to Eurostat. The methodology used for energy statistics is highly compliant with the EU *acquis*. Environment and sustainable development indicators are partly aligned with the EU *acquis*. The country continued to submit data to Eurostat for dissemination. Alignment of physical energy flow accounts needs improvement.

Chapter 32: Financial control

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.

Public internal financial control

PIFC initiatives are embedded under pillar VII of the 2024-2027 Public Finance Reform Programme with 3 different priorities covering Financial Management and Internal Controls, Internal Audit and Financial Inspection. Furthermore, the Central Harmonisation Unit has produced the annual report on

the functioning of Public Internal Financial Controls but it was still pending adoption by the government by September 2024. Implementation of PIFC reforms continued to be hindered by the substantial delay in adoption of the PIFC law, still in Parliamentary procedure after more than three years, and by the insufficient capacity of key institutions.

The legal framework on **internal control** is broadly harmonised with international standards but implementation needs to be further reinforced. Efficient implementation of **managerial accountability** remains a challenge for budget users at central and local levels. Coherent application of the manual on managerial accountability is yet to be ensured. **Risk management** needs to be further strengthened. In 2022, 70% of institutions at central level had a risk management strategy and only 59.8% had prepared risk registers.

There has been good progress on developing secondary legislation for the implementation of the financial inspection law. Yet, **financial inspection** is still not functioning efficiently. The structure and human resources capacity of the financial inspection remains insufficient to implement its tasks. In 2023, it received 2 052 requests, but it could implement only 499.

Fragmentation and inadequate staffing of the **internal audit** function undermine its organisational capacity and quality assurance. According to the last report on the functioning of PIFC of 2023 covering fiscal year 2022, 118 internal audit units were established at public sector entities at central level, employing 116 internal auditors. Internal audit units at central level performed 128 audits in 2023. A national certification system for internal auditors still needs to be introduced.

The **Central Harmonisation Unit** provides methodological guidance and coordinates financial management and control and internal audit in the public sector. Its capacities remain insufficient for monitoring and reporting on the functioning of the overall internal control system of 1 380 public entities.

External audit

The new **State audit** law, that should strengthen SAO's independence and role of the Parliament in following up individual audit reports, is still in government procedure. SAO carries out a compliance audit on the final government accounts of the core budget by June each year. The annual audit report was submitted to the Parliament and published in June 2024.

The **quality of audit work** is sufficient. In 2023, SAO carried out fully the 2023 Audit Work Programme that envisaged 66 audits. SAO submitted 11 reports to the Public Prosecution Office for information and follow-up.

SAO's **institutional capacity** remains insufficient. The systematisation act approved in December 2022 envisages 245 job posts, out of which 118 (48%) are filled. SAO's budget for 2024 was approved as requested and it obtained additional funds for four new recruitments and 13 promotions.

On the **impact of audits**, SAO's recommendations are not efficiently implemented by the auditees and Parliamentary follow-up of individual audit reports needs to be reinforced. . By the time of publication of the annual report, auditees had taken measures to respond to 71% of 2023 audit recommendations.

Protection of the EU's financial interests

National legislation is largely harmonised with the EU Directive 2017/1371 on the fight against fraud to the EU's financial interests by means of criminal law. The capacities of the anti-fraud coordination services (anti-fraud coordination network) at the Ministry of Finance has to be strengthened as it has only three employees. In 2023, the national authorities reported four cases of irregularities through the irregularity management system, a decrease compared to the previous reporting period. The national authorities should continue building a track-record on cooperation with the European Commission on investigations and on reporting of irregularities.

Protecting the euro against counterfeiting

National legislation is partially harmonised with the EU regulations defining the system for fight against counterfeiting of the euro. The capacities of the National Bank and Ministry of the Interior

have to be further reinforced. The National Bank has continued to carry out regular mandatory trainings for employees in credit institutions and private cash centres for manual verification of the authenticity of the cash in circulation.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

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

North Macedonia continued to engage in a number of regional cooperation initiatives such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community and the Regional Cooperation Council. In July 2023, North Macedonia took over the 1-year Chairpersonship in Office of the South-East European Cooperation Process. North Macedonia also actively participated in initiatives such as the Central European Initiative and the Centre for Security Cooperation.

The fourth annual **EU-Western Balkans Summit** took place in Brussels in December 2023, reaffirming the EU membership perspective of the Western Balkans and exploring measures to further advance gradual integration.

North Macedonia has actively engaged in the regional dimension of the **Growth Plan for the Western Balkans**. The country actively participated in both ministerial and leaders' meetings and hosted the February Leaders meeting in Skopje.

On the **Common Regional Market**, in October 2023 the Berlin Process Summit took place for the first time in the region in Tirana. An agreement was adopted on the recognition of professional qualifications for nurses, veterinary surgeons, pharmacists and midwives. The **roadmap for roaming** between the Western Balkans and the EU entered the first phase of implementation. North Macedonia has ratified three out of four mobility agreements signed at the Berlin Process Summit in November 2022 and has deposited the related notification instruments. 12 major decisions were agreed by the CEFTA Joint Committee in October 2024.

In January 2024, North Macedonia, Albania and Serbia signed the first Protocol on the Implementation of the Agreement on Conditions for Free Access to the Labour Market in the Western Balkans.

North Macedonia generally maintains good cooperation and **bilateral relations** with other enlargement countries and neighbouring EU Member States.

Relations with **Albania** remained good. The two countries celebrated 30 years of diplomatic relations. The two countries signed several agreements on joint cooperation in a number of areas including security, defence, infrastructure, energy, education, science and culture.

Relations with **Bosnia and Herzegovina** continue to be good. Several bilateral agreements are in place, including on cooperation on EU integration and from November 2023 on economic cooperation.

Cooperation with **Kosovo** continues to be comprehensive and constructive, with several meetings held at the highest level. Ahead of the presidential and parliamentary elections in North Macedonia in May 2024, Prime Minister Kurti of Kosovo met with representatives of opposition parties.

Relations with **Montenegro** remained good. High-level meetings between representatives of the two countries were held during the reporting period.

Relations with **Serbia** are good. A Memorandum of Cooperation for the Skopje-Nis high-speed railway and a Memorandum of Cooperation for the establishment of a high-performance railway network were signed.

Relations with **Türkiye** are good. North Macedonia opened an Honorary Consulate in Amasya and in

Antalya. High-level meetings between representatives of the two countries were held during the reporting period. In September 2024, the Turkish Minister of Foreign Affairs visited Skopje and met his counterpart, expressing the goal of strengthening economic cooperation and boost trade between the two countries.

Relations with **Ukraine** have intensified since Russia began its war of aggression against the country. North Macedonia has provided humanitarian and military assistance and is fully aligned with the EU's package of restrictive measures against Russia. North Macedonia and Ukraine have agreements on trade, the protection of investments, culture, education, tourism, transport and military cooperation. A visa-free regime has been in place for short stays since 2019.

Relations with **Georgia** are good. An agreement on culture is in place.

Relations with **Republic of Moldova** are good. There are agreements in place on transport, trade, customs, finance, medicine and health, police, foreign affairs and consular matters. There is no visa-free arrangement between the two countries.

During the reporting period, relations with **Bulgaria** focused on the next steps in North Macedonia's EU accession negotiations process. Tangible results and implementing in good faith bilateral agreements, including the Treaty of Friendship, Good Neighbourliness and Cooperation and its Protocol, remain important. Meetings of the experts working groups to monitor implementation of the Treaty of Friendship, Good Neighbourliness and Cooperation and its Protocol were held in Skopje in October 2023. The Multidisciplinary Expert Commission on Historical and Educational Issues held several meetings during the reporting period. In recent months, relations between the two countries were negatively affected by statements made by individual politicians. Further efforts are needed to promote an atmosphere of dialogue and mutual respect.

Cooperation with **Greece** intensified, particularly in key areas of mutual interest. Tangible results and implementing in good faith bilateral agreements, including the Prespa Agreement, remain important. In March 2024, the eighth meeting of the Joint Interdisciplinary Committee of Experts on Historical, Archaeological and Educational Issues was held in Skopje. In May, while taking the oath of office in Parliament, the newly-elected President of North Macedonia referred to the country as 'Macedonia', instead of using the constitutional name, a practice subsequently followed by several government officials, and which constitutes a major issue in the implementation of the Prespa Agreement. The two countries intensified cooperation on the construction of the natural gas interconnector between North Macedonia and Greece and in relation to the Terminal for Liquefied Petroleum Gas (LNG) in Alexandroupoli.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

This 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). This cluster is key to North Macedonia's preparations for the requirements of the EU's internal market and is very relevant 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 rules from creating unjustified barriers to trade.

General principles

The country has a functioning institutional framework for the **production, distribution and marketing of industrial products**. Though the Law on technical requirements and Law on general

product safety, adopted in 2022, were designed to align with the relevant EU *acquis*, the relevant implementing legislation has not yet been adopted. A new strategy for free movement of goods and an action plan, and a new 2024-2028 action plan to eliminate the non-tariff barriers to trade and ensure compliance with Articles 34-36 TFEU are both yet to be adopted. The capacity of the ministry responsible for this area and for relevant legal alignment with the EU *acquis* is very limited.

Harmonised area: quality infrastructure

The necessary institutional and legal structure for technical regulations, standards, conformity assessment, accreditation, metrology, and market surveillance are in place. The National **Standardisation** Institute adopted 24 357 European standards as national standards.

The Institute for **Accreditation** ensures the accreditation procedures for testing, calibration and medical laboratories, conformity assessment bodies, and inspection bodies. There are 213 active **conformity assessment** bodies in the country. A new law designed to align to the latest EU *acquis* on **market surveillance** is yet to be adopted. The State Market Inspectorate (SMI) carried out 679 market surveillance inspections in 2023 which led to 37 harmful products being taken off the market, mainly textiles and toys. SMI recruited 40 additional staff but did not make any progress on the digitalisation of the internal operating procedures for market surveillance.

Harmonised area: sectoral legislation

On '**new and global approach**' **product legislation**, the level of alignment with the EU *acquis* remains low.

No progress was made on aligning with the latest EU '**old approach**' **EU product acquis**, including on vehicles, on chemicals, or on **detergents** or **firearms**. There was also no change regarding procedural **measures** and notification **procedures** for standards and technical regulations. The national legislation on returning **cultural goods** remains partly aligned with the relevant EU *acquis*.

The recommendations from the national strategy for the prevention of corruption related to market surveillance and product safety have not been addressed.

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.

No progress was made on aligning national legislation with the EU *acquis* on **access to the labour market**. The Law on employment of foreigners does not distinguish between EU citizens and other foreigners. The quota of work permits is set annually, and family reunification is allowed.

EU citizens cannot access public administration posts other than a short list of positions in healthcare and higher education. Furthermore, some posts in private companies are also exclusive to citizens of North Macedonia. In 2023, North Macedonia issued 834 work permits to foreign workers. The country has signed three bilateral agreements for seasonal workers with Germany, Slovenia, and Qatar, out of which only the agreement with Germany started its implementation.

No developments were reported regarding the participation to the **EURES** (European Employment Services).

The country has signed 22 bilateral agreements for coordination of social security systems, out of which 13 are with EU Member States. While in 2023 the country has initiated negotiations for a bilateral social security agreement with Italy, USA and Greece, no new agreements for bilateral **coordination of social security systems** or for mutual recognition of the healthcare services were signed. The Law on the register of mandatory social insurance, that regulates the establishment and operation of the register, was adopted in October 2023.

There has been no development in the area of **European Health Insurance Card (EHIC)** as only nine EU Member States' (Austria, Belgium, Bulgaria, Czech Republic, Germany, Luxembourg, Netherlands, Slovakia and Slovenia) citizens have access to medical services in the public and some private healthcare institutions in the country.

The specific framework for prevention of corruption in the domain of free movement of workers remains weak. The Employment Agency applies the Code of administrative servants but has not yet adopted an Integrity Policy to strengthen the efforts to fight corruption.

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. EU rules on postal services focus on improving the quality of universal service, gradually opening the market to competition, and the establishment of an independent regulator.

On the **right of establishment and freedom to provide cross-border services**, North Macedonia continued to align its legislation with the EU Services Directive by adopting amendments to the Law on performing accounting activities and the Law on mineral resources. The point of single contact (www.uslugi.gov.mk) needs to be upgraded to meet the requirements set out in the Services Directive. By September 2024, 124 services for citizens and businesses were accessible online (applications may be submitted electronically).

In the area of **postal services**, national legislation is aligned with the First and Second Postal Services Directives and partly with the Third Postal Services Directive. The universal service provider has an exclusive right to provide reserved postal services. National legislation still needs to be aligned with the Regulation on cross-border parcel delivery services. The Postal Agency is the independent regulatory authority ensuring compliance with postal law. There are currently one universal service provider and 33 other postal operators. North Macedonia should finalise alignment with the EU postal *acquis* and ensure sufficient institutional capacity to monitor and enforce the new postal market rules.

