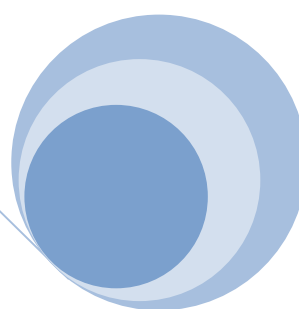


European Policy Institute, Skopje • Институт за европска политика - Скопје • Instituti për politikë

OVERSHADOWED RECOMMENDATION

Analysis of the European Commission 2014 Progress Report on the Republic of Macedonia

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An overshadowed recommendation

The conclusions of this year's European Commission's Progress Report on the Republic of Macedonia are by far the most critical, since the first publication of a regular report - the Stabilisation and Association Process Report 2003.

The recommendation has been maintained, however, it is darkly overshadowed. The key observations are that the Euro-integration process of the Republic of Macedonia has reached an impasse and that backsliding is evident.

Last year the focus was on the name issue, whereas this year it is on the internal politics, emphasizing the backsliding in the political criteria.

“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.”

The darkest shadow in this year's Report is the assessment that the most serious challenges have not only remained, but also increased, in particular regarding the ***“increasingly divisive political culture, serious concerns about increasing politicisation and government control over state institutions and media, and a still fragile inter-ethnic situation”***.

The recommendation has been maintained because of the cumulative “past efforts”, not because of the progress made in the last year. It is clear that the European Commission would like to give another chance to Macedonia. The outgoing Commissioner Stephan Füle was quite engaged in the Macedonian portfolio, through the accession dialogue and the attempt to revive the negotiations on the name issue with Greece. It would probably be too much to end the evident failure in both efforts with a withdrawal of the recommendation. Thus, Macedonia got another chance.

The Commission sustains the maintaining of the recommendation with the “cumulative progress” and the fact that the country “has completed the bulk of its reforms as regards the judicial system and the public administration” since becoming a candidate country in 2005, as well as the fact that it has achieved a high level of legislative alignment “in relation to where the country stands in the accession process”.

“The EU accession process for the Republic of Macedonia is at an impasse. Failure to act on the Commission's recommendation to the Council means that accession negotiations have still not been opened. At the same time, the government's failure to deliver sufficiently on a number of key issues damaged the sustainability of reforms, with backsliding evident in some areas.”

However, the following question arises: what is the result of these in-depth reforms that the European Commission has continuously supported and monitored, if the assessment

of this year's report on both areas is very critical, stating politicization of the public administrations and lack of independence of judiciary?

In the Conclusions, the Commission is focused on four critical points: politicization of the state institutions, the Government control of the media, inter-ethnic relations and the unresolved name issue dispute.

This contradiction in the case of Macedonia shows that the present model of the European Commission for monitoring and encouraging reforms in political criteria has serious deficiencies.

According to this year's Enlargement Strategy, the progress made in the accession process will be assessed by the European Commission on the basis of three pillars: 1) *Rule of law* - a portfolio of achievements in fulfilment of criteria and implementation in the Chapter 23 - Judiciary and Fundamental Rights and Chapter 24 - Justice, Freedom and Security; 2) *Economic governance and fiscal discipline* u 3) *Public administration reform*. It remains to be seen how the instruments of the

process will further develop. **Focus should shift from formal compliance to substantive respect of democratic standards and visible results of reforms.**

For the Republic of Macedonia the message is clear – this would be the last recommendation if the authorities fail to take decisive steps to resolve the “increased politicisation and growing shortcomings with regard to the independence of the judiciary and freedom of expression.”¹ These areas are obviously set as benchmarks for maintaining the recommendation.

Backsliding in key reform processes has been observed, in particular setbacks in freedom of expression and control of media, independence of judiciary and inconsistency in the fundamental rights system. All these issues are part of the Chapter 23 – Judiciary and Fundamental Rights and form the basis for launching negotiations. The fundamental question remains whether the country has the reform capacity for fulfilment of the fundamental benchmarks for opening of this chapter, in case of launching negotiations.

