

2007 progress report on FYROM

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CONTENT: this report reviews the progress made by the Former Yugoslav Republic of Macedonia (FYRM) throughout 2007 in preparation for accession to the European Union. In particular, it details the efforts made by the country to comply with the Copenhagen criteria and supports the general strategy document on the enlargement policy of the EU (see [COM\(2007\)0663](#)) which reveals how the renewed consensus on accession, adopted by EU officials during the Summit in December 2006, will be implemented. The renewed consensus on enlargement is based on the principles of consolidation of commitments, fair and rigorous conditionality and better communication with the public, combined with the EU's capacity to integrate new members.

Although the country made a certain degree of progress in 2007, it will be in 2008 that most of this progress will be noticed. The main challenges to overcome will be improving governance and building a modern democracy by continuing to develop a political culture of tolerance and dialogue.

At the start of 2008, the Commission will evaluate the situation concerning the progress made and will provide guidelines for compliance with the programme set up by the EU for the Western Balkans.

The FYRM gained candidate country status in December 2005. No chapter has yet been opened for negotiation with this country.

Overall, progress made in the FYRM in 2007 as regards the three main criteria established in Copenhagen for accession to the EU is as follows:

1. **Political criteria:** the FYRM has made some progress in addressing the political criteria. The implementation of the Ohrid Framework Agreement continues to contribute to the consolidation of democracy and the rule of law. Some progress has been made in terms of the judicial system and the results obtained in the fight against corruption are encouraging. Overall, human rights and the protection of minorities, including inter-ethnic relations have improved. However, the pursuit of political tensions in the country is delaying the implementation of reforms. It is important for dialogue between all parties represented in the Parliament to be led in a peaceful and constructive manner. Efforts should be made to ensure that all political stakeholders assume the role given to them by the Commission and cooperate in order to ensure the effectiveness of the democratic process. Further progress could therefore be made in priority areas such as police and the justice system, consolidation of the rule of law as well as the protection of rights of minority communities. Furthermore, corruption remains widespread. The country continues to participate actively in regional cooperation and has leant its support to the South East European Cooperation Process (SEEC), to the Regional Cooperation Council and to the Central European Free Trade Agreement (CEFTA);
2. **Economic criteria:** the FYRM has further moved towards establishing a functioning market economy. It should be able to cope with competitive pressures and market forces within the Union in the medium term, provided that it vigorously implements its comprehensive reform programme in order to reduce significant structural weaknesses. The country has maintained a broad consensus on the essentials of economic policies. An appropriate policy mix has contributed to macroeconomic stability. The country's growth performance has been maintained while inflation has remained low. The current account was close to balance. Price and trade liberalisation are largely completed, and the privatisation of state property has continued. The process of property registration has been accelerated. Measures have been

taken to improve the quality of education and training. However, unemployment remains particularly high. Institutional weaknesses still hamper the smooth functioning of the market economy. The judiciary continues to be a bottleneck and regulatory and supervisory agencies sometimes lack the necessary resources to fulfil their functions effectively. The degree of legal certainty is still low and labour markets are still functioning poorly;

3. **EU legal order:** the FYRM has made further efforts to improve its ability to assume the obligations of membership. There was some progress in the fulfilment of the short term priorities of the European partnership. The country still faces major shortcomings in implementing and effectively enforcing legislation. Adequate human and financial resources to fully implement the Stabilisation and Association Agreement are lacking. Large scale replacement of qualified staff following political changes hampered efforts to improve administrative capacity.

EU financial assistance through the Instrument for Pre-Accession Assistance (IPA): the FYRM should receive the following amounts over the period 2007-2011, in accordance with the IPA financial envelope:

- 2007: EUR 58.5 million
- 2008: EUR 70.2 million
- 2009: EUR 81.8 million
- 2010: EUR 92.3 million
- 2011: EUR 98.7 million
- Total: EUR 401.5 million.