No progress was made on the **mutual recognition of professional qualifications**. The law designed to align with the relevant EU *acquis* has not yet been adopted. National legislation still needs to align with EU Directive 2005/36/EC to comply with minimum training requirements. A transparent list of all regulated professions and an electronic register are yet to be put in place. The institutional capacity of the Ministry of Education and Science's section dealing with the mutual recognition of professional qualifications needs to be strengthened.

Chapter 4: Free movement of capital

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

On **capital movements and payments**, the implementation roadmap developed by the authorities in 2022 needs to be improved with more details on concrete actions and timelines as regards existing capital movement restrictions, including liberalisation of the acquisition of agricultural land in line with its obligations under the Stabilisation and Association Agreement (SAA). The degree of its implementation during 2023-2024 and achievements to date lacks clarity as no implementation reports have been shared with the Commission.

Concerning the **payment systems**, transparency of conditions governing the use of payment services improved with the set-up by the National Bank of a fee comparison tool for most used payment services provided by local banks. The Law on payment services and payment systems includes provisions aiming at aligning with the Payment Services Directive 2, the E-Money Directive 2, and the Interchange Fee Regulation, but full alignment needs to be ensured. The country started preparations for launching the digital denar and for establishing a payment system for cross-border payments among Western Balkans countries. In July 2024, North Macedonia submitted its formal application to join the Single Euro Payment Area (SEPA).

As regards the **fight against money laundering and terrorist financing** (AML/TF), implementing legislation of the laws on prevention of money laundering and financing of terrorism still need to be

adopted. In line with the requirements of the fifth Anti-Money Laundering (AML) Directive, a unified register of bank accounts needs to be set up.

The Agency for Insurance Supervision adopted guidelines for AML/CTF risk assessment in December 2023. An AML/CFT 3-year strategy of this institution was finalised but not adopted. In October 2023, a decision by the National Bank came into effect, outlining AML/CFT measures to be implemented by supervised entities, including payment institutions and foreign exchange offices. The Financial Intelligence Office further developed its capacities for data processing, financial analysis, and enhanced risk-based assessment.

As mentioned in the latest MONEYVAL report of July 2023, North Macedonia strengthened its legal framework since the last mutual evaluation and laid the foundations for a sound regime to tackle money laundering and terrorist financing. However, there is need for improved implementation of measures in several areas. A comprehensive follow-up to the identified priority actions is required to improve compliance as well as prepare for the next MONEYVAL evaluation expected in 2025.

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.

On **company law and corporate governance**, as regards the formation of companies, North Macedonia should also further align with the Directive on the use of digital tools and processes in company law, including the scrutiny of the object of the company and the procedures to verify the appointment and disqualification of directors. North Macedonia should also further align with certain capital requirements provided by Directive 2017/1132. In the future, the national business register should be technically ready to interconnect with the Business Registers Interconnections System (BRIS).

The 2021 Corporate Governance Code is only mandatory for listed companies that meet certain criteria and should cover all listed companies. National legislation is broadly harmonised with the EU *acquis* on the *Societas Europaea* and European Economic Interest Grouping legal forms, while draft legislation to partially align with the EU *acquis* on a European cooperative society awaits adoption by Parliament. Further alignment is necessary with the EU *acquis* on certain aspects of domestic mergers, domestic divisions and on cross-border operations (mergers, divisions, conversions), takeover bids as well as with rules on the encouragement of long-term shareholder engagement (‘SRD II’ Directive).

On **company reporting**, North Macedonia is partially aligned, *inter alia* as regards the accounting framework for small companies and country-by-country reporting. A draft law on accounting, aimed at further alignment with the EU *acquis* in this area, is still going through the adoption process. North Macedonia will also need to align with the most recent *acquis* (2022) on corporate sustainability reporting. Although certain provisions of the *acquis* on transparency requirements for listed companies are already well reflected in current national legislation, further alignment is needed in this area, with a focus on notification of major holdings and sanctioning regimes. Adoption is also pending for a new draft law on audit, aimed at reaching greater harmonisation with the EU *acquis*, including the area of investigations and sanctions. Currently, there is no body with ultimate responsibility for statutory audit oversight, as required by the EU Audit Directive. The visibility and overall performance of the Council for Advancement and Oversight of the Audit remains poor. Efforts are needed to ensure its independence.

Chapter 7: Intellectual property law

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

In the area of **copyright and related rights**, adoption of amendments to the copyright law, aimed at aligning with the EU *acquis* on collective rights management, orphan works, and the implementation of the Marrakesh Treaty obligations remain delayed. North Macedonia is not yet aligned with the Directive on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes, and the Directive on copyright and related rights in the Digital Single Market.

Regarding **industrial property rights**, the State Office for Industrial Property (SOIP) continued its cooperation with the EU and international bodies, in particular with the EU Intellectual Property Office (EUIPO). North Macedonia needs to further align its legislation with the EU *acquis* in this area, in particular on patents, trade secrets, and the Directive on the enforcement of intellectual property rights.

On **enforcement**, SOIP has no capacity to develop a hardware infrastructure to provide full insight into the institutional handling of IPR infringements. The coordination body for the protection of intellectual property needs to step up its activity to address the key challenges related to IPR.

The 2021-2026 intellectual property strategy remains to be adopted.

According to the customs administration, from January until the end of March 2024, there were 12 new cases of suspected infringement of intellectual property rights. There are total of 189 active cases involving 1 059 trademarks for which protection of intellectual property rights has been requested. In the same period, violation of intellectual property rights was confirmed in three cases (for 1 338 pieces) involving 7 international trademarks.

The relevant intellectual property rights unit in the Ministry of Culture remains significantly understaffed which undermines its capacity to execute its tasks.

Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and the abuse of a dominant position, and also include rules on concentrations between companies which would significantly impede effective 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.

Antitrust and mergers

The **legislative framework** is broadly aligned with the EU *acquis* on antitrust and mergers, although parts of implementing legislation remain to be aligned.

On the **institutional framework**, the Commission for the Protection of Competition (CPC) remains understaffed, leading to a limited enforcement capacity with inadequate technical capacities. Its annual budget remains insufficient.

On **implementation**, the number of merger decisions increased from 101 in 2022 to 121 in 2023, including decisions on small cases. Number of ex officio and on-site interventions remains low. Serious efforts are needed to boost the use of the leniency instrument in order to improve enforcement.

State aid

The **legislative framework** on State aid broadly reflects Articles 107 and 108 TFEU. The Law on State aid and its implementing legislation need to be further aligned with the EU *acquis*. The State aid inventory still lacks transparency.

On the **institutional framework**, the CPC is also responsible for implementing the Law on State aid. The CPC issues non-binding opinions and binding decisions on State aid. The enforcement capacity of CPC staff dealing with State aid control remains insufficient. Further strengthening, including training of judicial professionals is needed on the application of State aid.

Concerning **implementation**, the CPC issued 21 decisions and 16 opinions on State aid in 2023. No negative or conditional decisions were adopted by the CPC.

Liberalisation

Antitrust 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. There is no evidence of the existence of commercial monopolies within the meaning of Article 37 TFEU.

Chapter 9: Financial services

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

As regards **banks and financial conglomerates**, the institutional and legal framework is in place, with a good level of alignment with a previous version of the Capital Requirements Regulation and the Capital Requirements Directive (CRR/CRD). Work needs to continue to align with the latest versions of the Capital Requirements Regulation and the Capital Requirements Directive. The Law on bank resolution was enacted, with accompanying amendments to the central bank law. Implementing legislation for the bank resolution law remain to be adopted. As the Law on deposit insurance was not amended, deposit insurance, including to introduce depositor preference, in line with EU requirements remains to be improved. The capacity of the Ministry of Finance to regulate and supervise financial companies is not sufficient to protect consumers. The central bank changed the organisation structure to allow for improved review of consumer complaints. The legal and institutional set-up for establishing the financial Ombudsperson remains to be finalised.

There were no developments in **insurances and occupational pensions**. The country has not yet aligned the legislation with the Solvency II Directive. The legislation allowing the Ministry of Finance to set premiums for motor vehicle insurance remains in place, which is contrary to the EU *acquis*. It is estimated that in 2023 about 5.8% vehicles remained uninsured [No systemic measures are taken to prevent uninsured driving. The 50% limit on investing in non-domestic securities by pension funds remained. This is contrary to the EU *acquis* and the second stage of the SAA.

On **financial market infrastructure**, the new law on financial instruments adopted early 2024 aims to align with the Settlement Finality Directive in particular as regards finality upon securities transactions. The country remains partially aligned with the Central Securities Depositories Regulation and not aligned with EU legislation on financial collateral, on Securities Financing Transactions, and on OTC derivatives, central counterparties and trade repositories.

As regards **securities markets and investment services**, a new Law on prospectus and transparency of securities' issuers was enacted in March 2024. This law together with the Law on financial instruments aim to partially align the national legislation with the EU *acquis*. Prior to their entry into force, implementing legislation for these laws, as well as to the Law on financial instruments, remain to be adopted. There was no progress on investment funds and amendments remain necessary to further align with the EU *acquis*, including recently introduced changes on undertakings for collective investment in transferable securities and alternative investment fund managers.

On **sustainable and digital finance**, the alignment with the EU *acquis* on the sustainable finance framework, including the EU taxonomy, and the EU climate transition benchmarks, EU Paris-aligned benchmarks and sustainability-related disclosures for benchmarks, has not started. In 2023, the National Bank published guidelines for managing climate-related risks as best practices that banks are expected to follow, based on the standards and practices published by the European Central Bank, the European Banking Authority, and the Basel Committee. The National Bank signed a cooperation agreement with the European Investment Bank (EIB) Global to receive advisory services on enhancing its regulatory and supervisory climate risk management practices, as well as the reporting capacities of the financial sector in the country. Further work is needed to align with the EU *acquis* on digital finance.

Chapter 28: Consumer and health protection

EU rules protect consumers' economic interests and also ensure product safety, prevent dangerous imitations and establish liability for defective products. The EU also guarantees a high level of protection of public health and, in particular, also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats.

Consumer protection

The Law on **consumer protection** is broadly aligned with most of the EU consumer *acquis*, and clearly defines the responsibilities of the physical and legal commercial bodies towards consumers. However, national legislation is not aligned with the EU *acquis* on package travel. The next three-year consumer protection strategy (2025-2028) is yet to be adopted, and a web platform providing information on consumer protection still needs to be developed. Mediation in consumer disputes in place, based on the provisions of the national Law on mediation, adopted in 2022, but it is still difficult for consumers to access mediation services.

National legislation has a high level of alignment with the EU *acquis* on general **product safety**, apart from some definitions, and also on dangerous imitations. It is partly aligned on the legal requirements on the EU rapid alert system for dangerous non-food products (Safety Gate). The State Market Inspectorate ensured 809 market surveillance inspections in 2023, which resulted in withdrawal of 37 products from the market. A list of these withdrawn products was published on the State Market Inspectorate's website. The number of inspectors (170) remains insufficient, and many are close to retirement. On **non-safety-related issues** further efforts are needed to develop guidance and procedures on consumer appeals and on compensation.

Public health

Although primary **healthcare** in North Macedonia is provided free of charge its financing is significantly below the EU average. The scope of health services and their availability, in particular of specialist medical services, and their geographical distribution are inadequate. There are insufficient specialists, and the ratio of nurses per 100 000 inhabitants is under the EU average. Medical staff continue to leave the public health sector for private sector or to work abroad. Out-of-pocket healthcare costs are high, which is a barrier to equal access to healthcare. Despite the existence of an **e-health** application, referrals are still done on paper, and the application is not interoperable with Health Insurance Fund data.

National legislation on **tobacco control** is broadly aligned with the EU *acquis* but is not systematically implemented or enforced – smoking is still broadly tolerated and unsanctioned in restaurants and other closed areas, including public offices and some medical facilities. The country has still not yet ratified the Protocol to Eliminate Illicit Trade in Tobacco Products. On **communicable diseases**, while an upgrade to the syndromic disease reporting system was completed, alignment with the relevant EU *acquis* remains incomplete, and, while the general level of vaccination increased somewhat, the vaccination rate is low for some diseases. Awareness and the number of performed transplantation of **blood, tissues, cells and organs** increased, though the legal framework is not yet fully aligned with the EU *acquis* and an IT module for tissue transplants is not yet in place. Alignment with the EU *acquis* on **patients' rights in cross-border healthcare** has not yet begun.

