



EUROPEAN POLICY INSTITUTE - SKOPJE

# FLYING ON THE SPOT OR A FREE FALL

Commentary  
following the  
European Commission Report  
on the Republic of Macedonia

from 9 November 2016

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## European Policy Institute - Skopje

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## RECOMMENDATION - "FLYING ON THE SPOT"

The Pržino agreements and the agreement on the elections represent an opportunity for the country's leaders to finally overcome the long-lasting crisis, address systemic rule of law issues and put the country firmly back onto the EU path. The recommendation to open EU accession negotiations in the 2016 EC Report on the Republic of Macedonia is **frozen and once again conditioned**, just like last year. The Commission conditions the recommendation to start the negotiations with:

The Pržino agreements and the agreement on the elections represent an opportunity for the country's leaders to finally overcome the long-lasting crisis, address systemic rule of law issues and put the country firmly back onto the EU path.

- progress in the implementation of the Pržino Agreements, primarily organising **credible elections**;
- significant progress in the implementation of the **urgent reform priorities**.

In comparison to **last year**, the report illustrates "flying on the spot", because (the absence) of a recommendation was in the same package, but this year the organising of credible elections is emphasised as a condition.

In this way the Commission validates the *Pržino Process and the Agreement for Early Parliamentary Elections*, in which the European institutions have also invested a lot of efforts. Just like last year, a compromise is made between the criticisms and the need to give an incentive for reforms by giving another chance.

The EC believes that these processes represent "an opportunity for the country's leaders to finally overcome the long-lasting crisis, address systemic rule of law issues and put the country firmly back onto the EU path."

The recommendation that the government should go back to the EU agenda is also emphasised in the assessment that "the quality of the European integration coordination system is decreasing due to lack of political will to implement EU-related reforms."

Unlike the other countries , which are advancing towards the EU, both this year as well as last year, we have been backsliding

### Where do we stand in the region?

In comparison to the region, unlike the other countries which in their own way are advancing towards the EU, both this year as well as last year, we have been backsliding. While the conditions imposed to them are decreasing, the conditions

for us are increasing. For instance, Albania at the moment also has a conditional recommendation to start the negotiations, but with much less in number and much more precise conditions. In our case the process is opposite, we started with an "unconditional recommendation" and the conditions are now growing.

## THE REFORMS ARE IN FREE FALL

### Political criteria: a state capture

One of the harshest assessments this year is the concern with the **state capture**, in particular due to the capture of institutions such as judicial bodies, regulatory agencies and media outlets, as well as the key social sectors - key for the governances, but also with a prominent position in the conclusions of the Enlargement Strategy.

The EC questions the functioning of the **checks and balances** system in the Republic of Macedonia. The EC believes that the Assembly has failed in playing its role of ensuring oversight of the executive power. The justice system is not independent, and the authorities show no willingness to resolve this issue. The oversight of the executive by the regulatory and supervisory bodies is also limited since according to EC they are not free of political pressures.

Instead, **the civil society's** important role in support of democratic processes and ensuring the checks and balances system is recognised. The role of the civil society is increasingly underlined with each new Report, with special emphasis on the initiative of a group of CSOs for Urgent Democratic Reforms.

Repeatedly the report mentions **the lack of political will on the part of the authorities for implementing the reforms and the urgent reform priorities**. In addition, the absence of political will is also seen as the reason for significant reduction of EU financial assistance (EUR 27 million from IPA in 2016).

For the implementation of the **urgent reform priorities** a limited advance has been established, but this is the second year in a row that backsliding has been noted in the key area of judiciary.

In regard to judiciary and fight against corruption the EC emphasises that in these areas there have been ongoing reforms for a decade, and that the political influence has seriously undermined the previous results. In this way the EC recognises that the Republic of Macedonia for a long period had been the leader in the reforms, but now there are ongoing processes that are destroying those achievements.

**Judiciary: a destroyed decade of reforms;- backsliding for the second year in a row**

The capacity of the regular anti-corruption institutions in addressing high profile cases, according to EC, is undermined by political influence. In that sense for the first time they are demanding review of the status and the composition of the SCPC for the purpose of improving its transparency and independence.

On the other hand, **the Special Public Prosecutor's Office (SPO)** is the only body that is assessed as proactive in investigating high profile cases, but it is faced with lack of cooperation on the part of the institutions. Consequently, the EC recommends full support and resources to be provided to SPO.

The importance of the **Ohrid Framework Agreement** review is emphasised, which needs to be completed in a transparent and inclusive manner. VMRO-DPMNE so far has distanced itself from the review, but the Commission repeatedly brings it back on the agenda.

Following the back to the *fundamentals* approach a significant portion of the Report is dedicated to the **public administration**, stating that the politicisation of the administration and the use of the public sector as a political instrument continue to be of concern.

Even though the human rights legal framework for years now have been assessed as solid, systematic violations of the international human rights standards in penitentiary facilities are underlined. This assessment is closely linked to the criticism about police ill-treatment that has been lingering for years, due to which the EC recommends establishing of an independent oversight mechanism.

Please see the Summary of the 2015 and 2016 Political Criteria Recommendations in Annex 1.

Please see the Summary of the 2011 to 2016 Evaluations of the Political Criteria in Annex 2.

## Economic criteria: no progress

This year the section on the economic criteria is thoroughly reviewed, both in the Western Balkans context and additionally in regard to the national economic reform programmes.

**Inadequate policy mix  
of the Government**

In regard to the economic criteria EC also concludes that there has not been any progress. In comparison to the reports from few years ago, Macedonia then was closer to getting a status of a free market economy.

While the positive assessment of the **macroeconomic stability** remains, the old pains of the high unemployment rate (regardless of the drop in the percentage) remain, as well as the low level of competitiveness of the domestic private sector. Last year's criticism about the discretionary policy enforcement is repeated.

There is even harsher criticism of the **country's external debt rising** – both public and private. Apart from that, this year, the Commission emphasises especially the share of **state-owned enterprises** in increasing the public debt.

The **criticism of the economic policies is explicit** – it states that the policy mix does not fully address the economic challenges.

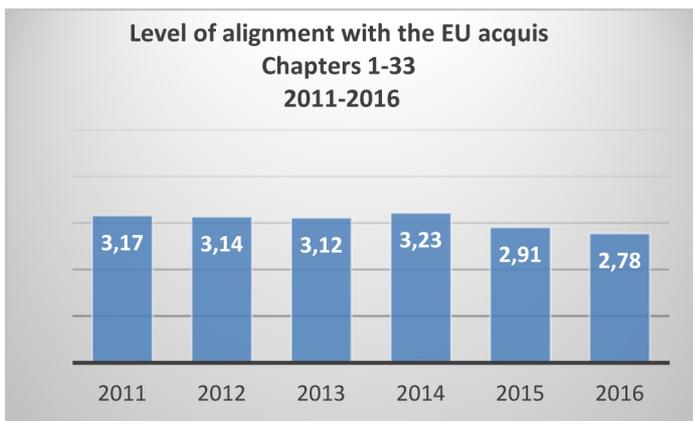
EC is more critical than "Doing Business", so it still considers that the failure to implement agreements is a problem for the business environment.

A Summary of the Economic Criteria Evaluation is provided in Annex 3.

## Ability to assume membership obligations (acquis): decreased alignment with the EU acquis

The new EU approach was introduced in 2015 and incorporated to these reports. This year the pilot areas also cover issues related to the economic development, such as free movement of goods, competition, transport and energy, areas under Chapter 24 (migrations, border control, asylum and fighting terrorism), as well as environment.

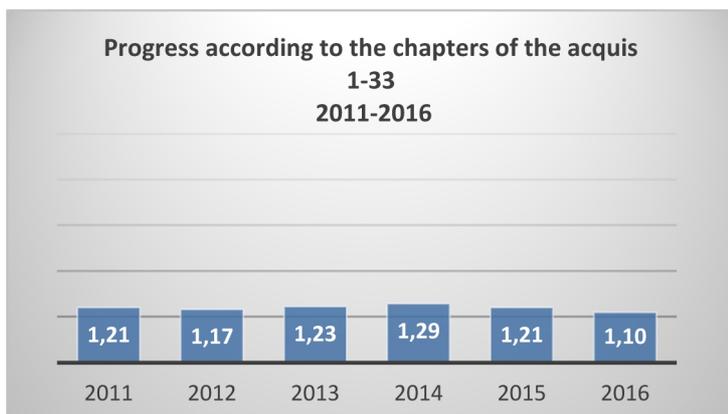
### Macedonia today is less prepared for EU membership than before



There is no positive change in the status of any of the chapters – on the contrary for one chapter the degree of its alignment is lowered (environment – from “moderately prepared” to “some level of preparation”). This tendency has been evident since 2014, when the level of alignment was also lowered for the Chapter on public procurements, in which this year it is stated that there was no progress. This chapter is especially important for the rule of law.

