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European Policy Institute -Skopje

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Through Prespa to a Credible EU

The spirit of the Prespa Agreement prevails in the entire EU Enlargement Package. On the one hand, this is a recognition of the difficult political decisions and the clear commitment of the country to its EU integration. On the other hand, the said Agreement ensures the possibility to revive the already fragile policy of conditionality by keeping up the momentum within the region and wider. In addition, this is a test year for the EU, for its Strategy for the Western Balkans and for its credibility, which will greatly depend on pursuing a strict, but a fair policy, including the application of a merit based principle in assessing the individual achievements of countries, and primarily on the start of accession negotiations with North Macedonia.

Considering the public statements by Commissioner Hahn prior to the publication of the Report, the Report's contents are not at all surprising. The Report reaffirms the key foreign policy achievements, i.e. the settlement of bilateral differences, as well as the fulfilment of key reform priorities. In addition to serving as a roadmap for the internal reforms, the primary goal of this year's Progress Report is to convince the Member-States that accession negotiations should start with the Republic of North Macedonia immediately.

After a decade of repeated recommendations for start of accession negotiations, the 2019 recommendation is different; it is "more precise" or rather "crystal clear" without any additional conditions, without any obstacles, being drafted in a very positive spirit. The Republic of North Macedonia is pointed out as an example of a country making positive steps and progress in fulfilling the key membership criteria. However, such an approach does not mean that the country has fulfilled all its obligations. Instead, the country is now set on a more difficult track of maintaining its positive image by pursuing more sustainable reforms in the key areas, constituting the "fundamentals first" approach and the six flagship initiatives under the Strategy for the Western Balkans.

The Report underlines the progress made in restoring the checks and balances system among the three branches of power, then in strengthening democracy, building an independent judiciary, establishing the Anti-Corruption Commission, fair Presidential elections. However, the Commission repeats the last year's announcement for an "enhanced approach" in relation to Chapter 23: Judiciary and fundamental rights and Chapter 24- Justice, freedom and security.

In this context, in addition to the thus far understandably dominant focus on political decisions and steps, the assuming of membership obligations should not be neglected, and especially the alignment with the acquis in which no significant changes vis-à-vis the previous year were observed. Urgent measures are needed to strengthen the capacities for alignment with the acquis and, in parallel, the capacities for fulfilment of administrative and political criteria.

The utilization of IPA funds presents a serious challenge, especially in terms of administrative capacities for large-scale infrastructure projects, which are of essential importance for North Macedonia.

Political Criteria: Consolidating Democracy

The full-speed work of the Government in the priority areas indentified in last year's Council conclusions was not unnoticed. The Report emphasizes the culture of compromise and reaching out to all stakeholders, including the opposition and the civil society, in an inclusive and transparent manner. Furthermore, the Report takes note of the efforts for reconciliation in the society and for preserving its multiethnic character, by mentioning the Ohrid Framework Agreement in the preamble of the Constitution.

The progress in the rule of law area-political criteria and under Chapter 23: Judiciary and fundamental rights and Chapter 24: Justice, freedom and security has been assessed in most areas as "good", while in some areas the assessment states "some progress". Compared to all countries in the Region, the progress of North Macedonia in the rule of law area was assessed best. As regards the level of preparation, North Macedonia does not lag behind countries that are already in the accession negotiation process- Montenegro and Serbia.

This has certainly been supported by the steps undertaken in the NATO context, as well in one of the most painful areas- reform of the intelligence services, which has a major impact on the trust of citizens. The expectations from the work of the State Commission for the Prevention of Corruption are high, considering the transparent manner of appointment of the Commission members and the promising start of its work by opening cases involving high-ranking political figures. Investigations of high-profile corruption cases are also expected. The role of the Special Public Prosecutor's Office remains to be of key importance in this respect and the will to sustain the fight against high-profile corruption as a national priority must be clearly demonstrated. On the other hand, the success of the "Priebe exercise" has resulted in similar missions being replicated in the Region, and a new advisory mission in North Macedonia has been announced.