Benchmarks for maintaining the recommendation:

- *Depoliticization;*
- *Independence, competence and quality of justice*
- *Freedom of expression*

On the positive side, “certain further progress” in the “public administration reform” and the “active regional and international police cooperation” has been noted. Nonetheless, this positive assessment is overshadowed by the statement that “**fighting organised crime and corruption is fundamental to countering criminal infiltration of the political, legal and economic systems.**”

¹Enlargement Strategy and Main Challenges 2014-2015, Communication from the Commission to the European Parliament, Council, the European Economic and Social Committee and Committee of the Regions, p.23.

In this enlargement package, unlike last year, the Commission does not highlight the standpoint that a resolution of the name issue is necessary in the early stage of the negotiations, probably realizing the lack of feasibility for such a proposal to be adopted by the Council of the EU. The importance for finding a solution of the name issue dispute with Greece, as well as developing good neighbourhood relations with Bulgaria is reiterated. It seems that the Commission admits its inability to further contribute to resolving the name issue, and therefore it calls upon the “EU leaders for a proactive support.”

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Key findings

Political Criteria

In the conclusions for all areas of political criteria, the Commission does not use the standard terms (little progress, limited progress, progress etc.), but the assessments are given in a descriptive manner, following the approach applied for the first time last year. The state of affairs is described in a more detailed and factual way. Our comparison to the assessments of political criteria in 2013, shows sharper and more critical language in the 2014 Report, in particular regarding the freedom of expression and media and independence of judiciary. Terms, such as “serious concern”, “backsliding” in the Chapter 23 – Judiciary and Fundamental Right are used, as well as “government control”, “blurring of state and government parties”, and “government control over certain judicial cases”.

- The political crisis between the Government and the opposition parties shows that the “party interests are increasingly prevailing over national interest.” Probably, neither the Government, nor the opposition will not be fully satisfied with the wordings regarding the present parliamentary crisis, since the responsibility is located both in the Government, and in the opposition: “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.” Nevertheless, the Government is responsible “to ensure that the opposition has the possibility to fully perform its democratic control function”, and the opposition “to engage constructively in the democratic processes”.² *Taking into account the key findings, the Report practically legitimizes the reasons for the opposition boycott, but not the boycott itself.*
- The Report is rather sustained regarding the constitutional amendments, but it is underlined that any amendment of the Constitution has to be based on a broad consensus. Concern has been expressed, as well, that the changes in the composition of the Constitutional Court in recent years affected its independence and that “it started to delay and compromise on decisions”.
- The assessment of the efficiently administered elections is overshadowed by the lack of a level playing field because of the lack of separation between the party and the state, voter intimidation and biased media reporting.

² Commission Staff Working Document for the Republic of Macedonia Progress Report, Communication from the Commission to the European Parliament, Council, the European Economic and Social Committee and Committee of the Regions, p.7-8.