Hence, the analysis of the level of harmonisation of the legislation of the Republic of Macedonia with the *EU acquis*, according to the EC reports, shows tendency of dropping. This was the only aspect in which we used to be leaders in comparison to the other states, but now we also losing that “leading position”. In most of the chapters related to the harmonisation with the EU acquis the assessment is “moderately prepared”, but also that there is only moderate or no progress since last year.

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This year again, the European Commission has not assessed the country in any of the chapters as highly prepared.

A Summary of the evaluation of the ability to assume the obligations of membership per chapter is given in Annex 4,<sup>1</sup> while the elaboration on the evaluations is given in Annex 5.

<sup>1</sup>The summary provides numerical valorisation of the evaluations in the past years in order to adapt to the new EC methodology and to ensure its implementation.

## IPA: the support corresponds the reforms

EUR 117 million have not been absorbed from IPA I (EUR 640 million), and probably this figure will increase. The country has not started with the implementation of IPA II. The Commission identifies as the main problem the government's inability or unwillingness to prepare substantial reforms in "key areas". That is why the EU reduced the IPA 2016 financial assistance by approximately EUR 27 million.

**There is no willingness or capability to use the European funds**

## FINAL OBSERVATIONS

1. The Republic of Macedonia is the only country in the region that shows backsliding in the reforms in regard to all three criteria for EU accession.
2. The utterly critical report should be seen as an incentive to "revive" the recommendation for negotiations, but conditioned with a long list of obligations for conducting reforms, apart from having credible elections in December 2016.
3. The Government will be able to stop the steep backsliding of the state, which is illustrated in this EU report, only by undertaking a serious platform of reforms and by demonstrating a capacity to implement it resulting in building a vision and a programme for changes in the Macedonian society.

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**Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016**

2.1. Democracy	Elections	
2015	2016	
<ul style="list-style-type: none"> <li>- Full implementation of the OSCE/ODIHR recommendations before holding of next elections.</li> </ul>	<p>Ahead of the early parliamentary elections, work must continue to ensure conditions for a credible electoral process (such as preventing and investigating the intimidation of voters, ensuring separation of state and party activities, balanced media reporting and continuously updating the voters' list) and to address the OSCE/ODIHR3 recommendations.</p>	
	<p>Efforts should continue to enhance the capacities of the State Election Commission.</p>	
Parliament		
<ul style="list-style-type: none"> <li>-Implementation of the recommendations from the Inquiry Committee for the events related to 24 December 2012.</li> </ul>	<p>The focus needs to be on active participation of all parliamentary parties, proper consultation and impact assessment prior to the enactment of legislation, credible functional oversight of the work of government and the intelligence services, establishing political accountability for the illegal wiretaps, and the capacity to monitor the protection of human rights and fundamental freedoms in the country.</p>	

**Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016**

2.1. Democracy	Governance	
2015	2016	
	<p>- <b>The government needs to restore credibility by implementing robust reforms,</b></p>	
<p>all independent regulatory, supervisory and advisory bodies need to be able to carry out their functions proactively, effectively and free from political pressure and without exercising inappropriate political self-restraint or interpreting their own mandate in an excessively formal way. These bodies include the State Election Commission, the State Commission for the Prevention of Corruption, the Agency for Audio and Audiovisual Media Services, the Office of the Ombudsman, the Judicial and Prosecution Councils and the State Audit Office.</p>		
	<p>preparing and holding credible elections, committing to and implementing all obligations under the Pržino Agreement.</p>	
	<p>The Ohrid Framework Agreement needs to be reviewed in an inclusive and transparent manner and any resulting recommendations implemented.</p>	

**Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016**

2.1. Democracy	Civi society	
2015	2016	
The national authorities should involve civil society in policy-making and legislation in a more regular and effective manner.		
	Both government and non-governmental actors should cooperate more constructively.	
	The state must ensure relevant legal, financial and policy frameworks to ensure the functioning of civil society. ОПШТЕСТВО.	
Oversight of the intelligence services		
All the recommendations from the Urgent Reform Priorities on oversight and reforms.		

## Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016

### 2.2. Public administration reform

2015	2016
address serious concerns about the politicisation of public service; ensure full implementation of the principles of transparency, merit and equitable representation, including introduction of an improved human resources management information system)	address serious concerns about politicisation of the public service; ensure full implementation of the principles of accountability, transparency and merit (as provided for in the 'Urgent Reform Priorities' as well as the law)
suspend and review the implementation of the Law on Transformation of Temporary Positions into Permanent Contracts until the principle of merit is fully observed	suspend and review the implementation of the law on transformation of temporary positions into permanent contracts until the principle of merit is fully observed (as per the 'Urgent Reform Priorities');
adopt a public administration reform strategy and a public financial management reform programme, which will address the weaknesses identified, including budget transparency.	adopt a public administration reform strategy and a public financial management reform programme, which will address the weaknesses identified, including budget transparency.

### 2.3. Rule of Law

#### Judiciary

2015	2016
depoliticisation the appointment and promotion systems in practice, not only in law;	depoliticise the appointment and promotion systems in practice, not only in law;
providing full support and resources to the Special Prosecutor;	provide full support and resources to the Special Prosecutor;
reforming of the existing discipline and dismissal system for judges;	reform the discipline and dismissal system for judges, in line with EU and Venice Commission recommendations
adopting of a new Judicial Reform Strategy and action plan addressing remaining shortcomings in a sustainable manner;	develop a serious justice sector reform strategy and action plan addressing remaining shortcomings in a sustainable manner;
improving the strategic planning, needs assessment, resource management and allocation within the judiciary.	improve strategic planning, needs assessment, resource management and allocation within the justice sector, including within the Ministry of Justice

**Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016**

2.3. Rule of Law	Fight against corruption	
2015	2016	
<p>demonstrating real political will in the fight against corruption in the form of autonomous and effective measures by law enforcement and supervisory bodies, notably the State Commission for Prevention of Corruption;</p>	<p>demonstrating real political will by providing law enforcement with necessary autonomy, specialised staff and equipment and by defining clearly specific objectives and indicators to measures achievements or failures</p>	
	<p>reviewing the status and composition of the State Commission for Prevention of Corruption (SCPC) to make it more transparent, merit-based and independent from political parties;</p>	
<p>increasing the visibility of anti-corruption measures and the results achieved to improve public awareness and trust;</p>	<p>improving public awareness and trust in the fight against corruption by increasing the visibility of anti-corruption measures and the results achieved</p>	
<p>developing a credible track record on fighting high level corruption;</p>	<p>developing a credible track record on fighting high-level corruption, including asset recovery (as per the 'Urgent Reform Priorities');</p>	
<p>creating an effective framework for the protection of whistle-blowers, in line with European standards and best practices.</p>	<p>implementing an effective legal framework for the protection of whistle-blowers, in line with European standards (as per the 'Urgent Reform Priorities') and Venice Commission recommendations.</p>	

**Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016**

2.3. Rule of Law	Fight against organised crime	
2015	2016	
<p>establishing a sound track record on combating money laundering, and improving capacity and expertise to carry out financial investigations and asset confiscations on a more systematic basis;</p>	<p>establishing an improved track record on combating money laundering and improving capacity and expertise to carry out financial investigations and asset confiscations on a more systematic basis;</p>	
<p>stepping up efforts to improve cooperation between the various law enforcement agencies by bringing the National Coordination Centre for the Fight against Organised Crime into full operation;</p>	<p>establishing an independent, external and transparent oversight mechanism for the police;</p>	
<p>revising the legal and technical framework for intercepting communications, and increasing the effectiveness of special investigative measures for genuine law enforcement purposes (Urgent Reform Priorities).</p>	<p>stepping up efforts to improve cooperation between the various law enforcement agencies by bringing the National Coordination Centre for the Fight against Organised Crime into full operation;</p>	
	<p>revising the legal and technical framework on intercepting communications and increasing the effectiveness of special investigative measures for genuine law enforcement purposes (as per the 'Urgent Reform Priorities').</p>	

**Appendix 1: Overview of recommendations of the political criteria for 2015 and 2016**

2.4. Human rights		Freedom of expression	
2015		2016	
ensuring full transparency on government advertising and develop a mechanism for unpaid public service announcements of a true public interest character.		show tangible results of ongoing reforms within the Public Broadcaster, aiming at addressing lack of political independence and lack of balanced reporting ('Urgent Reform Priorities');	
enforcing, at political level, the exercising of appropriate self-restraint by politicians and public officials not to resort to defamation actions, in line with ECtHR case law		ensure full transparency on government advertising, not only on the spending of public finances but also on its recipients and contents ('Urgent Reform Priorities');	
ensuring that the public has access to objective and accurate reporting and a variety of viewpoints through the mainstream media, particularly the public service broadcaster.		ensure that the public has access to objective and accurate reporting and a variety of viewpoints through the mainstream media, particularly the public service broadcaster;	
		all media stakeholders should assume their respective responsibility for professional conduct.	