The legislative oversight role of the Parliament was noted as an issue of concern in previous reports. In this reporting period, North Macedonia is citied as a good example considering that the use of the shortened procedure has been reduced, and only 20% of the laws have been adopted in a shortened procedure (for comparison purposes this percentage in Serbia is 44%). In addition, the EC takes note of the opening of the Parliament for cooperation with and participation of civil society organizations in the legislative process and improving the culture of dialogue between the ruling parties and the opposition. These indicate improvement of the performances of the Parliament as a forum for constructive political dialogue, its enhanced oversight and legislative function. Furthermore, the Report stresses the need for political parties to further improve their internal democratic processes, by promoting the freedom of speech in Parliament. The EC underlines that the sustainability of these structural reforms is a long process that demands the continual involvement of all stakeholders, including judges and public prosecutors. Challenges that still persist are the efforts to prevent politicization of the administration and applying the merit-based and equitable representation principles. A remaining challenge is preventing politicization of and abiding by the merit based and equitable representation principles in the administration. In addition, the Report emphasizes the need for an improved climate for media freedom, and recommends that public officials and political elites demonstrate a higher level of tolerance towards criticism, thereby upholding freedom of expression.

Economic Criteria: Resuming Economic Growth

As in last year's Report, the efforts to improve the public finance management and transparency have been noted. However, it is underlined that the composition of spending has worsened and the need is underlined for a more ambitious fiscal consolidation.

In terms of a functioning market economy, North Macedonia has remained at the same level as in the previous year. The assessment is that the country has made "some progress", and that the country is at a "good level of preparation".

Nine years after the Commission's proposal, finally the second stage of the Stabilization and Association Agreement implementation has started.

It can be noticed that this Report emphasizes the "youth guarantee" and its full implementation in the whole territory of the country, especially in underdeveloped regions. The large informal economy continues to pose challenges for the competiveness of the private sector. In terms of macro-economic stability, economic growth picked up, but investments "remained muted". Public spending has worsened, with social transfers making half of these expenditures, which is a slight reduction compared to the previous year. Different from other reports, this Report contains a new assessment of "privatization and restructuring", emphasizing that in 2018 no state companies were privatized.

In terms of the country's capacity to cope with competitive pressure and market forces in the Union, that would improve competiveness and long-term growth, the country has made "some progress" and is moderately prepared. In the education context, the lack of skills alignment with those required by companies, reflect shortcomings in education curricula, while skill shortages further impair the cooperation between domestic and foreign companies. It is necessary to enhance the efficient management of education sector spending with a view to speeding up modernization of this system. The road cross-border interconnectivity is improved, but the country must complete investments in the road and railway infrastructure. The trade with the Union remains unchanged and continues to grow.

Regional Cooperation: Exemplary and a Proof of EU's Power of Attraction

In this Report, the title of this Chapter has been changed from "Regional issues and International Obligations" to "Good Neighbourly Relations and Regional Cooperation". This is an attempt to streamline the fragmented initiatives of the Commission, such as reports, the Strategy for the Western Balkans (6th initiative) and the Berlin Process. By settling the difference with Greece and signing the bilateral Treaty with Bulgaria, North Macedonia has become the only country in the Balkans that does not have any bilateral disputes. Thus, North Macedonia has become an example of reconciliation to be followed by other countries in the Region in settling and closing bilateral disputes. This progress is a proof of the power of attraction. of the European perspective, when supported by political will.

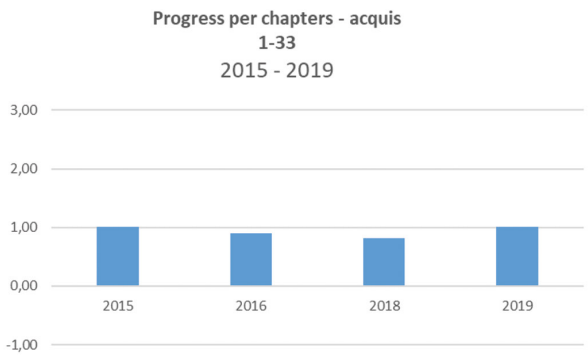
Alignment with the Acquis: The Macedonian Anchor