- The Government is recommended to work “in a more integrated, coordinated and transparent manner, in order to take proactive measures on national, inter-community and EU-related issues.” This recommendation implies that the present way of dealing with these crucial matters is considered non-integrated and uncoordinated. Furthermore, the Government is required “to complete the process of decentralisation of government and to support local development.”
- Contrary to the progress made in the legislation, the public administration is characterized as “fragmented and subject to political influence.”
- The Report highlights that the free and empowered civil society has a crucial role in every democratic system and its role has to be recognized and treated as such by the Government. The positive role of part of the civil society in promotion of the structural cooperation with the Secretariat for European Affairs for IPA2, in which the European Policy Institute participates with six partner organizations, has been recognized.
- Judiciary is the critical area in this year’s Report. Contrary to the legal and institutional reforms in compliance with the European standards and increased efficiency, independence and the quality of judicial decisions are questioned, and “selective justice” is noted. The Commission does not refer to particular court cases.
- Beside the positive assessment of the established legal and institutional framework and the dossier of anticorruption cases, the danger of backsliding in this area is emphasized, pointing out the areas in which attention should be paid: public procurement, political corruption and high-level corruption.
- The fundamental rights framework is in place, but the focus should be placed on effective implementation. The situation of freedom of expression is qualified as “highly problematic” and further deteriorating. The qualifications continue with “state control of media output through government advertising”, “a scarcity of truly independent reporting, a lack of accurate and objective information” and “a lack of open public debate.” Thus, it is clear why this area has been set as a benchmark for maintaining the recommendation.
 - The provided information that the court judgments upholding claims of defamation “have been relatively low in number and have been relatively conservative in their award of damages” is quite interesting, but there are exceptions which refer to “public figures” which sends a “damaging message” for the freedom of expression. A recommendation is given to the Government, as well as the journalists, to develop non-judicial means for resolution of such cases, and that the journalists and “public figures” lead by example. Although names are not mentioned, the highest authorities are easily recognizable.

The Commission recommends the Government to work “in a more integrated, coordinated and transparent manner on national, inter – community and EU – related issues.”

- As regards the rights of the LGBT persons, it is stated that “the lack of new violence does not justify the non-instigation of the proceedings against the liable ones from the last year’s incidents”. The conclusion that the Law on Prevention and Protection against Discrimination should be aligned with the *acquis* is reiterated.
- The condition of the Roma community is assessed as extremely critical – deep poverty and poor social and economic conditions, in spite of the adopted strategy and support, mainly from donor funding.
- The Report finds space for improvement of the implementation of the Ohrid Framework Agreement – non-discrimination, fair representation and use of languages and education. The employment of non-majority communities without specifying defined posts and often “at the expense of the principle of merit” is criticized. From the critical cases, the Report refers to the protests regarding the “Monstrum” case and those related to the murder in Gjorce Petrov. Although the joint efforts of the coalition parties are positively assessed, proactive promotion of the inter-community relations is requested.
- Interethnic relations are one of the key areas stated in the Conclusions for the Republic of Macedonia. It is assessed that “a lack of trust between communities” dominates, and that “tensions can be easily sparked by events or incidents.” The Government was recommended to take a proactive approach in establishment of an inclusive multi-ethnic society. The need to complete the Ohrid Framework Agreement’s review, and implement its recommendations is underlined.
- The assessment regarding the neighbourly relations, this time, is diversified - contrary to the perceived “good relations with other enlargement countries and an active role in the regional cooperation”, the importance of a “constructive approach with the neighbouring EU member states” is highlighted, thus, avoiding the assessment of the approach. The recommendation to avoid activities and statements which could negatively impact neighbourly relations is reiterated.

Interethnic relations remain at the center of attention. In order to overcome the insufficient trust among communities, a “proactive approach of the Government” is needed.

Overview of the key findings, compared for the period 2011-2014, is given in the Appendix 1.

Economic criteria

Last year’s assessment that Macedonia is well advanced, as well as the evaluation that further progress has been made with regard to the economic criteria remains. However, the country still fails to fulfil economic criteria.

In spite of the assessed progress in economic recovery, the Commission reports on “structural rigidities” and the fact that “***economic policy and public expenditure management remain driven by ad hoc concerns rather than the long-term requirements of the economy.***”

The European Commission warns that the output growth needs to be more broadly based, and that external imbalances are likely to widen.

Investments in fiscal discipline, as well as in transparency and quality of the public spending in 2013 and 2014 have been noted. However, this year, too, it is pointed out that the quality of the public spending should be improved by shifting the composition of capital expenditures towards enhancing investments.

Economic recovery has limited impact on unemployment, which remains high especially among young people.

The Commission criticizes the continued increase in the levels of government and public debt, and it expresses concern about the long-term sustainability of the debt.