## Appendix 2: Overview of conclusions and assessments in the political criteria 2011-2016

Criterion/ SubCriterion/Chapter	I.1.1. Democracy and Rule of Law	score
2011		
2012		
2013		
2014		
2015	<p>2.1 Democracy                      This year the former Yugoslav Republic of Macedonia has faced its worst political crisis since 2001. In response, the Commission issued 'Urgent Reform Priorities' based partly on its previous recommendations and partly on recommendations provided by a group of independent senior rule of law experts brought in to analyse the situation. In response, the Commission issued 'Urgent Reform Priorities' based partly on its previous recommendations and partly on recommendations provided by a group of independent senior rule of law experts brought in to analyse the situation.</p> <p>2.1 Демократија                      the Commissioner, with the help of three members of the European Parliament, facilitated a political agreement in June/ July. So far, not all elements of the agreement have been implemented and a number of deadlines have been missed. The leaders also committed to implement all of the Commission's recommendations on systemic rule of law issues (Urgent Reform Priorities); implementation of these has slowly been started, but without sufficient results to date.</p>	
2016	<p>2.1 Democracy                      The reporting period was marked by the continuing political crisis and the partial implementation of the 2015 Pržino Agreement. Although some deadlines were met, most were late and required constant involvement and support from the EU and the US. Some key commitments remained unfulfilled. Although work on these has started, limited progress was made on the concrete implementation of the 'Urgent Reform Priorities', primarily due to a lack of political will. The deep political crisis, which arose from the 2015 revelations of wide-spread illegal interceptions of communications (wiretaps) and their serious content, continued in 2016. The President's decision to pardon 56 individuals charged or allegedly involved in the wiretaps was subsequently rescinded in the face of strong domestic and international protests. Overall, democracy and the rule of law continue to be challenged, in particular due to the capture of institutions such as judicial bodies, regulatory agencies and media outlets. The country suffers from a divisive political culture and a lack of capacity for compromise.</p> <p>2.1 Демократија                      Narrow party interests continue to prevail over the interests of the country and its citizens on key issues. These recent accords, including notably on the preparation and holding of credible elections, are an opportunity for the country's leaders to finally overcome the long-standing crisis, address systemic rule of law issues and put the country firmly back onto the EU path.</p>	

Criterion/ SubCriterion/Chapter	<i>Constitution</i>	score
2011		
2012		
2013	<p>Constitution: - a need for further improvements in the quality of legislation -the Venice Commission raised potential concerns over, among other things, the initiation of lustration measures a long time after the start of the democratisation process, the misuse of political, ideological or party reasons as grounds for lustration measures and the application of lustration measures</p>	
2014	<p>The package of amendments was prepared in a very short time and without the necessary implementing legislation. They need to be based on broad consensus. The EU is performing an additional analysis of Its compatibility with the EU acquis There are also concerns in recent years that affect the independencei of the Constitutional Court.</p>	
2015	<p>Constitutional changes were proposed by the government in a broad range of areas, despite the absence of the main opposition party from parliament. Neither the proposed changes, nor related implementing legislation, have been adopted by parliament as the two-thirds majority could not be reached.</p>	
2016		

Criterion/ SubCriterion/Chapter	<i>Elections</i>	score
2011	Progress in the conduct of elections. The elections were competitive, transparent, and well-administered throughout the country.	3
2012	Delivered legislation in Parliament for consideration	3
2013	The OSCE/ODIHR found that they were efficiently administered. The OSCE/ODIHR reported, however, that allegations of voter intimidation and misuse of state resources persisted throughout the election campaign. Following the local elections, work on the outstanding OSCE/ODIHR recommendations has continued in two working groups on the electoral legislation and the voters' lists.	
2014	OSCE/ODIHR media monitoring showed that the majority of monitored media, including the public broadcaster, was biased in favour of the ruling party, and that the media often failed to distinguish between the coverage of officials in their capacity as ministers and as candidates. The State Election Commission met almost all of its obligations and held regular sessions, but continued to be divided along party lines on contentious issues. Concerns were also raised about the management and accuracy of the voters' list. During summer 2014, two working groups tasked with the implementation of recommendations of the OSCE/ODIHR resumed.	
2015	Shortcomings regarding elections, previously signalled by OSCE/ODIHR, and other suspicions, were reflected by the content of the intercepted communications. The relevant Urgent Reform Priorities need to be implemented.	
2016	Ahead of the early parliamentary elections, work must continue to ensure conditions for a credible electoral process (such as preventing and investigating the intimidation of voters, ensuring separation of state and party activities, balanced media reporting and continuously updating the voters' list) and to address the OSCE/ODIHR recommendations. Efforts should continue to enhance the capacities of the State Election Commission. Greater transparency is needed to increase citizens' trust in its work.	

Criterion/ SubCriterion/Chapter	<i>Political dialogue</i>	score
2011	Some progress	1
2012		1
2013		
2014	It is the responsibility of both government and opposition to ensure that political debate takes place primarily in parliament and to contribute to creating the conditions for its proper functioning.	
2015	The breakdown in political dialogue and difficulties in arriving at consensus on issues highlighted once again the divisive political culture in the country.	
2016	The country suffers from a divisive political culture and a lack of capacity for compromise. Narrow party interests continue to prevail over the interests of the country and its citizens on key issues.	

Criterion/ SubCriterion/Chapter	Parliament	score
2011	Some progress	1
2012	Parliament's functioning was affected by the political crisis which erupted on 24 December.	1
2013	Parliament's functioning was affected by the political crisis which erupted on 24 December. The work of the Committee of Inquiry into the events of 24 December 2012 highlighted the importance of achieving political consensus through constructive dialogue and compromise. Dialogue between the political parties in parliament needs to be improved.	
2014	The functioning of Parliament continued to be hindered by the lack of constructive political dialogue and the ongoing deep divisions between the political parties. The absence of most opposition MPs from parliament hampered its work on adopting new reforms, and its ability to provide the necessary checks and balances on the activities of government.	
2015	The ongoing crisis has underlined the need for parliament to substantially improve its performance as a forum for constructive political dialogue and representation, as well as its legislative and oversight functions. This needs to include credible functional oversight of the work of the intelligence services and the capacity to monitor the protection of human rights and fundamental freedoms in the country. The absence of the main opposition party for most of the reporting period diminished the quality of reforms and hindered the operation of checks and balances.	
2016	The ongoing crisis underlined once again parliament's weak legislative and oversight functions and the need to substantially improve its performance as a forum for constructive political dialogue and representation. The focus needs to be on active participation of all parliamentary parties, proper consultation and impact assessment prior to the enactment of legislation, credible functional oversight of the work of government and the intelligence services, establishing political accountability for the illegal wiretaps, and the capacity to monitor the protection of human rights and fundamental freedoms in the country.	