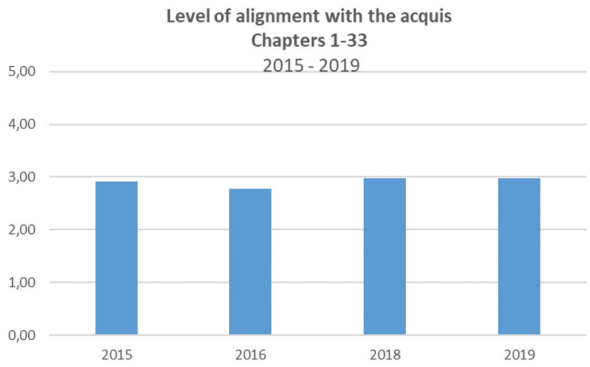
The picture changes as regards the readiness to assume membership obligations, in terms of other Chapters, apart from the "fundamental first" approach, in which the country used to have the leading position. In these areas, our appraisal remains the same as last year: the Government attached priority to settling the name dispute and to the rule of law, but policies in other areas/ Chapters of the acquis have taken the back seat. This trend continued even when the explanatory screening started on a number of Chapters, which should have given an impetus for a more serious approach to assuming the obligations of membership. This approach of the Government will have to be urgently changed, if the country has the ambition to start the accession negotiations well prepared.

If one goes through all 33 Chapters, improved assessments are observed under 7 Chapters. Compared to last year's Report, the assessment "good progress" has been given under Chapters 23 and 24, but also under other 4 Chapters - Chapter 29: Customs union; Chapter 18: Statistics; Chapter 15: Energy and Chapter 12: Food Safety, veterinary and phytosanitary policy. Higher level of alignment has been noted only under Chapter 23: Judiciary and fundamental rights, considering that the largest scope reforms were pursued exactly under this Chapter. Yet, this has not sufficed to earn the highest assessment - "significant progress". "Some progress" has been noted under 18 Chapters, and there is still a high number of Chapters under which the recommendations have not been fulfilled- 6 in total.

Despite the fact that as of 2015 the European Commission has been applying a new methodology in assessing the progress and level of alignment, in this new Report under 3 Chapters- Chapter 14: Transport policy, Chapter 26: Education and culture and Chapter 27: Environment and climate change, the wording used with the old methodology reoccurs, i.e. assessments used in reports until 2014 appear again. The progress under these chapters has been assessed as "limited".

Assessment of the progress	Number of Chapters	Chapters
No progress (0)	6 Chapters	**Chapter 1**: Free movement of goods **Chapter 2**: Freedom of movement for workers **Chapter 6**: Company law **Chapter 8**: Competition policy **Chapter 13**: Fisheries **Chapter 28**: Consumer and health protection
Some progress (1)	18 Chapters	**Chapter 3**: Right of establishment and freedom to provide services **Chapter 4**: Free movement of capital **Chapter 5**: Public Procurement **Chapter 7**: Intellectual property law **Chapter 9**: Financial Services **Chapter 10**: Information society and media **Chapter 11**: Agriculture and rural development **Chapter 16**: Taxation **Chapter 17**: Economic and monetary policy **Chapter 19**: Social policy and employment **Chapter 20**: Enterprise and industrial policy **Chapter 21**: Trans-European networks **Chapter 22**: Regional policy and coordination of structural instruments **Chapter 25**: Science and Research **Chapter 30**: External relations **Chapter 31**: Foreign, security and defence policy **Chapter 32**: Financial Control **Chapter 33**: Financial and budgetary provisions
Good progress	6 Chapters	**Chapter 12**: Food safety, veterinary and phytosanitary policy **Chapter 15**: Energy **Chapter 18**: Statistics **Chapter 23**: Judiciary and fundamental rights **Chapter 24**: Justice, freedom and security **Chapter 29**: Customs union
Limited progress (old wording reappearing in 2019)	3 Chapters	**Chapter 14**: Transport policy **Chapter 26**: Education and culture **Chapter 27**: Environment and climate





Uncertainty about the Date – Again!