The Report concludes that the legal system for a market economy is largely in place, but it reiterates the assessment for inefficiencies in practice and in enforcement of laws, as well as the legal uncertainty caused by frequent changes of laws.

The stability of the financial system and strengthening of its supervisory capacities is positively assessed; however, the need to widen funding opportunities for the private sector is underlined.

The Report highlights the “emerging dichotomy in the country’s capital stock, with foreign investment increasingly focused on higher-productivity, technology-intensive sectors, while the capital stock in the local economy remains low and relatively outdated.”

This year’s Report highlights the “emerging dichotomy in the country’s capital stock, with foreign investment increasingly focused on higher-productivity, technology-intensive sectors while the capital stock in the local economy remains low and relatively outdated.” Thus, the added value of the foreign investments is questioned: to what extent they can really establish production links with the local economy and contribute towards a more considerable effort of restructuring the Macedonian economy.

A new observation is the one on increased influence of the state over competitiveness on the Macedonian market through “other policy instruments”, despite the low share of the state in the economy’s assets, improved state aid legislation and deregulation of the electricity market. These “other instruments” are specified: direct subsidies and tax exemptions, in particular for foreign investors, on-site firm inspections and fines; involuntary rescheduling of payment contracts; public guarantees for loans to state-owned enterprises; public infrastructure projects; and active labour market programmes.

It remains an open question why the Republic of Macedonia is not yet granted the status of functional market economy, although progress has been noted every year. Does the Commission assess that the identified deficiencies prevent granting Macedonia the status of functional market economy, or the inability to reach a political agreement on this assessment is

It remains an open question why the Republic of Macedonia is not yet granted the status of functional market economy, although progress has been noted every year. Does the Commission assess that the identified deficiencies prevent granting Macedonia the status of functional market economy, or the inability to reach a political agreement on this assessment is in the forefront?

in the forefront? This is particularly relevant taking into account that the second pillar of the Enlargement Strategy is the economic governance.

Ability to take on the obligations of membership

The assessment of the last year that the country has achieved high level of alignment, taking into account its stage of accession is reiterated.

The Commission is again restrained in advancing the assessments on the level of alignment with the *acquis*.

In the country conclusions of the Enlargement Strategy, an advanced level of alignment is assessed for Company Law, Postal Services in the chapter Freedom to Provide Services and for Free Movement of Capital. Our Analysis shows that, in addition to these particularly mentioned chapters, satisfactory/good progress is achieved in the

chapters: Competition Policy, Information Society and Media, Science and Research and Statistics, while further progress is noted in the chapters: Customs Union, Justice, Freedom and Security, Food Safety, Veterinary and Phytosanitary Policy. Regarding the area of Justice, Freedom and Security, progress made in the visa policy, external borders and Schengen, as well as police cooperation is underlined.

Limited progress has been continuously noted in the chapters: 19. Social Policy and Employment, 22. Regional Policy and Structural Instruments, 23. Judiciary and Fundamental Rights, 27. Environment and 32. Financial Control – chapters particularly important for absorption of EU funds.

(Appendix 3. – Overview of the assessments on progress and level of alignment with the *acquis* 2009-2014)

Is the time of the stick approaching?

After a detailed analysis of the Report and the undeniable conclusion that it is by far more critical compared to the last year's Report, the question: *Is the time of the stick approaching?* is unavoidable. The clear warning that the recommendation will not be maintained if there is no progress in key areas (depoliticization, independence of the judiciary, freedom of expression), sends a message that there is no more tolerance for backsliding in the core of the political criteria.

In the absence of the “carrot” – no real perspective for launching negotiations that would lead to membership, the effectiveness of this warning remains to be seen.

