

2018 Commission report on the former Yugoslav Republic of Macedonia

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PURPOSE: to present a Commission staff working document on the former Yugoslav Republic of Macedonia 2018 report in the context of EU enlargement.

BACKGROUND: the former Yugoslav Republic of Macedonia is participating in the Stabilisation and Association process. The Stabilisation and Association Agreement with the EU is the framework for relations with the EU, including political and economic dialogue.

Since 2009, the Commission has recommended to the Council to open accession negotiations with the former Yugoslav Republic of Macedonia, a candidate country since 2005.

The recommendation was made conditional, in 2015 and 2016, on the continued implementation of the 'Pržino Agreement', which was facilitated by the Commissioner for European Neighbourhood Policy and Enlargement Negotiations and three Members of the European Parliament in 2015, and on substantial progress in the implementation of the 'Urgent Reform Priorities'. Following the early parliamentary elections in December 2016, which resulted in the change of government in May 2017, the country has finally overcome its deep political crisis. The new government has shown commitment and political will to advance the EU reform agenda. Most elements of the 'Pržino agreement' have been continuously and largely implemented or are, by now, overtaken by subsequent events. Substantial progress has been made in the implementation of the 'Urgent Reform Priorities'.

CONTENT: as regards its ability to **assume the obligations of membership**, the country is moderately prepared in most areas, including in the areas of competition, transport and energy. The country shows a good level of preparation in areas such as company law, customs union, trans-European networks and science and research. Further efforts are needed across the board, in particular in those few areas where the country is at an early stage of preparation, such as freedom of movement of workers. More focus is also needed on administrative capacity and effective implementation. The country has continued to improve its alignment with the EU declarations and Council decisions on Common Foreign and Security Policy.

IPA II: the implementation of the Instrument for Pre-Accession Assistance II for 2014-2020 (IPA II) is well underway. By the end of 2017, programmes totalling EUR 296 million have been adopted, out of which EUR 176 million (60 %) have already been contracted.

A summary of the main chapters of the report is as follows:

Political and economic dialogue: the country has finally overcome its most severe political crisis since 2001. Since May 2017, the new reform-oriented government has taken steps to address state capture by gradually restoring checks and balances, strengthening democracy and rule of law. The country is undergoing fundamental changes in a more inclusive and open political atmosphere. The Parliament needs to enhance its oversight and legislative functions.

Strong political commitment to guarantee the professionalism of the public administration, especially on senior management appointments, and the respect for the principles of transparency, merit and equitable representation in line with the spirit and the letter of the law, remains essential.

As regards the **economic criteria**, the former Yugoslav Republic of Macedonia has made some progress and is at a good level of preparation in developing a functioning market economy. However, key weaknesses of the economy remain. These include shortcomings in the business environment, such as weak contract enforcement and a large informal economy. Structural problems of the labour market are reflected in low activity and high unemployment rates. The macroeconomic environment deteriorated in the first half of 2017, as the lengthy political crisis took a toll on investment. Trade and investment relations with the EU continued to intensify. The economy still suffers from weaknesses in education curricula, low innovation rates and important investment gaps including in particular public infrastructure.

Judicial system: decisive steps have been taken to start restoring the independence of the judiciary and reverse the backsliding of previous years. The most notable step was the adoption of a credible new judicial reform strategy, which aims to address the 'Urgent Reform Priorities'.

Corruption and organised crime: the country has achieved some level of preparation in the field of corruption. The legislative and institutional framework is in place, as well as a track record on both prevention and prosecution, although final court rulings on high level corruption cases remain limited. Corruption remains prevalent in many areas and continues to be a serious problem. The capacity of institutions to effectively tackle corruption has shown structural and operational deficiencies. Political interference remains a risk.

In the fight against **organised crime**, the legislative framework is broadly in line with European standards, and efforts to implement strategies must continue. More needs to be done to effectively fight certain forms of crime such as money laundering and financial crimes. A track record on investigations, prosecutions and convictions in the fight against organised crime needs to be improved.

Fundamental rights and freedom of expression: the legal and institutional framework for protection of fundamental rights is largely in place and reforms have enhanced compliance with European human rights standards. Full implementation requires sustained efforts. It is positive that the country ratified the Convention on preventing and combating violence against women and domestic violence (also known as the Istanbul Convention), initiated the necessary legal reforms for establishing an external oversight mechanism of the law enforcement authorities and that the amendments to the framework for non-discrimination were prepared in an inclusive manner. The situation in prisons and psychiatric institutions must be addressed. More efforts are needed as regards Roma inclusion. As regards freedom of expression, the country has achieved some level of preparation and made good progress, notably through an improved climate for the media and decreased pressure on journalists.