There was progress on alignment on **medical devices**, but there were no developments on **medicines for human** or on **medicines for veterinary use**, which remain partly aligned. National legislation is not aligned with the EU *acquis* on **cosmetics**. The country launched its first breast **cancer screening** campaign. While the number of cervical cancer screenings doubled in 2023, in the framework of the relevant screening programme, and some colorectal screening was performed, a more comprehensive and proactive population-based screening approach is needed. Funding on **rare diseases** increased but is insufficient to cover the costs for medical treatment of all registered patients. Monitoring of **drug abuse prevention** and **alcohol related harm reduction** both show medium levels of abuse. There were no developments on **healthy environments**. Efforts to fight **health inequalities**, in particular for

Roma, and for people living in poverty and those living in remote areas, were mostly led by international organisations and NGOs rather than by the health authorities.

Health is one of the biggest national budget users, and the inspection services are vulnerable to corruption. There are no effective criteria for determining health service or medicine prices. Procedures for treatment abroad are neither transparent nor objective. Market surveillance bodies still have inadequate staffing and unclear and overlapping jurisdictions. Most health-related activities in the anti-corruption strategy remained unimplemented. Strengthening integrity, asset declarations and digitalisation are needed to help prevent corruption in the area of consumer and health protection.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: Digital transformation and media (Chapter 10); Taxation (Chapter 16); Economic and monetary policy (Chapter 17); Social policy and employment (Chapter 19); Industrial policy (Chapter 20), Science and research (Chapter 25); Education and culture (Chapter 26); and Customs union (Chapter 29).

Chapter 10: Digital transformation 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 the universal availability of modern services.

Regarding digital transformation strategy, North Macedonia has yet to adopt the long-term ICT strategy and national cybersecurity strategy. The Ministry of Digital Transformation needs to strengthen its capacities to better coordinate the digital transformation policies of the country.

On electronic communications, the Agency for Electronic Communications adopted rulebooks implementing the EU Directive on measures to reduce the cost of deploying high-speed electronic communications networks, along with a proposal for new regulations on measures to reduce the cost of deploying gigabit electronic communications networks. North Macedonia is yet to align with the EU Broadband Cost Reduction Directive. The 2019-2023 national broadband operational plan remains valid. The capacity of the 112 European emergency number services needs to be further enhanced. The fixed broadband coverage in the country with fast broadband amounts to 88.80% as per the report published by BCO in March 2024.

Regarding digital transformation strategy, the long-term information and communication technologies strategy has not been adopted. Authorities need to ensure the independence of the regulator for electronic communications. In September 2024, the Parliament dismissed all five members of the AEC Commission.

Regarding digital services, most administrative services are offered both online and offline through the national e-portal for services, including facilities for people with special needs. The e-portal has yet to complete its upgrade with 135 new electronic services. The most common services, such as issuing of personal documents, are not available online. North Macedonia needs to align national legislation with both the European Interoperability Framework and the Interoperable Europe Act. Authorities need to ensure and facilitate equal access to online services for all citizens and to enhance efforts to align with the Digital Services Act and Digital Markets Act. Artificial Intelligence is being piloted in the use of 112 for real time transcription and translation. Authorities received trainings from European services on the DSA in June 2024 aiming at prioritising the alignment of the national legislation with the DSA.

On digital trust and cybersecurity, North Macedonia needs to adopt the new Law on security of networks and information systems, aligned with the NIS and NIS2 Directives, as well as the national cybersecurity strategy. State institutions need to further strengthen their infrastructure and ensure expertise on cybersecurity. The capacities (staffing and infrastructure) of the national centre responding to computer incidents need to be further strengthened. National legislation is harmonised with the eIDAS Regulation of 2014, however the existing tools for e-identification and e-signature

certificates are not free of cost for citizens and deemed not user friendly. North Macedonia needs to align with new EU Digital Identity and Trust Services framework 2024 Regulation. The Law on general administrative procedures remains not systematically implemented across the administration. Mobile 5G signal was further expanded in the country. Further efforts are needed for the alignment with the ePrivacy Directive.

On media, the Parliament further delayed the appointment of the new members of the media regulator and the public broadcaster councils. The national regulator needs to enhance its capacities to effectively implement its competencies, notably oversight and registering of video sharing platforms and so-called influencers. In February 2024, authorities amended the Law on audio-visual media reintroducing government advertising in private media. The audio-visual industry continued to benefit from both the MEDIA and cross-sectoral strands of the Creative Europe programmes. The public broadcasting enterprise was mandated to ensure the construction of the optical infrastructure and provide access to the broadband networks in areas where there is insufficient commercial interest for investments by the operators.

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.

On **indirect taxation**, delays in the VAT refund process remain quite prominent, as only 15% of the refund was paid within the legal deadline.

Regarding excise duty, the Law of Excise Duties is based on the structure of EU excise legislation. Minimum excise duty rates for alcohol and alcoholic beverages comply with the EU law. Further alignment is needed regarding excise duty structure for alcohol and alcoholic beverages. Excise duty for tobacco products is partially aligned with the EU law. The Law on excise was amended increasing the duty on tobacco products starting on 1 January 2024 and ending 1 January 2030. This would equalise the excise tax on cigarettes with the EU prescribed minimum. Movements of excise goods under duty suspension arrangement are controlled electronically in a manner akin to that of the Excise Movement and Control System (EMCS). Further alignment is needed with some provisions of the general rules for the production, keeping, storage, movement and controls on excisable products.

As regards **direct taxation**, the Law on profit tax was amended abolishing the obligation to submit transfer pricing documentation as of 1 January 2024, thus reducing the administrative burden on taxpayers. The country still needs to align its legislation with the Merger Directive.

The EU cooperates with North Macedonia through an enhanced dialogue on tax good governance within the framework of the EU list.

On **administrative cooperation and mutual assistance**, North Macedonia has signed 49 double taxation agreements, including with 23 EU Member States. The country has not yet committed on a date to start the automatic exchange of financial account information as per the Organisation for Economic Cooperation and Development (OECD) standard. The country has yet to implement all the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) minimum standards, namely the minimum standard on Country-by-Country-Reporting.

Regarding **operational capacity and computerisation**, the PRO still has to improve its business processes, develop compliance risk management and continue the process of expansion of e-services. A reform management office was established to support the reform agenda of the PRO. The IT function has been reorganised by establishing an IT sector at a central level. Preparations to implement a new integrated IT tax system have started, aiming to replace the current fragmented IT system by 2028. 90 new employees were recruited in 2023, bringing the number of employees in the PRO close to 1 000.

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.

Concerning **monetary policy**, North Macedonia has a high level of alignment with the EU *acquis* on the prohibition of monetary financing of the public sector and the prohibition of privileged access of the public sector to financial institutions. The legislation is partly aligned with the EU *acquis* on central bank independence. Amendments to the Central Bank Law were adopted in early April 2024 in order to ensure greater autonomy to set employment conditions of staff, to establish a formal macro-prudential mandate and to improve the governance framework. As regards decisions about employment conditions for central bank staff, it is, however, necessary that pending laws on administrative servants and public sector employees are also adopted by Parliament.

The primary objective of the central bank is to achieve and to maintain price stability. To curb inflation and inflation expectations, and to underpin denarisation, the central bank has raised the key policy rate, withdrawn liquidity, and adjusted reserve requirements on a differentiated basis for deposits in domestic and in foreign currency.

The central bank has continued enhancing bank-risk monitoring and aligning supervision regulation with the EU requirements. To strengthen supervision, credit risk management and banks' disclosure regulations have been upgraded. Following the upgrade of the macroprudential and resolution frameworks (the Law on bank resolution, passed in October 2023 nominated the central bank as resolution authority), efforts should be further directed towards enforcement.

Regarding **economic policy**, North Macedonia has a high level of alignment with the EU *acquis* on medium-term budgetary frameworks. The legislation of North Macedonia is partly aligned with the EU *acquis* on budgetary forecasts, statistics, numerical fiscal rules, transparency of general government finances, and macroeconomic imbalance procedure. Macroeconomic and budgetary forecasts are often overly optimistic, frequently lacking quantified fiscal impacts of new proposals.

A number of important public finance-related reforms have stalled in the past year. The adoption of implementing legislation to the 2022 organic budget law needs to be accelerated, so that provisions on the independent fiscal council, fiscal rules and medium-term planning can be fully implemented by 2025. The newly established Fiscal Council will have to be fully staffed to take up its functions.

The **2024-2026 Economic Reform Programme (ERP)**, presents a coherent and consistent, though somewhat optimistic macroeconomic framework. North Macedonia has only partially implemented the policy guidance set out in the conclusions of the Economic and Financial Dialogue of May 2023).

Chapter 19: Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion and social protection, and social dialogue at EU level.

Regarding **labour law**, the minimum wage starting from March 2024 is MKD 22 567 (approximately EUR 365). The State Labour Inspectorate (SLI) enhanced its capabilities by hiring 25 additional inspectors and conducting multiple training sessions, but further enhancements are necessary, particularly in occupational safety.

On **health and safety at work**, the new Law on occupational safety and health is yet to be adopted. From January to December 2023, the SLI inspectors performed a total of 22 938 inspection supervisions determining shortcomings and irregularities, on which a total of 5 543 decisions were made. For violations of provisions, a total of 994 payment orders were issued, 112 misdemeanour charges were brought up, as well as 35 criminal charges. Following the state reorganisation in 2024, the State Labor Inspectorate is now under the Ministry of Economy and Labour. Authorities need to adopt an action plan for safety and health at work for the period 2024-2025.

On **social dialogue**, the enforcement and adoption of collective agreements in the private sector remained weak. The Law on the peaceful settlement of labour disputes has yet to be implemented. Social partners' capacities require further strengthening. The Economic and Social Council (ESC) held a total of five sessions over the reporting period.

On **employment policy** the National Employment strategy for 2021-2027 was adopted together with the Employment action plan for 2021- 2023. During 2023, the government adopted the new strategy for the formalisation of the informal economy 2023-2027 with an action plan for 2023-2025. The Employment Service Agency's capacity needs to be further improved, with a view to increasing the effectiveness and the efficiency of delivery of active labour market measures and the Youth Guarantee.

Regarding **labour force participation and unemployment rate** see the statistical annex and the section on the functioning of the labour market under 2.3 Economic criteria.

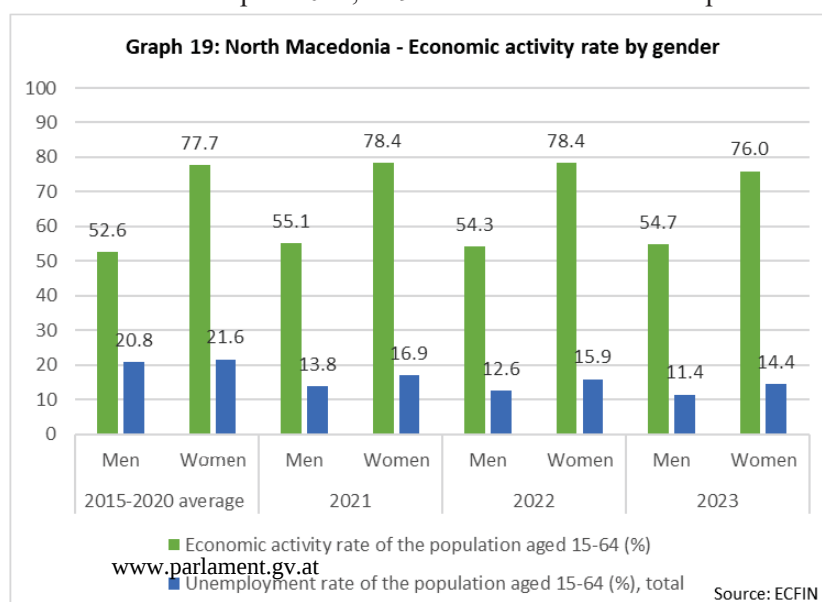
The main measure addressing youth unemployment remains the Youth Guarantee Scheme. Its implementation continued across the country, following the adoption of Youth Guarantee Implementation Plan for 2023-2026. At the end of 2023 a total of 23 619 people (11 675 women) throughout the country were enrolled, 8 404 of whom were employed, and 1 849 participated in active employment measures that do not result in direct employment but increase their employability. The Youth Guarantee included 1 423 Roma, as one of the vulnerable categories on the labour market.

The employment of Roma, the long-term and low-skilled unemployed, and persons with disabilities is supported by the guaranteed minimum assistance scheme introduced by the Law on social protection. During the reporting period, the Operational Plan for Active Employment Programmes and Measures and Labour Market Services 2023 and the Youth Guarantee were implemented covering 12 788 people, especially youth. In 2023, 46% of beneficiaries of active employment measures were women, 1.6% were persons with disabilities, 64% were young people, and 4.2% were Roma.

The level of preparation for the participation in the **European Social Fund** remains moderate. (See also Chapter 22 - Regional policy and coordination of structural instruments).