In light of the great strides forward North Macedonia has made internally and the "historic achievements" in the external relations, according to the Commission the accession negotiations with North Macedonia are to be opened **now**.[1] Any attempt not to deliver on the EU promise would contribute to undermining the stability and would discourage undertaking serious reforms. According to the EC, if the EU does not give a green light for the start of accession negotiations with North Macedonia, the EU risks losing its credibility in the Region and wider, including its own potential to influence the settlement of open issues, such as the Belgrade-Pristina dialogue.[2] The European Commission sets the eventual failure of the EU to set a date for start of accession negotiations with North Macedonia in a wider context, pointing out the possible geopolitical consequences, i.e. the lack of a clear response by the EU *"would only help the EU's geopolitical competitors to root themselves on Europe's doorstep."*

The EC recommendation for North Macedonia is a convincing one. Now the big question is not "what", but "when" can we expect a positive outcome. According to the June 2018 Council of the EU Conclusions, the decision setting the date for the Intergovernmental conference to start accession negotiations should be made this June, and the Conference should be held by the end of 2019. The Council of the EU is to charge the Commission with preparing the negotiating framework.

The timeline until the end of this year for convening the Intergovernmental conference has not yet been called into question. However, June as the term for adopting a decision setting the date for the Intergovernmental conference is indeed called into question. Member-States now cannot use the excuse that they have found deficiencies on the Macedonian side. In fact, this year's EC Progress Report fends off any such excuses. Now the excuses are to be looked for on the EU side. Despite the fact that the dark shadow of Eurosceptics prevailing and jeopardizing the European project has been avoided, other processes are of priority importance for Member-States. This primarily refers to the political bargaining in the post-election period, when Member-States are focused on candidacies for posts according to election results. Reservations pertain by some Member-States, such as France, which are also connected with the outcome of the European elections. Germany has stated that it would not be able to complete the parliamentary procedure. There is talk of a "slight delay" of the decision setting the date, until September or October, which could result in further delay of the date for the Intergovernmental conference. This would feed the "domestic" Euroskeptics, who would interpret such tactics of "buying time" by the Member -States as a lack of will for enlargement in general.

The low awareness of EU Member - States as to the consequences of not delivering their commitments for the Region and wider is of great concern. The probable consequences for the country would be low level of motivation to further pursue reforms, while feeding the climate of political divisions and even political crisis. The public discourse will be dominated most probably by the ever more heated debate of whether the "sacrifice" made with the Prespa Agreement was worthwhile, which will seriously undermine the will and efforts not only of the Government, but also of all forces that support the Prespa Agreement. In addition, the risk of completely losing the trust in the enlargement process and its principles is realistic.

In light of all these risks and in spite of them, the Government needs to continue the well focused diplomatic efforts and the reforms, yet under a precisely designed strategy of clearly defined national priorities.

1 "[T]he Commission recommends that the Council now opens accession negotiations with North Macedonia."

2 In the Enlargement Package, the EC states "*A tepid response to historic achievements and substantial reforms would undermine stability, seriously discourage much needed further reforms and affect work on sensitive bilateral issues like the Belgrade-Pristina dialogue.*"

CONCLUSIONS AND RECOMMENDATIONS

1. The Report sends a clear and unequivocal message to the Council of the EU to set the date for start of accession negotiations based on the recognition of the country's achievements and delivered results.
2. The Council of the EU should fulfil its commitment and this June set the date for convening the Intergovernmental conference starting accession negotiations by the end of this year.
3. The gradual liberation of the country from the captured state situation has been observed in a number of areas, including the check and balances, the role of the Parliament, freedom of expression and cooperation with civil society organizations. The positive steps in areas that hitherto have been raising concerns, such as fight against corruption, independence of the judiciary, countering discrimination, etc., should be sustained by implementing the newly adopted laws.
4. Aligning with the EU acquis remains the Macedonian anchor. The Government should intensify its efforts in aligning with the EU acquis, especially in chapters continually stagnating, while the European Commission needs to enhance its support to these processes.
5. Regardless of when and what decisions EU Member-States will make about the start and course of the accession negotiations, the Government is to design a clear EU accession strategy, that would incorporate national priorities, involving all relevant political stakeholders and employing all professional capacities.
6. The European Commission should allocate more significant funds for infrastructure projects, including in the area of energy, as well as for increasing the employment rate and the economy in general. The Government needs to attach the highest priority to enhancing the administrative capacities for utilization of IPA funds, especially funds for infrastructure.