The candidate for a new commissioner for neighbourhood policy and accession negotiations, Johannes Hann, in his hearing in the European Parliament has announced an approach of no compromise in the enlargement policy regarding functional democracy and rule of law. On the other side, he also underlined that the long-standing dispute with Greece over the country's official name requires a solution to overcome the present deadlock. It is a

big question whether he will be more successful in the dossier Macedonia compared to his predecessor. Then again, he does not have the magic stick.

Anyway, the ball now is at home, in the Macedonian court – above all, with the Government, and afterwards, with all the other political parties and relevant actors. If the Government does not seriously take into account the messages, it risks not only ruining the Republic of Macedonia's perspectives for EU membership, but also entering in a deeper international isolation.

Appendices

Appendix 1

Overview of conclusions and assessments – political criteria 2011-2014

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
I. POLITICAL CRITERIA						
<i>I.1. Democracy and the Rule of Law</i>						
Constitution					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 to private or semi-private organisations.	The package of amendments was prepared in a very short time and without the necessary implementing legislation. Its compatibility with the EU acquis and European standards is being assessed. Moreover, any amendments to the Constitution need to be based on broad consensus. There are also concerns that changes in the composition of the Constitutional Court in recent years have affected its independence.
Implementation of the Framework Agreement	Some progress	2	[1]			

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Elections	Progress in the conduct of elections. The elections were competitive, transparent, and well-administered throughout the country.	3	Delivered legislation in Parliament for consideration	3	<p>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.</p>	<p>According to the OSCE / ODIHR, both the presidential and parliamentary elections were efficiently administered and that freedom of assembly and association had been respected. They noted, however, that the governing parties did not provide for a level playing field due to a lack of adequate separation between the party and state and that allegations of voter intimidation persisted throughout the campaign.</p> <p>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.</p>
Political dialogue	Political dialogue needs to be further strengthened	2	[2]	3		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.

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Parliament	Some progress	2		3	Parliament's functioning was affected by the political crisis which erupted on 24 December.	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 functioning of the parliament has improved and political dialogue has been maintained, in particular as regards EU integration; strong support of HLAD		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.	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.

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Government	The government coalition has overcome difficulties and strengthened its internal cooperation	3	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	3	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.	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.
Civil Society						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 and the limited government commitment to dialogue.

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Public Administration	Progress in the legislative framework, the progress in implementing the reforms was limited.	2	Some progress	2	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.	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.
Judiciary	Limited progress	1	Generally, some progress; progress in efficiency, further efforts are needed to guarantee independence and impartiality in practice	2	<i>Chapter 23:</i> 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.	<i>Chapter 23:</i> 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.

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Fight against corruption	Limited progress	1	Little visible progress	1	<p><i>Chapter 23:</i> 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.</p>	<p><i>Chapter 23:</i> 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.</p>
1.2. Human rights and protection of minority rights						
Observance of international human rights law	Limited progress, the implementation of legal framework was uneven.	1	Limited progress in the promotion and enforcement of human rights	1	<p><i>Chapter 23:</i> 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.</p>	Further progress

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Civil and political rights	Civil and political rights are broadly respected, further progress was limited.	1	Some further progress was made.	2	4	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.
Economic, social and cultural rights	Social and economic rights are broadly in place, and some further progress was made.	2	Some progress	2	5	Some progress

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Protection from discrimination					No progress	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.
Minority rights, and protection of the minority and cultural rights	Some progress	2	Some progress	2	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.	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.

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
Implementation of the Ohrid Framework Agreement					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.	"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.
1.3. Regional issues and international obligations	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.	4	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.	4	The Republic of Macedonia is participating 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.	The Republic of Macedonia is participating 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.

Criterion/ Sub-criterion/ chapter	2011		2012		2013	2014
General assessment regarding political criteria	Continues to sufficiently meet the political criteria		Continues to sufficiently fulfil the political criteria		Continues to sufficiently fulfil the political criteria	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.