On **social inclusion and protection** authorities adopted the Law on financial support of socially vulnerable categories of citizens. Authorities, in consultation with relevant stakeholders, adopted a set of social measures for the pension beneficiaries with low pensions. Pensions were adjusted twice in 2023, resulting in a cumulated increase of pensions of 14%. The monitoring and evaluation system for social services and the centralised IT system to track social assistance schemes are lacking and accessibility of social services must be increased. The decentralisation of social assistance is still moderate. Progress has been made in the implementation of the 2018-2027 national deinstitutionalisation strategy. In December 2023, the government adopted the National strategy for the rights of persons with disabilities for 2023-2030 and the action plan for 2023-2026. Human resources of the Commission for disability assessment need to be strengthened. The government approved a new action plan for the deinstitutionalisation strategy for 2022-2024. Services such as home care, personal assistance, supported living, and respite care have been established. The methodology for licensing and setting the costs of social services was adopted, and non-public providers of social services were licensed. As of April 2024, 119 licensed social service providers with the capacity to serve 4 700 beneficiaries were granted under the Law on social protection. Citizens' associations and private entities received licences to provide social services.

On **non-discrimination in employment and social policy**, the Law on labour relations needs to be aligned



with the Law on prevention and protection against discrimination. Discrimination based on employment and labour relations was prevalent in cases reported to the Ombudsman and the Commission for the Prevention and Protection against Discrimination. (*See also Chapter 23 - Judiciary and fundamental rights*).

On **equality between women and men in employment and social policy**, the notable gender gap in the labour market persists. Women in North Macedonia are significantly less active on the labour market than men.

In January 2024, a midterm review was conducted on the implementation of the Employment strategy and the 2021-2023 action plan. Childcare and pre-school capacities increased during increased to 1072 places by March 2024. This capacity covers 34.5% of children aged 0-6 and 45.5% of children aged 3-6. In January 2024, the government adopted the Programme for Social Security Support of Women Farmers for 2024, enabling the utilisation of maternity benefits during periods of inability to perform agricultural work due to childbirth.

Chapter 20: Enterprise and industrial policy

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

Enterprise and industrial policy principles remain scattered within a number of strategic documents under the competence of different national authorities and the plan to consolidate part of the administrative structures, by merging some institutions and integrating others into the Ministry of Economy was adopted but is not yet implemented (*see also the section on public administration reform*).

An export promotion strategy 2024-2027 was adopted in January 2024 and will have to be swiftly implemented. The SME Observatory 2022 Report which provides statistical data and analyses of the actual situation of SMEs was published. The Ministry of Economy started working on a new strategy for the development of SMEs for which EU technical assistance was provided. The strategy is scheduled to be adopted in December 2024, it will cover the period 2025-2030 and will be based on the EU strategy for green and digital SMEs and the small business act.

The dialogue with the chambers of commerce took place through a dedicated platform managed by the Deputy Prime Minister for Economic Affairs. However, the dialogue still needs to be more transparent, systematic, and considerably more responsive to the business needs. National authorities continue to adopt measures, laws and implementing legalisation without previous notification and adjustment period for companies. Authorities conduct regular monitoring of policy implementation based on input indicators, but no evaluation of the impact and effectiveness is conducted. Out of 15 shortcomings identified last year by the State Audit Office, the Fund for Innovations and Technological Development (FITD) addressed three and partially addressed six of them.

Overall, the enterprise and industrial policy would benefit from improved coherence and institutional coordination while the impact of the policies for private sector development remain unclear.

There has been some progress in implementing the 2022-2026 Growth acceleration plan. A legal framework for a new Guarantee facility, a Development Fund, an Energy Efficiency Fund, and a Hybrid Strategic Green Fund is in place. The Fund for Innovation and Technological Development remains the key institution in support of innovation in private companies. Under the entrepreneurship education programme, the Agency for entrepreneurship provided trainings aiming at developing the entrepreneurial spirit and culture. The Directorate for Technological Industrial Development Zones initiated a programme for the development of suppliers aiming to support local companies to integrate into the global value chains. Streamlining of parafiscal charges did not progress. FITD started working on measures for financial aid for 'greening' of businesses with the objective to financially support companies' activities in line with the Green Agenda for the Western Balkans. Despite the recent increase of average wages, companies face difficulties to employ qualified workforce due to significant emigration and persisting mismatch between skills demand and offer.

There are numerous policy measures for financial and non-financial aid to companies. None of the measures have been subject to in-depth evaluation for the purpose of assessing their relevance, potential to distort market competition or the effectiveness and impact on the overall economy growth.

On **policy instruments**, North Macedonia participates in the SME Pillar of the Single Market Programme.

Some progress is noted in harmonisation with the Late Payment Directive while full transposition is planned for end of 2025.

In terms of **sectoral policies**, the adopted smart specialisation strategy covers industries under this chapter, notably electro-mechanical industry, food processing, construction and tourism (*more details, see chapter 25 – Science and research*). A measure targeting industry-academia cooperation in S3-areas was piloted under the Programme for support of competitiveness of the manufacturing industry and social responsibility. A new strategy for tourism is under development. The country launched its circular economy roadmaps in March 2024, targeting circular business models across five key sectors: SMEs, construction, biomass and food, textiles, and mining and metallurgy.

Chapter 25: Science and research

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

Some progress was made to align with European standards on **research and innovation**. In 2023, the State Industrial Property Office registered 581 patents while the Ministry of Education and Science announced calls for six new European Research Area actions. The Smart Specialisation Strategy, the main policy document for innovation and research with clear sector-specific priorities, and a biannual action plan for 2024-2025 were adopted in December 2023. Implementation started slowly as no significant State budget was allocated for 2024. The overall investments in research and innovation remained low (only 0.38% of GDP 2022, while the participation of the private sector in research remains as in past years (0.1% of GDP). The national technology transfer roadmap has not yet been developed. Authorities need to strengthen their participation in the new European Research Area and in the new European Innovation Agenda.

The country's participation in **Horizon Europe**, the EU's framework programme for research and innovation continued, while in 2023 17 projects received EUR 3.4 million funding (30% less funding than 2022). The national technology transfer roadmap has not yet been developed. Authorities need to strengthen their participation in the new European Research Area and in the new European Innovation Agenda.

On **innovation**, the European Innovation Scoreboard 2024 classifies the country as an 'emerging innovator' with a score of 45.1% of the EU average, marking a decrease of 4.5% compared to 2023. The Fund for Innovation and Technological Development started restructuring in order to adhere to the findings of the State Audit Office. The academia-business cooperation has been boosted by a special grant programme launched in the beginning of 2024.

The EIT RIS hub was set up and started to promote the EIT support in the area of education-science-innovations.

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.

The 2018-2025 strategy for **education** is the main document governing the education sector, but its monitoring mechanisms remain not well defined. Targets and indicators need to be improved to allow

a proper evaluation of the implementation of the reforms. Authorities need to strengthen coordination among institutions in developing legislation.

Authorities need to improve the capacities in the school system allowing for the optimisation and restructuring of the school network thus increasing the efficiency of the education system. A new funding model for primary education aiming to redistribute funds more effectively across municipalities, developed by the Ministry of Education and Science (MoES) is yet to be approved. Public spending on education and training decreased slightly to 3.17% of GDP in 2024 (3.58% in 2022), which is still far below the EU average of 4.7%. The education budget decreased as a share of the overall State budget in 2024 (9.15%) comparing to 2023 (11.7%).

During the reporting period, the capacity of public and private institutions providing early childhood and care (ECEC) increased by 1 072 places. While enrolment of children 3-6 years old into ECEC increased over the last year by 4%, the current rate of 46% still falls considerably short compared to the EU target on ECEC attendance set at 96%.

The number of pupils in primary schools dropped by 0.83% at the beginning of the school year 2022/2023, while the number of pupils in secondary schools dropped by 2.52% compared to the previous school year. In 2022/2023 there were 185 099 pupils (out of which 89 676 females) in primary schools in 2022/2023, and 69 227 (out of which 33 825 females) in secondary schools.

In line with the Law on primary education, the Concept for primary education as well as national learning outcomes and assessment standards, curricula for grade 6 were introduced in school year 2023/2024, thus covering the first 6 out of 8 years of primary education.

The results, published in November 2023, from the Programme for International Student Assessment (PISA) of 2022 highlighted concerning setbacks in pupils' learning outcomes in reading, mathematics and science in the country as well as a decrease compared to 2018. In all three tests, students in North Macedonia scored less than the OECD average. The results show a high proportion of students of 15-year-olds failing to demonstrate basic proficiency (level 2) in reading (73.6%), in maths (66.2%) and in science (65.3%). North Macedonia is taking part to the ongoing Trends in International Mathematics and Science Study (TIMSS 2023) and Teaching and Learning International Survey (TALIS 2024) aiming at providing evidence-based data on the working conditions of teachers and school leaders and learning environments in their schools. According to the Concept of Primary education, in the new curricula for the subjects for the first, second, third, fourth, fifth and sixth grades of primary education, as well as in those for the seventh and eighth grades (prepared in the period October 2023 - March 2024), green skills are integrated in the contents of different teaching subjects, especially within the Science subject. The results of these tests are however not yet available.

North Macedonia has taken steps towards the effective, coherent and inclusive digital transformation of its education system, by launching a new Education Management Information System (EMIS), equipping schools, and putting in use digital textbooks in primary education. The authorities need to further enable developing digital skills throughout primary and secondary as well as increasing the capacities of the educational institutions and teachers' competencies to develop these skills in line with the EU Digital Education Action Plan 2021- 2027. The development of the curriculum for secondary education including green skills was further delayed, as the Law on secondary education is not yet adopted.

The new Law on vocational education and training (VET) has yet to be adopted. A cooperation scheme is in place between business companies, vocational high schools, the Chambers of Commerce and the Ministry of Education to support students' internships in private companies. In school year 2023/24, in total 568 dual classes were operating with 8 242 students enrolled.

In higher education, the overall enrolment remains low. In the 2022/2023 school year 69 227 students were enrolled (out of which 33 825 female). The main challenge remains the improvement of quality of higher education through the development of accreditation and quality assurance processes. A new model for financing of higher education needs to be adopted.

In the last quarter of 2023, MoES finalised a project on further supporting the implementation of the National Qualifications Framework, resulting to the development of ‘training the trainers,’ guidebook to develop qualification standards, the holding of capacity building trainings and the development of guidelines on managing and quality-assuring the digital input in the NQF register.

North Macedonia remains a member of the European Higher Education Area (Bologna process).

North Macedonia continued participating in the Erasmus+. In 2023, organisations from North Macedonia participated as applicant or partner in 828 Erasmus+ (and also European Solidarity Corps) projects for a total contracted grant of EUR 7.05 million. The country continued to participate in the European Education Area working groups 2021-2025.

The Law for adult education is not yet adopted. North Macedonia made some progress in inclusive education, namely in primary education. As of school year 2023/2024, pupils with special educational needs are enrolled to mainstream primary schools, increasing their number by app. 10%. The total number of educational assistants in primary education amounted to 820. Over the reporting period authorities issued a call to engage 40 Roma educational mediators from 28 municipalities to support Roma students in primary education. In the school year 2023/2024, the total number of Roma pupils in primary education is 9 657 while in secondary it is 1 970, with about two-thirds being recipients of a scholarship. In higher education, authorities granted 135 scholarships to Roma students whereas the total number of active Roma students in the education system is 250.

In the reporting period the authorities adopted the national **youth** strategy for 2023-2027 along with the action plan for 2023-2025. On **sports**, North Macedonia continued to participate in the European Week of Sport.

On **culture** and the protection of cultural heritage, the adoption of amendments to the culture national legislation, the new national strategy for 2023-2027 on the development of culture and protection of cultural heritage was further delayed. The Ministry of Culture should strengthen the capacities for the protection and promotion of country’s diversity of cultural expressions, including heritage. The State Audit Office report revealed the need to reinforce the legal and operational system of country’s Film Agency. The country’s cultural heritage needs to be better safeguarded. Further efforts to reinforce institutional response and interinstitutional cooperation on the protection of cultural heritage sites, such as the Skopje Old Bazaar should be considered. North Macedonia continued to participate in fully in the Creative Europe programme.

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 and interoperability with the EU electronic customs environment.

The **customs legislation** is highly aligned with the EU *acquis*. In the field of customs legislation, progress was made in aligning to the EU combined nomenclature.

As part of the anti-fraud efforts, it is recommended that North Macedonia strengthens combating customs fraud, in particular smuggling of tobacco products and by cooperating with OLAF, and ratifies the Protocol on Elimination of Illicit Trade in Tobacco Products, signed in 2014. On **administrative and operational capacity**, a comprehensive intelligence system in support of investigation and enforcement is in place. Controls are based upon intelligence-led risk analysis, pre-arrival information and selectivity techniques. Risk management was applied systematically with the percentage of physical controls (red channel) at 5.7% and documentary controls (yellow channel) accounting for 16.9% of all shipments in 2023. A new project for enhancing the risk management and establishing customs data warehouse commenced in 2024.