Annex: Overview of assessment - fulfilment of obligations for membership 2011 – 2019

Chapter	Progress								Preparedness							
	2011	2012	2013	2014	2015	2016	2018	2019	2011	2012	2013	2014	2015	2016	2018	2019
1. Free movement of goods	1	2	1	1	1	1	0	0	3	4	4	4	3	3	3	3
2. Freedom of movement for workers	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1
3. Right of establishment and freedom to provide services	1	1	1	1	1	1	0	1	1	3	3	3	3	3	3	3
4. Free movement of capital	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3
5. Public procurement	1	1	2	1	1	0	1	1	5	4	4	4	3	3	3	3
6. Company law	2	2	2	2	1	1	1	0	3	3	4	4	4	4	4	4
7. Intellectual property law	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3
8. Competition policy	1	2	2	2	1	0	0	0	3	4	4	4	3	3	3	3
9. Financial services	2	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3
10. Information society and media	1	1	1	2	1	0	0	1	3	3	3	3	4	4	3	3
11. Agriculture and rural development	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3
12. Food safety, veterinary and phytosanitary policy	2	2	2	1	1	1	1	2	4	3	3	3	2	2	4	4
13. Fisheries	1	1	1	1	1	2	0	0	3	3	3	4	3	3	3	3
14. Transport policy	1	1	1	1	1	1	1	1	4	3	3	3	3	3	3	3
15. Energy	2	1	1	1	1	1	1	2	3	3	3	3	3	3	3	3
16. Taxation	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3
17. Economic and monetary policy	3	1	1	1	1	1	1	1	4	4	4	4	3	3	3	3
18. Statistics	2	1	2	2	1	1	1	2	4	3	4	4	3	3	3	3
19. Social policy and employment	1	1	1	1	1	1	1	1	2	2	1	3	3	3	3	3
20. Enterprise and industrial policy	1	1	1	1	1	1	0	1	3	3	3	3	3	3	3	3
21. Trans-European Networks	1	1	1	1	2	2	1	1	4	3	4	4	4	4	4	4
22. Regional policy and coordination of structural instruments	1	1	1	1	0	1	1	1	3	3	2	2	3	3	3	3
23. Judiciary and fundamental rights	1	1	1	1	0	0	2	2	3	3	3	4	2	2	2	2,5
24. Justice, freedom and security	1	1	1	1	1	1	2	2	4	4	4	4	3	3	3	3
25. Science and research	1	1	2	2	2	1	1	1	2	2	2	3	4	4	4	4
26. Education and culture	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	3
27. Environment	1	1	1	1	1	1	1	1	3	3	3	3	3	2	2	2
28. Consumer and health protection	1	1	1	1	1	0	0	0	3	3	3	3	3	3	3	3
29. Customs Union	2	1	1	1	2	1	1	2	4	4	4	4	4	4	4	4
30. External relations	1	1	1	1	1	1	1	1	4	3	3	3	3	3	3	3
31. Foreign, Security and Defence Policy	2	2	3	1	1	1	1	1	5	5	5	3	3	3	3	3
32. Financial control	1	1	1	1	1	0	1	1	2	1	1	3	3	3	3	3
33. Financial and budgetary provisions	1	1	0	1	1	1	1	1	3	1	1	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:

Assessment	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

Level of alignment:

Assessment	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 with the methodology of the European Commission:

Assessment- Progress	Numerical value		Assessment- Alignment	Numerical value
Backsliding	(-5)-(-1)			
No progress	0		Not initiated	0
Some progress	1		Early phase	1
Good Progress	2		Some level of preparation	2
Very Good Progress	3		Moderately prepared	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.

Analysis of the European Policy Institute on the previous reports of the European Commission are available at:

- 2018: https://bit.ly/2EGCQtL (MKD); https://bit.ly/2wr3i67 (ALB); https://bit.ly/2WdlK1p (ENG)
- 2016: https://bit.ly/2JMXGMe (MKD); https://bit.ly/2MfuBeh (ALB); https://bit.ly/2Mfrkf9 (ENG)
- 2015: https://goo.gl/lQB99q (MKD); https://goo.gl/9r7ZTs (ALB); https://goo.gl/0F6L7Y (ENG)
- 2014: https://goo.gl/pOJi0J (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)