Criterion/ SubCriterion/Chapter	Governance (criteria from 2015)	score
2011		
2012		
2013		
2014		
2015	<p>The governance of the country was strained by the ongoing political crisis and called into question by revelations of unethical behaviour, illegal activities and even potential criminal offences. Only limited political responsibility was taken through the resignation of two ministers and the head of the intelligence service. Failures of oversight by key bodies need to be addressed and all independent regulatory, supervisory and advisory bodies need to be able to carry out their functions proactively, effectively and free from political pressure. Interethnic tensions underlined the need to fully implement the Ohrid Framework Agreement.</p>	
2016	<p>Serious challenges to the democratic governance of the country continued, raising concerns about state capture of institutions and key sectors of society. Independent regulatory, supervisory and advisory bodies were not able to carry out their functions proactively, effectively and free from political pressure, leading to limited oversight of the executive.</p> <p>The government needs to restore credibility by implementing robust reforms, preparing and holding credible elections, committing to and implementing all obligations under the Pržino Agreement.</p> <p>The Macedonian government made limited progress in implementing the 'Urgent Reform Priorities', accepted in June 2015. Backsliding continued in some critical areas of the rule of law.</p>	

Criterion/ SubCriterion/Chapter	Government	score
2011	The government coalition has overcome difficulties and strengthened its internal cooperation	2
2012	Cooperation within the government coalition has continued and has been successful in putting the accession process at the centre of the political agenda. Maturity in dealing with inter-ethnic tensions	1
2013	The government has remained stable and has continued its commitment to EU-related reforms, which remain high on its agenda. There should be a more consensus-based approach to politics. A greater distinction is needed between political parties and state structures.	
2014	In general, the Macedonian government needs to function better as a unit in order to take proactive joint measures to increase trust between communities. With respect to EU integration activities and EU assistance, the office of the Deputy Prime Minister for European Affairs plays a key role. The use of administrative registries is being considered as an alternative methodology to a population census, which was not carried out in 2011 due to disagreements about the methodology for counting citizens abroad. The use of an alternative methodology would require broad cross-party consensus. The coalition government needs to work in a more integrated, coordinated and transparent manner, in order to take proactive measures on national, inter-community and EU-related issues. Actions should be taken to address OSCE/ODIHR concerns about the blurring of state and governing parties.	
2015	The government coalition of the VMRO-DPMNE5 and DUI6 remained stable, though severely strained by the crisis. In May it lost its two-thirds majority, required for key decisions, with the defection of an MP from the DOM7 party from the VMRO-DPMNE coalition due to political fall-out from the revelations. The decentralisation of government is of particular importance as it is a key element of the Ohrid Framework Agreement. One municipality (Plasnica) has still not completed the second phase of fiscal decentralisation. Some progress has been made with the adoption of the strategic decentralisation programme for 2015-2020 and its action plan. However, the decentralisation process needs to be improved. The Secretariat for European Affairs continues to consult civil society, including on financial assistance-related matters, the preparation of the High Level Accession Dialogue being a good example.	
2016	Following the Pržino Agreement, SDSM ministers joined the interim government in November 2015 and deputy ministers from VMRO-DPMNE and SDSM, with veto rights on election-related matters, were appointed to several ministries. However, obstructionism and lack of cooperation on all sides were reported in these cross-party ministries. There has been limited government commitment to dialogue with CSOs. Their involvement in policy-making and legislative drafting remains insufficient, although some further efforts were made by the Secretariat for European Affairs. Some 89 CSOs expressed serious concerns about the process for establishing the Council for Cooperation between the government and civil sector, in particular over the lack of a proper consultative process and the selection process of civil society representatives. Local government continued to lack the capacity to cooperate with CSOs.	

Criterion/ SubCriterion/Chapter	<i>Civil society</i>	score
2011		
2012		
2013		
2014	<p>An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by the government. There have been formal improvements in terms of legislation and consultation mechanisms, but civil society organisations continue to express concern about the difficult climate in which they operate.</p>	
2015	<p>Although some progress was made, civil society organisations (CSOs) have continued to express serious concerns about the difficult climate in which they operate. They report being subject to harsh criticism by politicians and pro-government media, and a limited government commitment to dialogue. During the political crisis of 2015, CSOs often played a constructive role by organising numerous peaceful protests across ethnic lines, and demanding greater accountability of politicians. Civil society also demonstrated cross-ethnic unity in the aftermath of the tragic Kumanovo events of spring 2015. At the same time, political polarisation and divide can still be observed between CSOs supporting the government and those opposing it. The national authorities should involve civil society in policy-making and legislation in a more regular and effective manner.</p>	
2016	<p>No progress was made in addressing last year's recommendations. The environment in which civil society organisations (CSOs) operate worsened. The national authorities must consult and engage with civil society to find a way out of the crisis by better involving CSOs in policy-making, legislative process and in discussions resulting in concrete actions. Both government and non-governmental actors should cooperate more constructively. The state must ensure relevant legal, financial and policy frameworks to ensure the functioning of civil society.</p>	

Progress: 0

Criterion/ SubCriterion/Chapter	<i>Oversight of the intelligence services</i>	score
2011		
2012		
2013		
2014		
2015	<p>In theory, the country has a system of oversight in place, which has not functioned in practice. Sufficient responsibility has not been taken for the serious failings within the intelligence service to prevent the illegal interception. The clear recommendations on both oversight and reform of the intelligence services in the 'Urgent Reform Priorities' must be implemented.</p>	
2016	<p>The two oversight committees chaired by the opposition (one on security and counter-intelligence and one on interception of communications) began their work in September 2015. They visited the Bureau for Security and Counterintelligence (UBK) and other services, but did not perform any effective oversight.</p> <p>The clear recommendations on both oversight and reform of the intelligence services in the 'Urgent Reform Priorities' were not implemented. The oversight system is still not fully functional, in particular as regards the intelligence services. Work on intelligence sector reform was finally launched in October 2016 with external support.</p>	

Criterion/ SubCriterion/Chapter	Public Administration	score
2011	Progress in the legislative framework, the progress in implementing the reforms was limited.	1
2012	Some progress	1
2013	The work has continued on a new legislative framework for public employment to unify the rules and enshrine fundamental principles of transparency and merit. Additional efforts are needed to guarantee the professionalism and independence of the public administration, and equitable representation.	
2014	Public administration remains fragmented and subject to political influence, despite progress on legislation. Additional efforts are needed to ensure that the principles of transparency and accountability, merit and equitable representation are applied. Fiscal transparency needs to improve.	
2015	The country is moderately prepared with the reform of its public administration. It made some progress on legislation and improvement of service delivery to citizens and businesses. Concern about politicisation has been heightened by the content of the leaked wiretaps and delay in fully implementing the new legal framework. Strong political will is necessary to guarantee the independence of administration and respect for the principles of transparency, merit and equitable representation. In the coming year, the country should in particular:	Moderate prepared (3) and Some Progress (1)
2016	The country is moderately prepared with the reform of its public administration. There was some progress, although limited, over the past year. The implementation of the new legal framework on human resources management started. However, there has been insufficient commitment to implement the Commission's 2015 recommendations. Ineffective accountability lines, the use of the public sector as a political instrument, allegations of pressure exerted on public employees and alleged politicisation of administration in an electoral year continue to be of concern. Furthermore, the lack of political commitment to deliver on necessary reforms in public financial management led to a significant reduction of EU financial assistance in 2016. Strong political commitment is necessary to guarantee the independence of the public administration and respect for the principles of transparency, merit and equitable representation. In the coming year, the country should in particular: - address serious concerns about politicisation of the public service; - ensure full implementation of the principles of accountability, transparency and merit (as provided for in the 'Urgent Reform Priorities' as well as the law); - suspend and review the implementation of the law on transformation of temporary positions into permanent contracts until the principle of merit is fully observed (as per the 'Urgent Reform Priorities'); - adopt a public administration reform strategy and a public financial management reform programme, which will address the weaknesses identified, including budget transparency.	

Criterion/ SubCriterion/Chapter	Judiciary	score
2011	Limited progress	1
2012	Generally, some progress; progress in efficiency, further efforts are needed to guarantee independence and impartiality in practice	1
2013	Chapter 23: Some progress has been made in the field of the judiciary, further improvements are needed to ensure the independence of the judiciary in practice and to address the problem of lengthy court proceedings.	
2014	Chapter 23: The country has already completed the majority of reforms and has established the necessary legal and administrative structures in this area. However, there is a risk of back-sliding in some areas, including the judiciary and the fight against corruption. There is structural versus functional independence of judges. The quality of justice and standards for servicing citizens need to be improved. One of the key challenges is growing concern about the impact on selectivity and judicial bodies with special powers. The presumption of innocence is not fully understood and respected by the authorities. There are doubts in and out of the country for possible political impact of certain litigation.	
2015	The country's judicial system has some level of preparation. However, the situation has been backsliding. Achievements of the last decade's reforms are being undermined by real and potential political interference in the work of the judiciary. Outstanding issues already identified in previous reports remain to be addressed. The 'Urgent Reform Priorities' set out what the country needs to do to avoid further backsliding. The legislative and institutional structures which are already in place need to be put to use, in good faith and in the spirit intended.	

Prepared: 2, Progress: -1

The country's judicial system has some level of preparation. However, backsliding continued and this constitutes a serious concern. The reforms of the last decade continued to be undermined by political interference in the work and appointment of the judiciary. There was no progress on last year's recommendations or on the outstanding issues already identified in previous reports and the 'Urgent Reform Priorities'. The work of the Special Prosecutor must not be obstructed. In the coming year, the country should in particular: - depoliticise the appointment and promotion systems in practice, not only in law; - provide full support and resources to the Special Prosecutor; - reform the discipline and dismissal system for judges, in line with EU and Venice Commission recommendations; - develop a serious justice sector reform strategy and action plan addressing remaining shortcomings in a sustainable manner; - improve strategic planning, needs assessment, resource management and allocation within the justice sector, including within the Ministry of Justice.