Total revenues collected by the customs administration in 2023 were by 1% lower compared to 2022, amounting to 1.9 billion EUR. The agreement to establish one stop control with Kosovo was ratified in December 2023. The ICT development strategy for 2021-2025 was implemented, aiming to provide coordinated development and implementation of national systems with those of the EU. The

operations of NCTS (Phase 4) in North Macedonia were satisfactory. The upgrade of the national system of NCTS to Phase 5 is facing delays and remains a priority for 2024. To cope with this, further capacity building and staff recruitment, in particular in the IT area, is necessary.

The customs administration participated in seven international operations in the period September 2023-March 2024. Cooperation and exchange of intelligence with the customs agencies from the region and with international and regional organisations continued.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

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, multimodal transport, aviation and maritime transport.

On the **general transport acquis**, the key strategic documents for transport and its sub-sectors are already in place since 2023 but no progress was made in developing the action plan to accompany the 2018/2030 national transport strategy. The operational and administrative capacity for all modes of transport is low and little effort has been made to strengthen them. Although North Macedonia is actively engaged in the work of the Transport Community, there was limited progress on the implementation of the Transport Community Treaty action plans. Sustainable urban mobility plans for Skopje and for other major cities are not in place. In the new government, the minister of transport, who is also deputy prime minister, remains responsible for transport and postal sectors.

On **road transport**, legislation is partially aligned with the EU *acquis*. Further efforts are needed to fully align with the EU *acquis* on social and market rules in road transport. The executive body for road traffic safety has still not been set up, and a road safety strategy has not yet been established. Legislation on road infrastructure safety management and minimum safety requirements for tunnels in the trans-European road network are not aligned with EU legislation. The national legislation on access to the market to international passenger's transport is partially harmonised with EU legislation. The Law on dangerous goods is aligned with the EU *acquis* but there is still no legal entity appointed to conduct a conformity assessment on the existing equipment for the transport of dangerous goods. Enforcement and the technical capacities of the State Transport Inspectorate remain weak. The five-year road maintenance plan has not been regularly published. Funding for road maintenance does not cover the needs. The national ITS strategy and action plan were approved by the government but the national laws are not aligned with the EU ITS Directives.

On **rail transport**, the main requirements of the EU *acquis* market pillar are met in terms of the unbundling of the infrastructure manager and the national operator. While the rail market opened for all operators since December 2023, recent amendments to the law aimed at closing the market to new entrants until the country joins the EU, represents a departure from the objective of the EU legislation and the Transport Community Treaty. Enforcement of the amended railway safety and interoperability legislation is needed. Preparations for strengthening the operational capacity of the Railway Safety Directorate are delayed. There has been still no progress in setting up an accident and investigation body. The mutual agreement on cross-border railway cooperation with Greece has not yet concluded. In the area of **maritime transport**, North Macedonia, as a landlocked country, participates in all basic transport conventions of the International Maritime Organisation, including the European Maritime Safety Agency (EMSA). The basic alignment with the legislation is needed.

On **inland waterway transport**, North Macedonia is aligned with most of the EU *acquis*, but not with the Regulation on the recognition of certification and transportation of goods and passengers. The country submitted a request to participate in the EU strategy for the development of the Danube Region and continues to contribute actively to the work of the International Commission of the Sava

River Basin. Aligning the legislation with common rules applicable to the passengers by inland waterway is still needed.

In the area of **aviation**, the country has maintained a good level of alignment with the EU *acquis* and has partially aligned with the aviation safety legislation withing the reporting period. An assessment mission took place during the reporting period on whether the country should be admitted to the next phase of the European Common Aviation Area Agreement (ECAA). Further efforts are still needed to facilitate European Aviation Safety Agency standardisation inspections. Independent functioning of the air navigation service provider need to be maintained.

On multimodal **transport**, progress was made and technical experts are still working on setting up a multimodal node near Skopje. North Macedonia has not yet harmonised the national legislation with the EU *acquis* on electronic freight transport information.

On **EU passenger rights acquis**, progress was made with bus and coach passenger rights but still remain to be aligned for the railway passenger rights.

Chapter 15: Energy

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

The government adopted the Just Transition roadmap in June 2023 which includes specific actions to be undertaken in the short term (2024-25), medium term (2026-27) and longer term in the areas of Bitola and Kicevo. An Investment Plan for accelerated coal transition under the Accelerating Coal Transition Programme established by the Climate Investment Fund was prepared but implementation is pending.

The government implemented some of the measures set out in the national energy action plan adopted in December 2022, which received relevant contributions from the EU Energy Support Package. Programmes supporting energy efficiency and small-scale renewables have been implemented, although at a limited pace. Institutional reforms, revision of the strategic framework, adoption and implementation of new legislation is ongoing.

The update of the current **national energy and climate action plan from 2022** is pending to address the recommendations of the Energy Community Secretariat.

The administrative capacity for dealing with energy policy, strategic planning, and investments in the energy sector remains largely insufficient. There is no energy data collection system within the Ministry of Economy neither a proper policy evaluation nor performance assessment in place.

Concerning the **security of supply**, the country remains significantly dependent on coal. Both the Bitola and Oslomej/Kicevo thermal power plants continue to operate on coal from limited domestic resources and imports. The installed capacity of power plants from renewable energy sources increased to 50% of the overall electricity installed capacity and 33% of the overall electricity production. Most notable is the 287% increase in the production of electricity from photovoltaic power plants in 2023 compared to 2022. Domestic electricity production accounts for 97.25% of gross electricity consumption, while only 2.75% is provided from imports. The emergency oil stocks correspond to at least 58 days of average which is below the obligation of 90 days daily net imports. Gas security of supply provisions including aspects related to gas storage are not compliant with the EU *acquis*. The gas transmission system operator has been certified as required by the third energy package.

The State Commission for Preventing Corruption has conducted several audits of the energy sector. The electricity transmission system operator MEPSO and the electricity production company ESM should put more focus on digitalisation, transparency of public procurement, and other procedures for the planning of activities and investments. Network losses of 13.80%, remain high by international standards as a result of both technical and commercial losses in the distribution network.

On **renewable energy**, the NECP set a 38% target for the share of renewable energy sources in gross final consumption of energy in 2030 corresponding with the targets set by the Energy Community. The national legislation is not aligned with the Renewable Energy Directive. The share of renewable energy sources (RES) in the gross final energy consumption for 2022 was 18.8% (data for 2023 not available). Investments in hydropower should be compliant with the relevant environmental *acquis*. Optimising balancing services and investments in energy transmission and energy storage should be promoted to improve the integration of RES into the grid. An upgrade of the grid system is necessary. The gas transmission system operator has been certified as required by the third energy package.

Legislation on environmental impact assessment (EIA) is not aligned with the *acquis* and poses a significant risk to conducting quality EIAs for strategic energy projects. There have also been no improvements in secondary legislation concerning the screening processes for small hydropower projects with an installed capacity of less than 2 MW.

The Law on **energy efficiency** is partially aligned with the updated Directive on energy efficiency and the Directive on the energy performance of buildings. Following the latest amendments to the Energy Efficiency Directive in 2023, the update of the Law on energy efficiency is under way. The implementation of the current legislation has not improved.

For **nuclear energy, nuclear safety, radiation protection, and nuclear safeguards**, there have been no changes in the reporting period.

Chapter 21: Trans-European networks

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

On **transport networks**, the majority of the road network is not compliant with the TEN-T Regulation, Corridor X being more advanced in this respect than Corridor VIII. The National transport strategy (NTS) for 2018-2030 is in line with development of the TEN-T, without, however an action plan being in place. Inefficient procurement, such as for the action plan for the NTS and slow implementation such as for works along Corridor X-d hamper developments in the sector. The country is currently implementing more than 10 projects on the TEN-T road network. The funding allocated for maintenance of road infrastructure does not cover the needs. There is limited interest in the development of Sustainable Urban Mobility Plans (SUMP), although IPA funds are available for relevant projects. Regarding urban nodes, the country benefits from an IPA funded feasibility study for multimodal node in Trubarevo.

In April 2024, a ratification of the high-level agreement between North Macedonia and the European Union for the indicative maps of the Trans-European transport network in North Macedonia was made in line with the agreement on indicative maps for TEN-T in the Western Balkans signed in May 2023. Corridor VIII will be part of the new Western Balkans – Eastern Mediterranean European Transport Corridor, linking South-East Europe with the centre of Europe through the Western Balkans region.

Works on the rail Corridor VIII towards Bulgaria are progressing. Phase III of the project, Kriva Palanka border with Bulgaria was interrupted by the national authorities. Additional efforts are continuously needed to accelerate progress on rail Corridor VIII and other priority sections of the core network for both rail and road.

More efforts are needed from both sides to finalise the mutual agreement with Greece on establishing the Kremenica-Neos Kafkasos railway border-crossing with already the operational rail infrastructure constructed. Funding to build adequate infrastructure close to the Serbian border at the Tabanovce railway border station has still not been completely secured. The five-year road and rail maintenance plans yet not adopted.

On **energy networks**, the construction of a new 400kV electricity transmission interconnector line with Albania is still ongoing, lagging behind the schedule. Preparation of the technical documentation for strengthening the transmission network in the south-eastern region of North Macedonia is

ongoing. The national legislation is partially aligned with the old TEN-E Regulation, though it should be aligned with the revised TEN-E by the end of 2024.

The procurement for the works is ongoing on a natural gas interconnector between North Macedonia and Greece, a flagship project in the Economic and Investment Plan (EIP) for the Western Balkans, and priority project in the in the Central and South Eastern Europe Energy Connectivity (CESEC) High-Level Group, which will enable the security of gas supply in North Macedonia. The preparatory activities for construction of the gas interconnector with Serbia are ongoing. The feasibility study and the technical designs for the gas interconnector with Kosovo are finalised.

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.

Environment

On **horizontal legislation**, North Macedonia is not fully aligned with the Directives on Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) and no progress is noted over the reporting period. This negatively impacts all other sectors, infrastructure investments and overall public participation and perception. The lack of specialised staff and weak institutional and administrative capacity are undermining quality control and adequate performance of environmental impact assessments. This leads to approval of infrastructure projects without thorough consideration of the impact on the environment. Since the adoption of the Law on inspection in April 2022, no reform process for a more efficient system for implementing environmental legislation has been initiated. North Macedonia needs to ensure that there is there an institutional structure in place to deliver coordinated and strategic planning for environmental investments as well as the quality of the preparation and implementation of infrastructure investments, including the transparency of procedures, compliance with EIA/SEA and other elements of the horizontal *acquis*. The EU Directives on environmental liability and on environmental crime are also not fully aligned. The national implementation report to the Aarhus Convention is due in 2025. There is an Aarhus Centre, which is not fully operational and providing obsolete data and information. Access to justice on environment matters is virtually non-existent and public access to information is weak.—North Macedonia should also ensure that environmental monitoring meets EU standards.

Very limited progress was made on **air quality** and there are no legislative developments during the reporting period. The existing monitoring system and structures in charge for collection, processing, reporting of data require reinforcement. The automatic monitoring network was maintained, but the capacities are extremely low. The process of defining zones and agglomerations needs to be finalised. Municipality of Gostivar adopted a 2022-2026 air quality improvement plan and air cadastre. Bitola also prepared and adopted a new air quality plan. In March 2024, final air quality plans for Veles, Ohrid, Prilep, Struga, Shtip, and Gevgelija were submitted for public consultation and approval by the Ministries of Health and Environment.

In the area of **waste management**, a roadmap towards circular economy was developed in the reporting period. A new strategy for waste management was prepared and is currently under an assessment impact consultation process. The strategy for sludge management has been prepared but consultation with stakeholders still needs to take place.

The current legal and policy framework is to a large extent aligned with the EU Waste Framework Directive and the Landfill Directive and regulates Extended Producer Responsibility (EPR) schemes. As of January 2024, the obligation to organise EPR schemes was extended to waste oils and tires, end-of-life vehicles and textiles, in addition to the already existing ones for packaging waste, WEEE and batteries. The latest amendments to the existing law on WEEE in the reporting period, reducing the producers fees, raise high concerns on the system effectiveness. Implementation remains a significant challenge for the sector. Municipal waste separation and recycling are at an inadequate level and landfilling is still the predominant method of waste management. The principles of circular economy are embedded in the national waste management legislation but concrete progress is still

lacking due to limited stakeholders awareness—, insufficient financial support and infrastructure shortcomings.

Remediation activities related to the clean-up of Organic Chemical Industry Skopje (OHIS) a former organic chemicals factory dump, are progressing.

On **water quality management**, the legal and policy framework for integrated water management is largely in place, however no progress has been made in the reporting period. A National Register for groundwaters has been established, but it should be made accessible to the public. North Macedonia has to accelerate progress towards tackling point source pollution, advancing on the designation of areas sensitive to eutrophication, securing timely adoption of the first cycle of River Basin Management Plans and improving monitoring of the quality and the quantity of surface and groundwater. The country needs to strengthen the inspection and sanction system, and reinforce the sector funding model, building on the principles of polluter-pays and full-cost-recovery. Some progress was made on increasing the level of funding with a € 50 million agreement between the Finance and Environment Ministries and the European Investment Bank (EIB) for municipal water infrastructure projects, focusing on water supply, loss reduction, riverbed regulation, and wastewater treatment.