Overview of conclusions and assessments: economic criteria 2013-2014

Criterion Sub-criterion	2013	2014
<i>Economic policy</i>	A broad consensus on the fundamentals of economic policies was maintained.	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.
<i>Macro-economic stability</i>	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.	Output growth needs to be more broadly based, and external imbalances are likely to widen again temporarily in view of investment-related imports.
<i>Labour market</i>	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.	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.
<i>Fiscal discipline</i>	Fiscal governance and fiscal discipline deteriorated and would benefit from the implementation of a medium-term strategy. The policy mix slightly deteriorated. While monetary policy provided key support for macroeconomic stability, fiscal discipline weakened and the debt ratio further increased. Public finance could make a bigger contribution to stability, for example by better aligning spending priorities with structural challenges, and by focusing on growth-enhancing capital expenditure. Furthermore, the fast rise in mainly foreign financed debt increases the country's vulnerability.	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

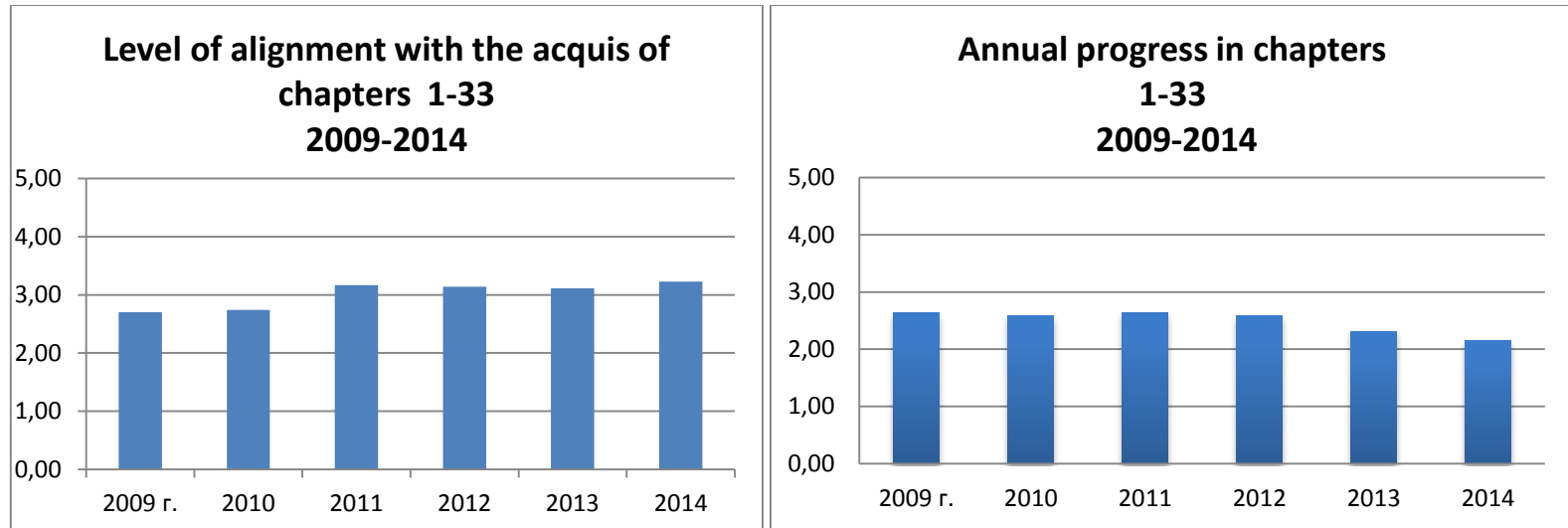
Criterion	2013	2014
Sub-criterion		
<i>Inter-play of market forces</i>	The economy is mainly driven by the private sector, with the role of the state remaining limited, even though share of the public ownership increased slightly.	The state's share in the economy's assets and in price setting remains moderate.
<i>Market entry and exit</i>	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.	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.
<i>Legal system</i>	The legal system for a functioning market economy is largely in place, yet weaknesses related to lengthy procedures, contract enforcement and corruption remain.	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.
<i>Financial sector development</i>	The financial sector remained well capitalised and liquid. However, credit growth was sluggish and non-performing loans increasingly pose a challenge.	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.
<i>The capacity to cope with competitive pressure and market forces within the Union</i>		
<i>Human and physical capital endowment</i>	There was some gradual progress in addressing reform needs in the education system. The capital stock remains modest and public spending was not sufficiently focussed on growth enhancing activities.	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. 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.