Criterion/ SubCriterion/Chapter	<i>Fight against corruption</i>	score
2011	Limited progress	1
2012	Little visible progress	1
2013	Chapter 23: The legislative framework is in place, efforts are needed to ensure proper follow-up of cases referred to the public prosecution service and improve the effectiveness of courts both in terms of sanctioning and speed of proceedings.	
2014	Chapter 23: There is a risk of back-sliding in the fight against corruption. The legal and institutional framework of the country gradually grows successfully particularly in conducting investigations, prosecution and convictions. Unsatisfactory level of strategic planning and execution of key areas - procurement, political corruption and high-level corruption. Increased political commitment is of great importance. Selective enforcement of the legal framework and political influence on the process. Public confidence in the bodies that implement policies for fight against corruption is still low. Corruption continues to be prevalent in many areas and continues to be a serious problem.	
2015	Chapter 23 The country has some level of preparation in the fight against corruption, having set up the necessary legislative and institutional framework over the last decade as well as developing a track record on both prevention and prosecution. No progress has been achieved in the past year on the outstanding issues identified. Corruption remains widespread. The capacity to effectively address it is currently being undermined by a lack of political will and political interference in the work of the relevant bodies, which is hampering their ability to act proactively and non-selectively, especially in high-level cases.	
2016	The country has some level of preparation. The legislative and institutional framework has been developed over a decade, as well as a track record on both prevention and prosecution. No progress was achieved in the past year on the outstanding issues or on last year's recommendations. Corruption remains prevalent in many areas and continues to be a serious problem. A significant slowdown was noted in both prevention and repression activities. The capacity to effectively tackle corruption continued to be undermined by political interference in the work of relevant bodies, hampering their ability to act proactively and non-selectively, especially in high-level cases ('Urgent Reform Priorities').	

In addressing the shortcomings outlined below, the country should pay particular attention in the coming year to:

- demonstrating real political will by providing law enforcement with necessary autonomy, specialised staff and equipment and by defining clearly specific objectives and indicators to measures achievements or failures;
- reviewing the status and composition of the State Commission for Prevention of Corruption (SCPC) to make it more transparent, merit-based and independent from political parties;
- improving public awareness and trust in the fight against corruption by increasing the visibility of anti-corruption measures and the results achieved;
- developing a credible track record on fighting high-level corruption, including asset recovery (as per the 'Urgent Reform Priorities');
- implementing an effective legal framework for the protection of whistle-blowers, in line with European standards (as per the 'Urgent Reform Priorities') and Venice Commission recommendations.

Criterion/ SubCriterion/Chapter	<i>Fight against organized crime (a new area since this year)</i>	score
2011		
2012		
2013		
2014		
2015	<p>The country has achieved some level of preparation in the fight against organised crime. No progress has been made. The legislative framework is broadly in line with European standards. The general capacity to deal with organised crime was increased by establishing specialised units both in the police and the public prosecution office. However, more still needs to be done to improve the effectiveness of law enforcement in this area.</p>	Prepared: 2, Progress: 0
2016	<p>The country has achieved some level of preparation in the fight against organised crime. The legislative framework is broadly in line with European standards. No progress was made specifically on last year's recommendations. A separate Unit for Economic Crime and Corruption was established at the Ministry of the Interior. However, more still needs to be done to improve the effectiveness of law enforcement in this area. In addressing the shortcomings outlined below, the country should pay particular attention in the coming year to: - establishing an improved track record on combating money laundering and improving capacity and expertise to carry out financial investigations and asset confiscations on a more systematic basis; - establishing an independent, external and transparent oversight mechanism for the police; - stepping up efforts to improve cooperation between the various law enforcement agencies by bringing the National Coordination Centre for the Fight against Organised Crime into full operation; - revising the legal and technical framework on intercepting communications and increasing the effectiveness of special investigative measures for genuine law enforcement purposes (as per the 'Urgent Reform Priorities').</p>	Prepared: 2, Progress: 0

Criterion/ SubCriterion/Chapter	<i>Fight against terrorism (new area)</i>	score
2011		
2012		
2013		
2014		
2015	<p>CHAPTER 24</p> <p>The country has been affected by the phenomenon of foreign terrorist fighters and radicalisation. A comprehensive and effective strategy is needed to prevent and counter radicalisation, in close cooperation with religious leaders and communities, social and frontline workers, the education system and youth organisations. The phenomenon of foreign terrorist fighters needs a dedicated approach by the intelligence and law enforcement community and a coherent judicial policy towards offenders.</p>	
2016		

Criterion/ SubCriterion/Chapter	<i>Observance of international human rights law</i>	score
2011	There is a legal framework, incomplete institutional framework; Limited progress, the implementation of legal framework was uneven.	1
2012	Limited progress in the promotion and enforcement of human rights	1
2013	Chapter 23: Further progress was made with the ratification of the Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse and the signing of the Third Optional Protocol to the Convention on the Rights of the Child.	
2014	Chapter 23: Further progress	
2015	<p>CHAPTER 23: The legal framework for protecting human rights is broadly in line with European standards, but more focus needs to be placed on implementing it. The various bodies involved in protecting and promoting human rights lack sufficient staff and financial resources and sometimes coordinate poorly. General weaknesses in the implementation of human rights standards affect the most vulnerable and marginalised groups in society, including children and juveniles, disabled persons, the Roma and the LGBTI community.</p> <p>Shortcomings particularly affect the following areas: The prison system continues to be heavily underfunded, understaffed and mismanaged, which leads to systemic breaches of international human rights standards. Police impunity needs to be addressed by establishing an independent oversight mechanism and investigating complaints of ill-treatment seriously and thoroughly. Despite improvements to the legislative framework, problems in the area of the freedom of expression persist in practice.</p>	
2016	<p>The legal framework for protecting human rights is broadly in line with European standards, but laws are sometimes not fully or correctly applied. The bodies involved in protecting and promoting human rights lack sufficient staff and financial resources, they coordinate poorly and, in some cases, are not considered independent.</p> <p>Weaknesses in the implementation of human rights standards continue to affect primarily the most vulnerable and marginalised groups in society, including children and young people, people with disabilities, Roma and LGBTI people.</p>	

Shortcomings particularly affect the following areas:

- Serious practical problems persist over freedom of expression due to uneven implementation of the law and political interference.
- The prison system continues to be heavily understaffed and mismanaged, resulting in systemic breaches of international human rights standards.
- The establishment of an independent oversight mechanism is a recurrent demand, which has still not been addressed, necessary ensure that complaints of police ill-treatment are investigated seriously and thoroughly.

Criterion/ SubCriterion/Chapter	Civil and political rights with focus on the freedom of expression and independent media.	score
2011	Limited progress	1
2012	Some further progress was made	1
2013	Further progress was made with the ratification of the Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse and the signing of the Third Optional Protocol to the Convention on the Rights of the Child.	
2014	The overall framework for the protection of fundamental rights is in place but more focus needs to be placed on its effective implementation. The situation as regards freedom of expression continues to be highly problematic. There is indirect state control of media output through government advertising and government-favoured (and favourable) media outlets.	
2015	Tthis year the focus is on freedom of expression. The country has some level of preparation regarding freedom of expression. The legislative framework has been overhauled in recent years and is aligned with both the acquis and international standards. Nevertheless, the freedom of expression and the media remains a serious challenge in the current media culture and political climate. The country continued to backslide over the past year. tic. There is indirect state control of media output through government advertising and government-favoured (and favourable) media outlets.	Prepared: 2, Progress: -1
2016	TThe country has some level of preparation. The legislative framework is broadly aligned with both the acquis and international standards, although further reforms have been called for within the country. Freedom of expression and the situation of the media remain a serious challenge in the current political climate. There was no progress in this area over most of the past year. Relevant figures on government advertising, which can constitute a tool to exercise influence over broadcasters, have still not been made public by the authorities. Balanced and diversified reporting by the mainstream media is still lacking, although there were some encouraging signs over the summer in terms of reporting by the public broadcaster and some private channels. In the coming year the country should in particular: - show tangible results of ongoing reforms within the Public Broadcaster, aiming at addressing lack of political independence and lack of balanced reporting ('Urgent Reform Priorities'); - ensure full transparency on government advertising, not only on the spending of public finances but also on its recipients and contents ('Urgent Reform Priorities'); - ensure that the public has access to objective and accurate reporting and a variety of viewpoints through the mainstream media, particularly the public service broadcaster; - all media stakeholders should assume their respective responsibility for professional conduct.	Prepared: 2, Progress: 0