On **nature protection**, a new law on nature, designed to align with the requirements of the EU Habitat and Wild Bird Directives, still needs to be adopted. The Law on CITES and related implementing legislation have been drafted but public consultation process still to be formally launched. Activities to identify potential Natura 2000 sites continued throughout the country, confronted with institutional difficulties. The work to prepare to identify and pre-designate sites that will be covered by the Natura 2000 network needs to be further pursued. A digital map of habitats has been created and published, presenting the habitats ecological conditions. The process for the designation of Lake Ohrid, Studenchishko Blato and Matka Canyon has not been finalised yet. Lack of sufficient sustainable financing and administrative capacity to manage protected areas remain an important challenge in the sector, although, for the first time, national budget funds have been allocated to support the management of four national parks.

North Macedonia made some progress on **forestry** as the authorities revised the Strategy for Sustainable Development of Forests (until 2026). In addition, with the support of IPA funds, a pilot area was inventoried initiating the development of the national forest inventory and new forestry legislation in line with EU Acquis were drafted. However, without final adoption of the legislation and its implementation, the alignment will fall short and the necessary reforms will not be achieved.

Industrial pollution and risk management is at an early stage of alignment, and the law on industrial emissions is yet to be adopted. No progress has been registered in other areas.

No developments have been made in the area of **chemicals** and of **noise pollution** in the reporting period.

On **civil protection**, as a Participating State of the Union Civil Protection Mechanism (UCPM), North Macedonia participates in the relevant activities. A system for early flood warning was developed and a risk mapping of flood-prone areas and vulnerable locations was conducted. Additionally, a platform for incident management and collaboration for local civil protection and other stakeholders was developed and operationalised for training, preparedness and response to floods.— North Macedonia is expected to improve its crisis resilience both in terms of prevention and preparedness and make use, when appropriate, of the scientific partnership for natural hazards, through the Emergency Response Coordination Centre Issues for immediate attention include reforms of the sector, better defining the role of the national coordinator for the National Platform on Disaster Risk Reduction, linking the national emergency communication system to the European Commission's Common, Emergency, Communication and Information System (CECIS), adopting the new national protection and rescue strategy for 2022-2026. The country has activated twice the Union Civil Protection Mechanism during a prolonged wildfires crisis in July and August 2024.

Climate change

No progress was made. The law on climate action is yet to be adopted. An updated national energy and climate plan (NECP), and a long-term strategy on climate action along with a 2050 climate neutrality target still need to be adopted. A national greenhouse gas inventory system also requires operationalisation. North Macedonia needs to fully implement the MRVA package to introduce carbon pricing by December 2025 and align with the EU ETS. It also needs to prepare and submit a new National Determined Contribution, under the Paris Agreement and to align with the recent updates to EU climate policy under the Fit for 55 package. There is no administrative capacity in the Ministry of Environment and Physical Planning for the sector, and the interinstitutional coordination is at an incipient stage. These deficiencies need to be urgently addressed.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

Chapter 11: Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.

On **horizontal issues**, North Macedonia is at an early stage of preparations for sustainable agriculture. Government reforms of the 2023 direct subsidies system reinforced the coupling of the support to production. The preparation of a new Law for agriculture and rural development has been postponed. North Macedonia should align its agricultural support policy with the EU *acquis*, in particular the use of agri-environmental measures.

All elements of the integrated administration and control system (IACS) are in place in line with the EU *acquis*. Data transfers and the interoperability of the various elements needs to be ensured together with verification of data accuracy. Progress is noted with the acquisition of the orthophoto (aerial) imagery to facilitate the update of the LPIS. The farmers' register and LPIS to the paying agency have still to be transferred to the paying agency. Regarding the development of real time interoperability with the Animal identification and registration systems (Animal ID) due to data quality no progress was achieved.

In the area of the farm accountancy data network (FADN), , the expansion of the sample for data collection improved representation. Additional resources are needed to ensure the expansion of the FADN system and to incorporate environmental and social sustainability data in line with the new EU farm Sustainability Data Network (FSDN).

The new Law on advisory services was adopted, providing the establishment of the legal framework for developing farm advisory services in line with the EU *acquis*.

The overall **common market organisation** (CMO) legislation remains to be adopted and institutional mandates defined.

On **rural development**, IPARD III implementation has started with the launch of two project calls while at the same time progressing with finalisation of the IPARD II programme. The capacity and staff retention of the IPARD authorities, particularly the IPARD Agency, must be addressed to ensure consistency. Particular attention is required to reduce late payments to applicants.

On **quality policy**, progress is noted with the adoption of the Law on wine. The legislative framework, including on spirit drinks remains to be fully aligned with the EU *acquis*. Administrative capacity and resources remain insufficient, despite growth prospects.

As regards **organic farming**, a new law on organic farming further aligning with EU *acquis* remains to be adopted. Actions to enhance the monitoring and control of organic certification and traceability of organic products should be improved. Efforts should be made to further develop the sector, making further use of the support available under the IPARD III programme.

Chapter 12: Food safety, veterinary and phytosanitary policy

The EU food acquis, including hygiene rules for foodstuff production, ensure a high level of food and feed safety and a high level of protection of consumers' interests. Animal health and welfare and the safety of food of animal origin are safeguarded together with quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

On **general food safety**, amendments to the Law on food safety were adopted. A new Law on official controls was prepared but is yet to be adopted. The national rapid alert system for food and feed and the Food and Veterinary Agency's internal audit and training systems continued. The Agency performed regular audits of accredited laboratories in the veterinary and food safety area. The Agency continued to perform its work in line with quality management standards in most areas. However, the risk-based approach and transparency principle should apply to all official control systems and be adequately financed.

On **veterinary policy**, a new Law on animal health, aimed at aligning with the new EU animal health legislation including the implementing and delegated regulation for disease control, is still to be adopted. The Food and Veterinary Agency provides regular updates on safeguard measures for imports and import requirements for live animals and animal products.

On control measures for animal diseases, the Agency has an active and passive surveillance programme in place for various diseases; however, these are yet to be updated according to the principles of the EU animal health law. The collection, verification, and analysis of data remains insufficient. North Macedonia has not implemented rabies vaccination campaigns in the autumn of 2023 and spring 2024, and the number of collected samples from the rabies surveillance programme is insufficient to provide reliable data for disease detection. The 2024 national monitoring programme on control of residues of veterinary medicinal products and contaminants in live animals and foodstuffs of animal origin is not fully in line with the EU *acquis* on bovine, ovine/caprine, porcine, poultry, aquaculture, milk, eggs, wild game, and honey. Four secondary legislations on zoo-technics were adopted. The capacity to align with and implement the EU *acquis* on zoo-technical issues remains to be improved.

On the **placing of food, feed and animal by-products on the market** North Macedonia adopted implementing legislation, aiming at aligning with the EU *acquis*. Preparatory activities for the construction of the animal by-products rendering plant are not yet completed.

On **food safety rules**, North Macedonia drafted secondary legislation on the addition of vitamins and minerals and of certain other substances to foodstuff. The Agency continued implementing a programme to monitor food safety, but the data is to be further analysed.

Regarding **specific rules for feed**, the Agency continued to implement a programme to monitor feed safety.

In the area of **phytosanitary policy**, a new Law on plant health, aimed at aligning with the new EU plant health legislation, is yet to be adopted. The Phytosanitary Directorate regularly updated the list of harmful organisms in line with EU *acquis* and the country's pest status. The phytosanitary monitoring programme for plant health was implemented, and the phytosanitary information system was further developed. Secondary legislation on the training in the field of phyto-pharmacy, phyto-medicine and the sustainable use of phyto-pharmaceutical products was adopted. However, measures for the sustainable use of pesticides have not been implemented. According to the EU Rapid Alert System for Food and Feed (RASFF), EU Member States reported on findings of unauthorised chemicals in several shipments of vegetables, indicating that the control of pesticides used in the country is inadequate. Substantial work is still necessary to collect reliable data on national pesticides use and its impact on human health.

The Law on genetically modified organisms is not fully aligned with the EU acquis.

Chapter 13: Fisheries and aquaculture

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 control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

As North Macedonia only has inland fishing in lakes and aquaculture, a large part of the EU *acquis* on fisheries is not applicable. Progress was made in aligning the national legal framework with the adoption of a new Law on fisheries and aquaculture in 2024. The new Law on fisheries and aquaculture is broadly aligned to the EU *acquis* on market policy, notably on EU provisions on marketing standards, consumer information requirements, structural support, and State aid. However, it is not fully aligned with the EU *acquis* on aquaculture. North Macedonia should speed up adoption of the implementing legislation for the new legislation.

No progress was noted in the reporting period in addressing chronic understaffing for policy formulation, control and in interinstitutional coordination. **Inspections and control** remain insufficient for the control of IUU fishing. Fish health monitoring plans have been implemented on regular basis. North Macedonia should establish sound plans for performing and reporting on the environmental controls in the aquaculture sector. North Macedonia should incorporate actions to raise the public's awareness about IUU fishing and its legal consequences. Specific attention should be given to preventing the illegal fishing of protected species and European eel.

On **resource and fleet management**, the European eel and Ohrid trout were strictly protected species covered by a permanent fishing ban. Temporary bans have been applied in 2023 for preserving the fish stocks. Provisions of the EU Eel Regulation are reflected in the new Law on fisheries and aquaculture. Further alignment is necessary for setting the system of data collection and to include market data and mandatory records for European eel catch both in recreational and commercial fishing.

The national annual budget for **structural measures** is inadequate for developing aquaculture, conservation actions for fish stock management and for inspections and controls.

There was no significant development concerning **State aid**. On the **international agreements** for fisheries management of the transboundary lakes regular coordination meetings took place in 2023. Greece and North Macedonia apply a regular synchronised fishing ban at the Dojran Lake each year. Cooperation with Albania for the management of Ohrid lake fish stocks continued. In 2023, North Macedonia has joined the European Inland Fisheries and Aquaculture Advisory Commission (EIFAAC) of the Food and Agriculture Organisation (FAO).

Chapter 22: Regional policy and coordination of structural instruments

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through 'shared management' between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation.*

Limited progress was made on the **legislative framework**, while basic principles remain broadly in line with EU *acquis* on public procurement, public finance management, regional and municipal development. The Law on audit of the Instrument for Pre-accession Assistance (IPA) was amended to mandate the Audit Authority to perform audits under IPA III, a pre-condition for entrusting North Macedonia with budget implementation tasks under IPA III. A Decree concerning public investment management was drafted and adopted in 2024. The strategic framework was strengthened with the adoption of the new Public administration reform strategy for 2023-2030 but there are delays in the implementation of the action plan, while the country's legislative framework for human resources

management still needs to be revised in line with European standards. The potential for establishing links to EU groupings of territorial cooperation in different policy instruments is not being exploited. Groupings can be used as instruments for integrated territorial governance facilitating the implementation of Small Project Funds in Interreg cooperation programmes.

The **institutional framework** for the management of EU funds under IPA III has been further aligned with IPA III requirements in view of its future role in EU cohesion policy. Nevertheless, the performance of the Operating Structures established for the multiannual operational programmes is jeopardised by weak administrative and managing capacities in terms of staffing. Further improvements are needed as North Macedonia needs to strengthen the administrative capacities and align the management and control system with IPA III requirements.

Weaknesses persist in the **administrative capacity** of key institutions managing EU funds. The lack of a national staff retention policy, shortcomings in human resources management and exceptionally high staff turnover (in 2023 the average turnover rate was 10%) across the IPA structures remain key concerns. The importance of adopting and effectively implementing a retention policy for IPA structures is crucial. The IPA training centre remains understaffed and with a dysfunctional roster of trainers.

As regards **programming** of the EU assistance, the IPA Annual Action Programme 2024, worth EUR 58.6 million, was adopted in April 2024. The IPA Operational Programmes 2024-2027 on environment, transport and human capital, worth of EUR 160 million, were also adopted in July 2024. These programmes are planned to be implemented under indirect management by the beneficiary country. The efficiency and frequency of sector policy dialogue, which supports the strategic planning and programming of the EU assistance, improved over the reporting period.

North Macedonia continues to gain experience in regional policy and territorial cooperation programming and implementation through its participation in five cross-border (CBC), two transnational, and two interregional cooperation programmes, including the EU strategy for the Adriatic Ionian region. The transition from the IPA II CBC to IPA III CBC progressed smoothly on the side of North Macedonia, despite delays with the ratification of the financing agreement of the IPA III CBC between North Macedonia and Albania, which entailed that this CBC programme is without Joint Technical Secretariat (JTS) for several months.