Criterion	2013	2014
Sub-criterion		
<i>Sector and enterprise structure</i>	Some gradual, further diversification of economic production is visible in terms of value added and exports.	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.
<i>State influence on competitiveness</i>		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.
<i>Economic integration and convergence with the EU</i>	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.	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.

Overview of conclusions and assessments: chapters of the acquis 2009-2014

Chapter	Progress						Level of alignment					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
1. Free movement of goods	2	4	2	4	2	2	2	3	3	4	4	4
2. Freedom of movement for workers	2	1	1	2	2	2	1	1	1	1	1	1
3. Right of establishment and freedom to provide services	2	2	3	2	2	1	1	2	1	3	3	3
4. Free movement of capital	2	3	2	2	1	1	2	2	3	3	3	3
5. Public procurement	4	3	3	2	4	3	4	3	5	4	4	4
6. Company law	4	4	4	4	4	4	3	3	3	3	4	4
7. Intellectual property law	2	2	2	2	2	2	4	3	3	3	3	3
8. Competition policy	2	2	2	4	4	4	4	3	3	4	4	4
9. Financial services	2	4	4	3	3	2	3	3	3	3	3	3
10. Information society and media	3	3	3	3	3	4	4	3	3	3	3	3
11. Agriculture and rural development	3	3	3	3	2	2	1	2	3	3	3	3
12. Food safety, veterinary and phytosanitary policy	2	2	4	4	4	3	2	2	4	3	3	3
13. Fisheries	2	2	2	2	1	1	2	2	3	3	3	4
14. Transport policy	4	2	3	1	2	2	4	4	4	3	3	3
15. Energy	2	2	4	2	2	2	2	3	3	3	3	3
16. Taxation	4	1	1	2	2	2	3	3	3	3	3	3
17. Economic and monetary policy	2	1	5	1	1	1	3	2	4	4	4	4
18. Statistics	4	4	4	3	4	4	4	4	4	3	4	4
19. Social policy and employment	1	1	1	1	2	1	3	1	2	2	1	3
20. Enterprise and industrial policy	3	2	3	2	2	2	3	3	3	3	3	3

Chapter	Progress						Level of alignment					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
21. Trans-European Networks	3	2	3	3	2	2	4	3	4	3	4	4
22. Regional policy and coordination of structural instruments	2	2	2	2	1	1	3	3	3	3	2	2
23. Judiciary and fundamental rights	3	1	1	2	2	2	3	3	3	3	3	4
24. Justice, freedom and security	4	3	3	3	3	3	4	4	4	4	4	4
25. Science and research	2	2	3	2	4	4	4	3	2	2	2	3
26. Education and culture	2	2	2	2	2	2	4	3	3	3	3	3
27. Environment	3	3	2	1	1	2	3	3	3	3	3	3
28. Consumer and health protection	2	2	2	2	2	2	3	2	3	3	3	3
29. Customs Union	5	2	4	3	2	3	4,5	4,5	4	4	4	4
30. External relations	2	3	3	2	1	1	4	4	4	3	3	3
31. Foreign, Security and Defence Policy	2	4	4	4	5	1	4	5	5	5	5	3
32. Financial control	2	2	1	2	2	2	2	2	2	1	1	3
33. Financial and budgetary provisions	2	2	1	1	0	1	3	3	3	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

Progress

<i>Assessment</i>	Numerical value
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

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