Criterion/ SubCriterion/Chapter	<i>Economic, social and cultural rights</i>	score
2011	Social and economic rights are broadly in place, and some further progress was made.	1
2012	Some progress	1
2013		
2014	Some progress	
2015	Despite many difficulties, labour and trade union rights are generally respected. Trust in social dialogue both among employers and employees should be strengthened as well as the capacity of social partners in policy shaping.	
2016		

Criterion/ SubCriterion/Chapter	Protection from discrimination	score
2011		
2012		
2013	No progress	
2014	<p>As regards the rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) persons, the violent incidents against the LGBTI Support Centre have not been repeated. Nevertheless, the perpetrators of these incidents are yet to be prosecuted. Considerable efforts are needed to increase awareness of and respect for diversity within society, and to counteract the intolerance perpetuated through the media and social networks. Data on the reporting, investigation and prosecution of hate speech and hate crime is not collected systematically and training of law enforcement, prosecutors and judges needs to be stepped up. The Law on Prevention and Protection against Discrimination still needs to be aligned with the EU acquis as it does not prohibit discrimination on the grounds of sexual orientation.</p>	1
2015	<p>The legislative framework still needs to be aligned with the acquis as regards discrimination on grounds of sexual orientation. Much greater efforts are needed to raise public awareness of the Commission's role and work. It remains understaffed and under-resourced and concerns persist about its independence. Lesbian, gay, bisexual, transgender and intersex (LGBTI) persons continue to suffer discrimination and homophobic media content, both online and offline. In August parliament rejected a draft amendment to the anti-discrimination legislation, which would have prohibited any form of direct or indirect discrimination on the grounds of sexual orientation and gender identity.</p> <p>Considerable efforts are still needed to raise awareness of and respect for diversity within society and to counter intolerance. This needs to be done through public campaigns and training of law enforcement bodies, prosecutors, judges and health workers.</p> <p>Despite calls by civil society organisations and the international community for the perpetrators to be prosecuted, none of the attacks has yet been fully investigated.</p>	
2016		

Criterion/ SubCriterion/Chapter	Minority rights, and protection of the minority and cultural rights	score
2011	Some progress	1
2012	Some progress	1
2013	Still hampered by limited financial resources, inadequate cooperation between the institutions, the need for proactive implementation of relevant policies (e.g. Roma Strategy) limits the progress in respect and protection of minorities.	
2014	Progress on the protection of minorities continues to be hampered by insufficient financial and human resources and inadequate cooperation between the authorities concerned. A more proactive approach is needed to guarantee the ethnic, cultural and linguistic identities of all communities.	
2015	The new Roma strategy for 2015-20 was adopted. The Ministry of Labour and Social Policy's unit for implementing Roma policy was strengthened. However, the most disadvantaged Roma still have problems accessing social benefits due to their lack of administrative documentation. Hardly any progress can be reported in terms of political representation, media coverage in the Roma language and the status of the Roma language in municipalities with a Roma majority. Segregation, stereotyping and other forms of discrimination remain prevalent. Complaints have been registered by Roma prevented from leaving the country. A large number of them live in substandard conditions and their access to education, housing, health and employment remains a concern.	
2016		

Criterion/ SubCriterion/Chapter	Implementation of the Ohrid Framework Agreement	score
2011	Some progress	1
2012		
2013	The Ohrid Framework Agreement (OFA) has been in force in 2001, but progress is still needed on systemic issues relating to decentralisation, non-discrimination, equitable representation, use of languages and education.	
2014	"Lack of trust between the communities," and that "events and incidents easily cause tensions." Proactive and collaborative approach by the Government is needed to promote inclusive multi-ethnic society. A review of the implementation of the Ohrid Framework Agreement is still incomplete and the resulting recommendations have not yet been published.	
2015	The Ohrid Framework Agreement continues to provide a basis for inter-community relations. The Directorate for education in communities' languages and the Directorate for the promotion of culture of the communities also continue to be inadequately funded and staffed. Inter-institutional cooperation remains weak. Systemic measures to ensure that all communities can exercise their ethnic, cultural and linguistic rights remain largely donor-funded. Limited use was made of the new policy measures to promote interethnic relations under the integrated education strategy. Measures against separation along ethnic lines in schools are insufficient. Multiple forms of discrimination against the nonmajority communities persist and action to combat stereotyping, including in the media, remains ineffective.	
2016	Decentralisation of government is a key element of the OFA. Central budget underfunding and low capacity of local tax collection compromise the capacity of some municipalities to carry out their obligations. The legal framework for local self-government needs to be reviewed. Another essential part of the OFA is balanced regional development. On this point, a 2016-2019 action plan envisages a more transparent and balanced distribution of national funds. The 2016 budget for regional development has doubled and the 2017 budget envisages another increase, but this will still be insufficient. The Ohrid Framework Agreement needs to be reviewed in an inclusive and transparent manner and any resulting recommendations implemented. With international support, the State Secretariat for the Implementation of the OFA, prepared a report with recommendations and submitted it to the government in December 2015. There has been no follow-up to date. Overall, the situation remained mostly calm. Inter-ethnic tensions caused by public displays of religious and ethnic symbols were calmed by community and political leaders.	

Criterion/ SubCriterion/Chapter	I. 1.3. Regional issues and international obligations	score
2011	Constructive partner in the region. Bilateral relations with neighbouring and other enlargement countries continued to improve. The name issue continues to affect relations with Greece.	2
2012	Participated actively in regional cooperation initiatives; has maintained an overall constructive role as regards bilateral relations with neighbouring Member States and other enlargement countries. Relations with partners in the Western Balkans were further developed. Relations with Greece remained affected by the name issue.	2
2013	Participated actively in cooperation and further developing bilateral relations with its neighbours. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue remains essential. Open issues remain in the negotiation of a bilateral agreement with Bulgaria. A constructive approach to relations with neighbours remains important and actions and statements which could negatively impact good neighbourly relations should be avoided.	
2014	Participated actively in regional cooperation and further developing bilateral relations with its neighbours. The name issue continues to affect relations with Greece. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue remains essential. Open issues remain in the negotiation of a bilateral agreement with Bulgaria.	
2015	Actively participate in regional initiatives. Fresh impetus has been given to regional cooperation by the Berlin Process, with the Western Balkan Six (WB6) intensifying cooperation among themselves and with the EU. Macedonia has continued to play a generally constructive role in bilateral relations with other countries seeking to join the EU and with neighbouring EU Member States. Relations with Bulgaria and Greece continued to be affected by open issues. In view of the name issue with Greece, it is essential to undertake decisive steps for the resolution of this issue. Although there were no formal talks on this issue, The Greek Foreign Minister took the initiative to visit Skopje for the first time in 11 years and the two sides agreed on a number of important confidence-building measures.	
2016	Regional cooperation and good neighbourly relations form an essential part of the country's process of moving towards the EU. The country has continued to participate actively in regional initiatives such as the South East Europe Cooperation Process (SEECP), the Regional Cooperation Council, CEFTA, the Western Balkans Six, the Energy Community Treaty, the European Common Aviation Area Agreement, the Central European Initiative (CEI), the Regional Initiative for Migration and Asylum (MARRI) and RECOM. The country remained constructively committed to bilateral relations with other enlargement countries and neighbouring EU Member States. Relations with Bulgaria continued to be affected by differences, primarily about the interpretation of history. A number of high-level visits took place. Relations with Greece continued to be affected by the name issue. There were no formal talks on this issue under the auspices of the UN during the reporting period. The foreign ministers met in bilateral and multilateral formats. The confidence building measures have started to produce tangible results.	

Criterion/ SubCriterion/Chapter	<i>General assessment regarding political criteria</i>
2011	Continues to sufficiently meet the political criteria
2012	Continues to sufficiently fulfil the political criteria
2013	Continues to sufficiently fulfil the political criteria
2014	Overall, given the cumulative progress the country has achieved, the Commission considers that the political criteria continue to be sufficiently met and maintains its recommendation to open accession negotiations but regrets the backward steps of the past year.
2015	In the light of the progress made so far in the implementation of the June/July political agreement, the Commission is prepared to extend its recommendation to open accession negotiations with the former Yugoslav Republic of Macedonia. This shall, however, be conditional on the continued implementation of the June/July political agreement and substantial progress in the implementation of the urgent reform priorities. This issue shall be addressed again after the elections.
2016	Recent positive steps in the context of the Pržino Agreement provide a real opportunity for political leaders to finally overcome the long-standing crisis and address systemic issues. In light of this, the Commission is prepared to extend its recommendation to open accession negotiations with the former Yugoslav Republic of Macedonia. This shall, however, be conditional on progress with the implementation of the Pržino Agreement, notably the holding of credible parliamentary elections and substantial progress in the implementation of the Urgent Reform Priorities.