The administrative capacities and interinstitutional coordination need to be significantly strengthened to maximise the benefit of this participation and pave the way for the management of cohesion policy.

On **monitoring and evaluation**, North Macedonia actively participates in the IPA and sector monitoring committees; however, less than 45% of the jointly-agreed conclusions reported upon during the second IPA III Monitoring Committee meeting were implemented. The weak interinstitutional coordination and the weak central reporting and monitoring function of the office of the national IPA coordinator negatively affect the timeliness and quality of IPA reports. Stronger political engagement is needed in order to advance with the implementation of the programmes.

Internal and external **audit** functions are in place. However, internal audit needs to be strengthened to better support the functioning of the management and control systems. The adoption of the new Law on public internal financial control is pending. The Audit Authority continues to perform well and follows sound audit methodology with good audit coverage. The operational and technical capacity of the Audit Authority improved following new recruitments. The implementation of the audit findings by the auditees remains very low. Out of 46 findings from previous audits, only 7 were closed in 2023, representing an implementation rate of 15%.

The **financial management and control** systems are functioning but are under pressure due to limited administrative capacity, which continued to negatively affect indirect management by the beneficiary country. The weak administrative capacities led to automatic decommitment of more than EUR 79 million under the IPA II multiannual programme for environment and transport, including some EUR 54 million decommitted in 2023, while the risk of further decommitments remains high. To address the critical shortcomings and be able to operate in an *ex post* control environment, North Macedonia has reorganised the financial and control systems related to the operational programmes

provided for under IPA III. Further efforts are needed to address the EU and audit recommendations on staff management and retention policy, procurement and contract planning, internal audit function and quality assurance.

As regards anti-corruption, the anti-fraud coordination service (AFCOS) network, the backbone of the system for protecting EU's financial interests in North Macedonia, is in place and fully operational. In addition, the institutions managing EU funds implement a financial management and control system accredited by the Commission, which is under the scrutiny of an external audit body and the Commission. The Strategy for Transparency of the Government of the Republic of North Macedonia for 2023-2026 was adopted in December 2023.

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.

Limited progress was made on developing the specific own resources institutional set-up and legal and methodological framework. Measures to reduce tax evasion, fraud and informal economy, as well as to improve internal control in public sector need to be more efficiently applied (*for further information, see developments under Chapter 16 – Taxation, Chapter 18 – Statistics, Chapter 29 – Customs union and Chapter 32 – Financial control*).

On **traditional own resources**, the custom legislation is broadly aligned. The 2023 customs tariff was adopted to reflect the latest changes in the EU combined nomenclature. Capacity of custom authorities has to be further strengthened. Some progress was made on consolidation and upgrade of IT systems. The customs administration implements fully paperless environment for processing customs declarations and excise documents. Guidelines for the application of the EU Traditional Own Sources are yet to be developed. The establishment of an IT system for managing A and B accounts and enable access to the electronic system for reporting cases of fraud and irregularity concerning traditional own resources (OWNRES) is needed.

Amendments to the VAT law were adopted to ensure that supply of services is harmonised with the VAT Directive. Delays still remained in VAT refund process. The Public Revenue Office has started the implementation of an Integrated Tax Information System (ITIS) that aims to digitalise business processes and reinforce monitoring of tax collection. Risks related to VAT refund are included as part of the PRO's risk management system that is yet to be revised. (*See further information under Chapter 16 – Taxation*).

National Accounts and the compilation of **GNI** are based on the definitions and accounting rules of the European System of National and Regional Accounts 2010 (ESA 2010). The State Statistic Office continued the regular transmission of GNI and GDP data to Eurostat, in the framework of the ESA 2010 transmission programme. The set of annual non-financial sector accounts for the period 2018-2020 was published in August 2023. For the first time, annual sector accounts are produced in accordance with ESA 2010. However, improvements are still needed and the GNI inventory needs to be updated.

The **administrative infrastructure** is yet to be operationalised in order to ensure the timely and efficient functioning of the process of calculation, collection, payment and control of own resources as well as to improve reporting and coordination mechanisms among all bodies involved.

CLUSTER 6: EXTERNAL RELATIONS

This cluster covers: external relations (Chapter 30); foreign, security and defence policy (Chapter 31).

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.

On **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 WTO reform. The country became a full member of the WTO's Agreement on Public Procurement (GPA) on 30 October 2023. The Protocol for acceptance of the Agreement on Fisheries Subsidies was adopted and submitted to Parliament for ratification in December 2023. The provisions of the Trade Facilitation Agreement are fully applied. The administrative capacity of the Ministry of Economy, in charge of trade policy should be further strengthened.

North Macedonia participated actively in CEFTA and has continued to implement the action plan for the development of a common regional market (CRM) of the Western Balkan countries. The country started implementing the three agreements related to CRM implementation, covering freedom of movement with ID cards, recognition of professional qualifications and recognition of academic qualifications.

The system for export control of **dual-use goods** and technologies is functional. North Macedonia is aligned with the latest EU *acquis*, namely Regulation (EU) 2021/821 and its annual updates as regards the list of dual-use items. However, the country is neither a participant nor an adherent to the Australia Group. Adherence to the Australia Group would be a positive step towards alignment with EU *acquis* and towards future Australia Group membership which will be expected upon EU accession.

There were no new **bilateral agreements with third countries** negotiated. 38 bilateral investment treaties (BITs) are in force, of which 18 are with EU Member States.

There was no progress in **development policy** and **humanitarian aid**. The country is encouraged to establish a relevant policy framework, in line with EU policies and standards.

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 action, and apply agreed sanctions and restrictive measures.

North Macedonia continued to engage in **political dialogue** with the EU on foreign and security policy issues at all levels. It started negotiations on a Security and Defence Partnership with the EU in spring 2024. In February 2024 North Macedonia participated in the tenth EU-Western Balkans meeting of Political Directors. In June 2024 North Macedonia participated in a working lunch with members of the Foreign Affairs Council.

The institutional framework enabling the country's participation in the **common foreign and security policy (CFSP)** and the common security and defence policy is in place and operational. North Macedonia has maintained its 100% alignment with statements by the High Representative on behalf of the EU and EU Council Decisions on sanctions, including all EU restrictive measures against Russia and Belarus related to Russia's war of aggression against Ukraine. North Macedonia participated in the Summit on Peace in Ukraine hosted by Switzerland.

On EU **restrictive measures**, the main challenge is the legal time gap between the alignment and their formal implementation/entering into force. In the previous legislature, government submitted a proposal to amend the Law on restrictive measures to Parliament: however, it was not considered and would need to be re-introduced.

North Macedonia's active **cooperation with international organisations** has continued. Its priorities in the UN are in line with important EU priorities, including on security, protection of human rights and the climate, promoting the role and participation of women and of youth. The second national action plan on Women, Peace and Security is under implementation, including elements such as a

gender self-assessment, a specific Ministry of Defence gender action plan, and strengthening cooperation on prevention and protection against violence against women. In 2023, North Macedonia chaired the OSCE and contributed to a successful outcome of the OSCE Ministerial Council in Skopje. In this capacity, it hosted conferences on ending statelessness, on combating corruption, money laundering and asset recovery efforts, as well as on cyber resilience. The country also assumes the SEECP Chairpersonship in Office 2023-2024, and hosted a Ministers for European Affairs meeting.

A bilateral immunity agreement between North Macedonia and the United States remains in place, 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. Alignment with the EU position is needed.

On **conflict prevention**, North Macedonia continued supporting EU measures and documents.

On **non-proliferation**, North Macedonia continued to implement the 2018 regional roadmap, and its 2022-2024 national strategy and action plan for the control of small arms and light weapons (SALW). Further efforts are needed by the country's to harmonise its legislation with the EU legal framework concerning SALW. North Macedonia is not yet a participating state to any of the multilateral export control regimes. Alignment with EU Common Position¹⁴ on arms export control is ongoing, with further work required on comprehensive legislation and inter-state exchange of information. North Macedonia is a state party to the Arms Trade Treaty, with inter-state risk mitigation and information exchange measures yet to be developed.

North Macedonia participates in some, but not all, international export control arrangements and instruments, including the Proliferation Security Initiative and the Hague Code of Conduct. It is committed to becoming a member of the Wassenaar Arrangement and the Australian Group. The country has not updated yet its strategy on countering proliferation of weapons of mass destruction and protection against chemical, biological, radiological, and nuclear threats and an action plan (2019-2021) for its implementation.

On **security measures**, North Macedonia has further implemented its security of information agreement with the EU on procedures for exchanging and protecting classified information.

Regarding the **common security and defence policy** (CSDP), the country continued to actively participate and contribute substantially to EU military crisis management operations, notably EUFOR ALTHEA in Bosnia and Herzegovina. The Armed Forces of North Macedonia also participate within the EU Battle Group HELBROC 2023. North Macedonia contributes to regional cooperation in military medicine through the Balkan Medical Task Force (BMTF).

On **hybrid threats**, North Macedonia joined the Helsinki-based European Centre of Excellence for Countering Hybrid Threats in October 2023 and has been implementing its 2021-2025 strategy for building resilience and dealing with hybrid threats. The country promotes cooperation on exchanging data and national experiences with the partner intelligence services. Since March 2024, a Council, chaired by the Prime Minister, and a working group were established for coordination of the activities related to NATO membership, including enhancing resilience against hybrid threats. North Macedonia aligned with EU Declarations and restrictive measures in reaction to cyber-attacks in 2023 and 2024.

North Macedonia has embarked on establishing a strategic institutional and regulatory framework to counteract the adverse effects of disinformation. Recommendations for Joint Action for Building Societal Resilience Towards Malign Influences of Disinformation, prepared by civil society with international support, were adopted by government as a basis for creating a national strategic framework, and included in its 2024 work programme. Further efforts are needed to close the space

¹⁴ EU Common Position 2008/944

for foreign interference and information manipulation, including disinformation, and to build societal resilience against this and other forms of hybrid threats.

ANNEX I – RELATIONS BETWEEN THE EU AND NORTH MACEDONIA

North Macedonia has been a candidate country since 2005. On 26 March 2020, the European Council endorsed the Council's decision to open accession negotiations with North Macedonia. The first Intergovernmental Conference took place on 19 July 2022, following the approval by the Council of the negotiating framework. The Commission launched the screening process on the same day. The screening was completed in December 2023.

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 and in force since 2004, 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 Council took place in March 2023 in Skopje.

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 sixth report under the visa suspension mechanism concluded that North Macedonia continues to meet the visa liberalisation benchmarks.

North Macedonia has maintained its full alignment with **EU common foreign and security policy** over the reporting period. Substantial participation in EU crisis management missions and operations continued. North Macedonia benefited from the second bilateral assistance measure under the European Peace Facility in 2024. It has previously received assistance through a bilateral assistance measure aimed at enhancing the capacity of the army of North Macedonia to participate in EU military CSDP missions in March 2023, providing support in the areas of logistics, medical equipment, communication and information systems, intelligence capacities, chemical, biological, radiological and nuclear (CBRN), engineering and training equipment. The Balkans Medical Task Force, in which North Macedonia participates, benefits from a EUR 6 million 2022 support measure under the European Peace Facility.

In April 2024, the fourth financing decision under the **Instrument for Pre-accession Assistance 2021-2027 (IPA III)** for the amount of EUR 58.6 million was adopted. It provides support in the areas of rights and security, economic cohesion, health and integration facility. In July 2024 three financing decisions for a total of EUR 160 million for the multiannual operational programmes 2024-2027 on transport, environment and human capital were adopted. North Macedonia benefits from complementary support for civil society and migration management. North Macedonia also participates in cross-border cooperation programmes, transnational cooperation programmes and EU programmes. To improve public procurement and strengthen capacities in modelling the macroeconomic effects of green policies and investments, North Macedonia is participating as an observer in two pilot projects under the Technical Support Instrument.

The new activities complement the programmes still under way under **IPA II (2014-2020)**. Progress was made on implementing IPA II to support the country's social and economic development and key structural reforms. EU assistance under IPA II continued to support reforms in the areas of rule of law, public administration and public finance and advanced the fight against corruption. The reorganisation of State institutions at central level was launched and the digital transformation of the country advanced. Electronic services, provided by the energy regulator, pharmaceutical chamber and pension insurance fund, were developed.

Under the **Reform and Growth Facility**, North Macedonia could benefit from an indicative allocation of EUR 750.4 million, to be channelled via a Reform Agenda covering key reforms in six policy areas: public administration reform; green (energy); digitalisation; human capital; private sector development; and fundamental rights and rule of law. Disbursement of Union support will be conditional on compliance with the preconditions and delivery on reforms as set out in the Reform Agenda. The EU-supported Youth Guarantee, benefited over 9 900 young people in the region facing the highest youth unemployment and high rates of school leaving. It also assisted Roma children and children with disabilities. A substantial amount of EU financial assistance has been allocated to North Macedonia for protecting the environment and boosting the connectivity with the EU transport

systems. In the area of transport, with EU support, the rehabilitation of the A2 road section I, between Kumanovo and Stracin, was finalised. This improved 15.2 km of road on Corridor VIII East. On the environment, the EU supported the development of the National environmental monitoring strategy and accompanying action plan and a long-awaited National Environmental Information System. Media, civil society and the private sector continue to benefit from key EU assistance, which provides them with opportunities to grow and develop in a favourable environment. In the area of competitiveness and business development, a national platform for women entrepreneurs was established.