2011	In some areas, it has made further progress towards becoming a functioning market economy, notably by facilitating company registration accelerating judiciary procedures, improving the functioning of financial markets, further simplifying the regulatory framework and improving communication with the business community.
2012	In some areas, it has made further progress towards becoming a functioning market economy.
2013	The country remains well advanced and, in some areas, has made further progress towards becoming a functioning market economy.
2014	The former Yugoslav Republic of Macedonia remains well advanced and, in some areas, made some further progress in the establishment of a functioning market economy.
2015	The former Yugoslav Republic of Macedonia has a good level of preparation in developing a functioning market economy. Overall, no progress was made.
2016	The former Yugoslav Republic of Macedonia has a good level of preparation in developing a functioning market economy. However, no progress was made during the reporting period

2011

A broad political consensus on the fundamentals of economic policy has been maintained.

2012

A broad political consensus has been maintained on the fundamentals of economic policy.

2013

A broad consensus on the fundamentals of economic policies was maintained.

2014

The political consensus on the fundamentals of a market economy was maintained, but economic policy and public expenditure management remain driven by ad hoc concerns rather than the long-term requirements of the economy.

2015

The government remained committed to pursuing market-based economic reforms, attracting FDI and developing the private sector.

2016

The government remains committed to promoting growth and employment by market-based economic policies.

2011	Economic activity started to regain strength and depth since autumn 2010. However, government spending for construction played an important part in the strong rise of gross fixed capital formation.
2012	Economic activity has decelerated since autumn 2011, although private consumption and investment remained rather resilient in view of the markedly weaker international environment.
2013	The renewed growth of the economy remains narrowly based on investment, with only gradual strengthening of the external sector and also marginal support from private consumption.
2014	Output growth needs to be more broadly based, and external imbalances are likely to widen again temporarily in view of investment-related imports.
2015	The macroeconomic environment strengthened further, but key vulnerabilities remained a source of concern.
2016	Economic expansion accelerated in 2015, but has slowed down in 2016 in the context of a political crisis.

2011	<p>Fiscal policy was oriented towards achieving its fiscal target, despite lower than expected revenue performance. The spending profile maintained its focus on transfers, although lowering its current spending for goods and transfers. Capital spending was raised slightly, however the growth and employment stimulating effect of this investment was reduced by the high import content of the spending.</p>
2012	<p>Fiscal policy remained geared to meeting the deficit target, although due to a weaker-than- expected revenue performance the fiscal target had to be raised in autumn 2012. Budgetary planning and execution have deteriorated and the quality of public spending continues to be low.</p>
2013	<p>Fiscal governance and fiscal discipline deteriorated and would benefit from the implementation of a medium-term strategy.</p>
2014	<p>Fiscal discipline needs to be improved, and there is significant scope for enhancing fiscal transparency. The government's fiscal consolidation plans need to be underpinned by concrete measures.</p>
2015	<p>Fiscal discipline slipped again in 2014 and 2015, pointing to a need to improve medium-term expenditure planning.</p>
2016	<p>Public debt levels have been rising fast.</p>

2011	Some further progress has been achieved in reducing barriers to market entry and exit.
2012	Some further progress was made on facilitating market entry and exit.
2013	While business registration and operation was further facilitated, weaknesses in bankruptcy and liquidation procedures continue to pose a significant impediment to investment and access to finance.
2014	While setting up a business has become slightly easier, difficulties remain as regards obtaining permits. Market exit remains lengthy, although the government has taken some reform steps in the right direction.
2015	Setting up a business became slightly easier, but market exit remained cumbersome and complicated.
2016	Business development suffers from weak and uneven law enforcement.

2011	<p>The functioning of the legal system has improved, which should have a positive impact on the business and investment climate. However, weaknesses in the rule of law, particularly in the judiciary, which is characterised by slow procedures, insufficient resources and unreliable enforcement of contracts, and the prevalence of corruption, continue to adversely affect the business environment.</p>
2012	<p>The functioning of the legal system has continued to gradually improve. However, weaknesses related to lengthy procedures, corruption and difficult contract enforcement are continuing to hamper the business environment..</p>
2013	<p>The legal system for a functioning market economy is largely in place, yet weaknesses related to lengthy procedures, contract enforcement and corruption remain.</p>
2014	<p>The legal system for a functioning market economy is largely in place, but inefficiencies arise in practice from lengthy procedures hampering enforcement of laws. Frequent changes of laws create legal uncertainty.</p>
2015	<p>Frequent legal changes, uneven implementation of laws and difficult contract enforcement burdened business operations.</p> <p>Cooperation between the government and the business sector has declined in recent years</p>
2016	<p>Institutional capacities to enforce the law are weak. The sizeable shadow economy is an important obstacle to business</p>

2011	As a result of the crisis, the role of the state has increased, while state ownership has remained concentrated mainly on telecommunication, energy and public utilities.
2012	Privatisation is largely completed and the economy is mainly driven by market forces.
2013	The economy is mainly driven by the private sector, with the role of the state remaining limited, even though share of the public ownership increased slightly.
2014	The state's share in the economy's assets and in price setting remains moderate.
2015	The public sector's share of the economy remained largely unchanged.
2016	The public sector's share of the economy remains contained, yet discretionary policy enforcement by the government creates concerns. Energy prices are still largely set by the Energy Regulatory Commission.

2011	State influence on competitiveness remained limited.
2012	State influence on competitiveness remained limited.
2013	While state aid laws have been strengthened, there is a lack of transparency about implementation details and amounts due to shortcomings in reporting.
2014	Against the overall background of a low share of the state in the economy's assets, improved state aid legislation, and further deregulation of the electricity market, the state's influence on competitiveness through the implementation of other policy instruments seems to have increased.
2015	While the government's share of economic assets remained moderate, its influence on private sector competitiveness through regulations and subsidies is rising.
2016	

2011	
2012	
2013	
2014	
2015	
2016	The privatisation process is at an advanced stage. In 2015, there were no further privatisations, and the number of enterprises in full or partial state ownership remained unchanged from a year earlier.

2011	<p>The financial sector continued its gradual process of deepening and widening. However, the level of financial intermediation and competition in the market are still low, impeding more dynamic growth in the private sector, particularly for SMEs. Furthermore, some regulatory and supervisory agencies have not yet reached a sufficient level of independence, resource endowment and leverage.</p>
2012	<p>The trend towards further deepening and widening of the financial sector continued. However, the levels of financial intermediation and competition in the market are still low, constraining more dynamic growth in the private sector, particularly for SMEs. Furthermore, some regulatory and supervisory agencies continued to be impeded by insufficient levels of resource endowment and leverage.</p>
2013	<p>The financial sector remained well capitalised and liquid. However, credit growth was sluggish and non-performing loans increasingly pose a challenge.</p>
2014	<p>The financial system remains stable, and supervisory capacities have been further strengthened. However, access to finance continues to be difficult, and the non-banking segments of the market need to be further developed, with a view to widening funding opportunities for the private sector. Measures should continue to be taken to repair the bank lending channel, including by fostering the clean-up of non-performing loan portfolios.</p>
2015	<p>The banking sector remained stable despite high levels of non-performing loans.</p>
2016	<p>The banking sector shows resilience in the face of lingering credit risk. The financial sector remains dominated by banks which account for about 90 % of the system's assets.</p>

2011	<p>The situation in the labour market has improved slightly, but unemployment continues to be very high, particularly among the young and less well educated.</p>
2012	<p>The situation in the labour market remains weak. Unemployment continues to be very high, particularly among the young and less educated.</p>
2013	<p>In spite of some incremental improvement in the official labour market figures, labour market policy had limited success in addressing the persistently high unemployment. Structural challenges in the labour market remain to be tackled.</p>
2014	<p>Reforms to tackle the structural rigidities of the labour market have made only limited progress. The employability of workers should be improved through structural measures as well as through better targeting of the active labour market measures.</p>
2015	<p>Labour market conditions remained burdened by structural impediments.</p>
2016	<p>Structural weaknesses hinder the functioning of the labour market. Labour force participation remained modest. The informal economy accounts for a large, but shrinking share of employment.</p>

2011	The country should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its reform programme in order to reduce significant structural weaknesses.
2012	The country should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its reform programme in order to reduce significant structural weaknesses.
2013	The country should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its reform programmes in order to reduce significant structural weaknesses.
2014	To cope with competitive pressures and market forces within the Union in the medium-term, the country needs to address important challenges through determined implementation of structural reforms.
2015	The economy is moderately prepared to cope with competitive pressures and market forces within the Union.
2016	The economy has a moderate level of preparation to cope with competitive pressures and market forces within the Union. Some progress was made to foster innovation and foreign investments and digitalisation is progressing fast.

2011	Measures to improve the level of qualification have continued. However, the still low level of education calls for further sustained efforts in order to improve the country's human capital endowment.
2012	Measures to improve qualification levels have continued. However, the still low level of education calls for further sustained efforts in order to improve the country's human capital endowment.
2013	There was some gradual progress in addressing reform needs in the education system.
2014	The government has made some progress in addressing the prevalent shortcomings in the country's human and physical capital endowment, but the challenges of the investment required to accelerate labour productivity growth and the structural transformation of the economy remain very large.
2015	The share of highly qualified workers in the economy is rising, but structural factors limit an increase in labour productivity.
2016	Higher education need reforms to address the skills gap.

2011

The country's capital stock continued to be low. Infrastructure improved, but it continues to require repair and modernisation.

2012

The country's capital stock remains low.

2013

The capital stock remains modest and public spending was not sufficiently focussed on growth-enhancing activities.

2014

The government should continue to improve the composition of spending, by prioritising investment projects according to their productive potential on the basis of cost-benefit evaluations.

2015

Public infrastructure is in need of modernisation

2016

The economy's capital stock is in need of modernisation. Regional connectivity in transport and energy is limited. The digitalisation of the economy is advanced.

2011	Structural change towards diversification and activities with higher value-added has remained limited. Competition in network industries remains constrained by dominant Incumbent suppliers. SMEs still face difficulties in accessing capital and markets despite increased support.
2012	Structural change towards diversification and activities with higher value added has remained limited. Competition in network industries remains constrained by dominant incumbent suppliers. SMEs still face difficulties in accessing capital and markets, despite increased support.
2013	The enterprise structure remained largely unchanged, with further SME development hampered mainly by difficult access to finance. There has been limited progress in tackling the large informal sector. Some gradual, further diversification of economic production is visible in terms of value added and exports.
2014	The sectoral and enterprise structure of the economy remains stagnant and focused on low-productivity activities. The recent increase in the number of large companies suggests that the share of more advanced manufacturing activities in the economy might strengthen somewhat in the coming years, but a genuine sectoral transformation remains elusive.
2015	The sectoral structure of the economy remained largely stagnant.
2016	The structural transformation of the economy is progressing slowly.

2011 Trade integration with the EU is well advanced, but exports remain concentrated on a few price-sensitive products. International price competitiveness remained largely unchanged.

2012 Trade integration with the EU is well advanced. The commodity composition of exports has improved, although traditional products, such as textiles, clothing and steel, still predominate. International price competitiveness remained largely unchanged.

2013 Trade integration with the EU is quite advanced. The export structure continues to improve, even though traditional manufacturing products still dominate. International price competitiveness remained largely unchanged.

2014 Trade linkages with the EU have increased further in 2013, both on the export and import side, and the EU continues to account for the bulk of foreign direct investment.

2015 Further progress was made in developing closer trade and investment links with the EU.

2016 The EU is an increasingly important export market and the major investment partner for the country.

## Appendix 4: Overview of conclusions and assessments of the fulfilment of the obligations for membership 2011-2016

Chapter	Progress						Preparedness					
	2011	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016
1. Free movement of goods	1	2	1	1	1	1	3	4	4	4	3	3
2. Freedom of movement for workers	1	1	1	1	1	1	1	1	1	1	1	1
3. Right of establishment and freedom to provide services	1	1	1	1	1	1	1	3	3	3	3	3
4. Free movement of capital	1	1	1	1	1	1	3	3	3	3	3	3
5. Public procurement	1	1	2	1	1	0	5	4	4	4	3	3
6. Company law	2	2	2	2	1	1	3	3	4	4	4	4
7. Intellectual property law	1	1	1	1	1	1	3	3	3	3	3	3
8. Competition policy	1	2	2	2	1	0	3	4	4	4	3	3
9. Financial services	2	1	1	1	1	1	3	3	3	3	3	3
10. Information society and media	1	1	1	2	1	0	3	3	3	3	4	4
11. Agriculture and rural development	1	1	1	1	1	1	3	3	3	3	3	3
12. Food safety, veterinary and phytosanitary policy	2	2	2	1	1	1	4	3	3	3	2	2
13. Fisheries	1	1	1	1	1	2	3	3	3	4	3	3
14. Transport policy	1	1	1	1	1	1	4	3	3	3	3	3
15. Energy	2	1	1	1	1	1	3	3	3	3	3	3
16. Taxation	1	1	1	1	1	1	3	3	3	3	3	3
17. Economic and monetary policy	3	1	1	1	1	1	4	4	4	4	3	3
18. Statistics	2	1	2	2	1	1	4	3	4	4	3	3
19. Social policy and employment	1	1	1	1	1	1	2	2	1	3	3	3
20. Enterprise and industrial policy	1	1	1	1	1	1	3	3	3	3	3	3
21. Trans-European Networks	1	1	1	1	2	2	4	3	4	4	4	4
22. Regional policy and coordination of structural instruments	1	1	1	1	0	1	3	3	2	2	3	3
23. Judiciary and fundamental rights	1	1	1	1	0	0	3	3	3	4	2	2
24. Justice, freedom and security	1	1	1	1	1	1	4	4	4	4	3	3
25. Science and research	1	1	2	2	2	1	2	2	2	3	4	4
26. Education and culture	1	1	1	1	1	1	3	3	3	3	3	3
27. Environment	1	1	1	1	1	1	3	3	3	3	3	2
28. Consumer and health protection	1	1	1	1	1	0	3	3	3	3	3	3
29. Customs Union	2	1	1	1	2	1	4	4	4	4	4	4
30. External relations	1	1	1	1	1	1	4	3	3	3	3	3
31. Foreign, Security and Defence Policy	2	2	3	1	1	1	5	5	5	3	3	3
32. Financial control	1	1	1	1	1	0	2	1	1	3	3	3
33. Financial and budgetary provisions	1	1	0	1	1	1	3	1	1	1	1	1

Note: EPI applies its own methodology. The final grade is based on the weighed values of chapters, taking into account the size and difficulty of each chapter.

## Explanation on the quantification of assessments of progress and alignment

### Assessment used for the Reports until 2014:

#### Progress

Recess	(-5)-(-1)
No progress; no further progress	0
No substantial progress; no visible progress; insufficient progress; slow progress; initial progress, limited progress	1
Little progress; modest progress, some progress	2
Progress; further progress	3
Good progress; visible progress; sustainable progress; satisfactory progress	4
Significant progress; important progress; substantial progress	5

#### Level of alignment:

<i>Assessment</i>	Numerical value
Not initiated	0
Early phase; very early phased; initial phase	1
Not very advanced; advances; slowly advances	2
Moderately advanced	3
Advanced; in an advanced phase	4
Well advanced	5

**Assessments in 2015 and 2016 in accordance to the methodology of the European Commission**

<i>Assessment- Progress</i>	Numerical value
Backsliding	(-5)-(-1)
No progress	0
Some progress	1
Good Progress	2
Very Good Progress	3

<i>Assessment- Alignment</i>	Numerical value
Not initiated	0
Early phase	1
<b>Some level of preparation</b>	2
<b>Moderately prepared</b>	3
Good level of preparation	4
Well advanced	5

**In order to ensure comparability of assessments under the new methodology of the European Commission, revaluation of assessments is done for the years until 2013.**

**Analyzes of the European Policy Institute for the previous reports of the European Commission are available at:**

- **2015:** <https://goo.gl/lQB99q> (MKD); <https://goo.gl/9r7ZTs> (ALB); <https://goo.gl/0F6L7Y> (ENG)
- **2014:** <https://goo.gl/pOji0I> (MKD); <https://goo.gl/eBjt4v> (ALB); <https://goo.gl/2RkFnU> (ENG)
- **2013:** <https://goo.gl/sBwze9> (MKD); <https://goo.gl/sBwze9> (ALB); <https://goo.gl/sBwze9> (ENG)
- **2012:** <https://goo.gl/5LkbqQ> (MKD); <https://goo.gl/5LkbqQ> (ALB); <https://goo.gl/ROcPl3> (ENG)
- **2011:** <https://goo.gl/6uWzI6> (MKD); <https://goo.gl/ikAhRx> (ALB); <https://goo.gl/f47DTe> (ENG)