Through the **Western Balkans Investment Framework (WBIF)**, EUR 297.82 million was provided to North Macedonia in IPA III grants for flagship projects in the area of clean energy, environment and climate, and sustainable transport. In July 2024, two technical assistance projects for the preparation of Railway Corridor VIII amounting to EUR 0.78 million and Corridor X, amounting to EUR 1.04 million were approved.

On 8 May 2024, the EU disbursed EUR 50 million in macro-financial assistance to North Macedonia. This was the first instalment of the EUR 100 million macro-financial assistance set out in a Commission proposal that was adopted by the European Parliament and the Council on 12 July 2023. The conditions attached to the assistance have been adequately met and include, among others, the adoption of the new strategy on judicial reforms (2023-2027) in line with the Commission's comments, the adoption of the new strategy for formalisation of the informal economy (2023-2027), the setting up of an Energy Efficiency Fund, amendments to the VAT and profit tax laws to reduce tax exemptions, and the operationalisation of the Fiscal Council.

The EU provides support via IPA and the Foreign Policy Instrument to strengthen the resilience of Western Balkans partners in facing hybrid threats including cyber and foreign information manipulation and interference.

ANNEX II – STATISTICAL DATA
STATISTICAL DATA (as of 5/09/2024)
North Macedonia

Basic data		Note	2011	2018	2019	2020	2021	2022
Population (thousand)			2 057 i	2 075 i	2 077 i	2 076 i	2 069 i	1 837 bi
Total area of the country (km²)		1)	25 436 w	25 436 w	25 436 w	25 436 w	25 436 w	25 436 w

National accounts		Note	2011	2018	2019	2020	2021	2022
Gross domestic product (GDP) (million national currency)			464 186	660 878	692 683	669 280	729 445	803 141 p
Gross domestic product (GDP) (million euro)			7 544	10 744	11 262	10 852	11 835	13 033 p
GDP (euro per capita)			3 890 e	5 690 e	6 000 e	5 850 e	6 440 e	7 021 biw
GDP per capita (in purchasing power standards (PPS))			9 254 e	12 517 e	13 150 e	12 751 e	14 108 e	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)			36.0 e	41.2 e	41.9 e	42.3 e	43.0 e	:
Real GDP growth rate: change on previous year of GDP volume (%)			2.3	2.9	3.9	- 4.7	4.5	2.2 p
Employment growth (national accounts data), relative to the previous year (%)			1	0	2	- 7	3	6 e
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)			1	3	2	2	2	- 3 e
Unit labour cost growth, relative to the previous year (%)			:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)			:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)			45	45	44	47	47	44 e
Gross value added by main sectors								
Agriculture, forestry and fisheries (%)			10.9	9.8	9.4	9.8	8.3	8.6 p
Industry (%)			19.0	21.5	20.8	19.8	19.7	19.1 p
Construction (%)			6.1	6.2	6.5	6.0	6.4	6.7 p
Services (%)			64.1 i	62.6 i	63.4 i	64.3 i	65.5 i	65.7 pi
Final consumption expenditure, as a share of GDP (%)			92.0	80.1	79.5	82.8	83.6	84.9 p
Gross fixed capital formation, as a share of GDP (%)			23.5	20.0	21.0	21.6	23.5	23.5 p
Exports of goods and services, relative to GDP (%)			47.1	60.4	62.4	57.8	65.4	74.0 p
Imports of goods and services, relative to GDP (%)			66.1	72.8	76.2	70.5	81.3	94.9 p
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)			:	:	:	:	:	:

Business		Note	2011	2018	2019	2020	2021	2022
Industrial production volume index (2015 = 100)			90.6 w	109.2 w	113.2 w	102.4 w	103.9 w	:
Number of active enterprises (number)			53 645 w	58 231 w	58 765 w	58 570 w	59 122 pw	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)			12.2	8.4 b	8.5	8.0	:	:

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	9.3	7.6 b	8.4 p	7.3 p	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	77.3 iw	74.1 iw	73.7 iw	73.9 iw	73.5 iw	:
Value added by SMEs (in the non-financial business economy) (EUR million)	2 245 iw	2 895 iw	3 215 i	3 154 iw	3 588 iw	:
Total value added (in the non-financial business economy) (EUR million)	3 227	4 579	4 878	4 643 w	5089 pw	:

Inflation rate

Note	2011	2018	2019	2020	2021	2022
Consumer price index (CPI), change relative to the previous year (%)	3.2 d	2.3 d	0.7 d	1.2 d	3.4 d	14.0 d

Balance of payments

Note	2011	2018	2019	2020	2021	2022
Balance of payments: current account total (million euro)	- 189.3	22.4	- 334.7	- 318.0	- 329.0	- 797.4
Balance of payments current account: trade balance (million euro)	- 1 904.9	- 1 736.2	- 1 948.8	- 1 803.6	- 2 336.9	- 3 481.0
Balance of payments current account: net services (million euro)	359.2	370.9	335.7	423.7	497.9	751.9
Balance of payments current account: net balance for primary income (million euro)	- 131.1	- 450.7	- 519.6	- 411.5	- 519.5	- 568.4
Balance of payments current account: net balance for secondary income (million euro)	1 487.5	1 838.4	1 798.0	1 473.4	2 029.4	2 500.2
Net balance for primary and secondary income: of which government transfers (million euro)	76.6	109.1	43.2	110.0	138.5	59.1
**3 year backward moving average of the current account balance relative to GDP (%)	:	- 1.1	- 1.2	- 1.9	- 2.9	- 3.9
**Five year change in share of world exports of goods and services (%)	:	51.6	38.4	37.9	25.3	19.1
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)	344.6 w	603.7 w	363.3 w	154.7 w	387.5 w	654.2 w
Foreign direct investment (FDI) abroad (million euro)	- 0.2 w	10.4 w	35.5 w	46.7 w	83.0 w	90.8 w
of which FDI of the reporting economy in the EU-27 countries (million euro)	:	0.4	27.2	31.3	59.7	67.3 w
Foreign direct investment (FDI) in the reporting economy (million euro)	344.4 w	614.1 w	398.8 w	201.4 w	470.5 w	745.0 w
of which FDI of the EU-27 countries in the reporting economy (million euro)	283.7 w	291.2 w	220.2	42.3	449.7	519.6 w
**Net international investment position, relative to GDP (%)	- 52.6 w	- 56.2 w	- 57.3 w	- 63.6 w	- 61.2 w	- 62.5 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	2.6 iw	1.9 iw	:	:	:	:

Public finance

Note	2011	2018	2019	2020	2021	2022
General government deficit / surplus, relative to GDP (%)	:	:	:	:	:	:
General government gross debt relative to GDP (%)	:	:	:	:	:	:
Total government revenues, as a percentage of GDP (%)	:	:	:	:	:	:
Total government expenditure, as a percentage of GDP (%)	:	:	:	:	:	:

Financial indicators

Note	2011	2018	2019	2020	2021	2022
Gross external debt of the whole economy, relative to GDP (%)	64.2 i	73.0 i	72.4 i	78.7 i	80.9 i	82.8 pi
Gross external debt of the whole economy, relative to total exports (%)	140.8 w	121.4 w	117.0 w	136.3 w	123.0 w	111.9 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	1 034.7 w	2 436.7 w	2 857.4 w	3 314.2 w	3 605.5 w	3 830.2 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)	3 412.0 w	5 237.6 w	5 552.3 w	5 791.4 w	6 277.8 w	6 880.7 w

People employed in the private sector as a share of total employment, persons aged 20–64 (%)	6)	74.5 w	76.9 w	76.8 w	75.6 w	74.4 w	:
Unemployment rate: proportion of the labour force that is unemployed (%)		31.4	20.8	17.3	16.4	15.7 w	:
Male unemployment rate (%)		31.8	21.3	16.5	16.7	16.4 w	:
Female unemployment rate (%)		30.8	19.9	18.4	15.9	14.6 w	:
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		55.3	45.4	35.6	35.7	36.4 w	:
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		25.9	15.5	12.4	12.4	12.5 w	:
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		36.0	23.1	23.7	21.4	22.8 w	:
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		19.5	16.6	13.3	12.9	11.3 w	:
Social cohesion							
Average nominal monthly wages and salaries (national currency)	Note	20 847 w	24 276 w	25 213 w	27 182 w	28 718 w	31 859 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		98 w	106 w	109 w	116 w	119 w	115 w
GINI coefficient		:	:	:	:	:	:
Poverty gap		:	37.7	32.0	34.9	:	:
*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 (%)		13.5	7.1	7.1	5.7	4.6 w	:
Standard of living							
Number of passenger cars relative to population size (number per thousand population)	Note	2011	2018	2019	2020	2021	2022
Number of mobile phone subscriptions relative to population size (number per thousand population)	7)	152.0	200.0	205.0	207.0	260.0 b	264.0
Mobile broadband penetration (per 100 inhabitants)	7)	1 104.9 ew	935.9 w	924.8 w	896.8 w	902.7 w	:
Fixed broadband penetration (per 100 inhabitants)	7)	:	60.9 w	65.1 w	66.1 w	67.6 w	:
	7)	:	19 w	22 w	23 w	23 w	:
Infrastructure							
Density of railway network (lines in operation per thousand km ²)	Note	2011	2018	2019	2020	2021	2022
Length of motorways (kilometres)		27.5 iw	26.9 i	26.9 i	26.9 i	26.9 i	26.9 i
		259	287	335	335	335	335
Education, innovation and research							
Public expenditure on education relative to GDP (%)	Note	2011	2018	2019	2020	2021	2022
*Gross domestic expenditure on R&D relative to GDP (%)		:	:	:	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		0.22 iw	0.36	0.37	0.37	:	0.38
		:	:	:	:	:	:
Percentage of households who have internet access at home (%)		:	79.3	81.6	79.4	83.7	:

Environment		Note	2011	2018	2019	2020	2021	2022
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		8)	117.1 w	79.5 w	118.7 w	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)			379.5	267.1	283.8	270.3	266.5	267.0
Electricity generated from renewable sources relative to gross electricity consumption (%)			14.8	24.8	23.8	23.5	21.8	24.5
Road share of inland freight transport (based on tonne-km) (%)			91.8 w	97.2 w	96.7 w	96.9 w	96.8 w	98.1 w

Energy		Note	2011	2018	2019	2020	2021	2022
Primary production of all energy products (thousand TOE)			1 756	1 148	1 160	992	886	1 041
Primary production of crude oil (thousand TOE)			0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)			1 410	800	860	685	552	711
Primary production of gas (thousand TOE)			0	0	0	0	0	0
Net imports of all energy products (thousand TOE)			1 424 i	1 513 i	1 664 i	1 649 i	1 823 i	1 728 i
Gross inland energy consumption (thousand TOE)			3 122	2 592	2 862	2 597	2 677	2 741
Gross electricity generation (GWh)			6 759	5 607	5 870	5 347	5 532	5 933

Agriculture		Note	2011	2018	2019	2020	2021	2022
Agricultural production volume index of goods and services (at producer prices) (2015 = 100)			93.5 w	105.1 w	99.0 w	102.2 w	92.2 w	:
Utilised agricultural area (thousand hectares)			1 120.2	1 264.1	1 264.6	1 270.5	1 268.8	1 265.1
Livestock numbers: live bovine animals (thousand heads, end of period)			:	256.0	219.0	222.0	178.0	165.0
Livestock numbers: live swine (thousand heads, end of period)			:	196.0	136.0	164.0	186.0	182.0
Livestock numbers: live sheep and live goats (thousand heads, end of period)			:	844.0 i	771.0 i	726.0 i	709.0 i	726.0 i
Raw milk available on farms (thousand tonnes)			:	478.5	456.1	461.1	389.2	388.0
Harvested crop production: cereals (including rice) (thousand tonnes)			561.2	605.3	569.6	585.5	568.9	548.4
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)			710.1	792.9	772.7	794.2	798.0 p	803.1

Source: Eurostat and/or the statistical authorities in North Macedonia

: = not available

b = break in series

d = definition differs

e = estimated value

p = provisional

i = 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) The public sector includes data for 'Other' (mixed, collective, state, undefined).

6) The new IESS regulation has not been implemented

7) Source: Agency for electronic communications (AEC).

8) Part of the greenhouse gas inventory prepared in the context of the Fourth National Communication (UNFCCC).

