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To:	Delegations
Subject:	North Macedonia: Screening report on Cluster 1 - Fundamentals

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Screening report

North Macedonia

Cluster 1 – Fundamentals

Functioning of Democratic Institutions

Date of screening meetings:

Explanatory meeting: 26 September 2022

Bilateral meeting: 7 December 2023

Public Administration Reform

Date of screening meetings:

Explanatory meeting: 19 September 2022

Bilateral meeting: 6 December 2022

Chapter 23 – Judiciary and Fundamental Rights

Date of screening meetings:

Explanatory meeting: 27 September 2022

Bilateral meeting: 1-2 December 2022

Chapter 24 – Justice, freedom and security

Date of screening meetings:

Explanatory meeting: 22-23 September 2022

Bilateral meeting: 21-23 November 2022

Economic Criteria

Date of screening meetings:

Explanatory meeting: 20 September 2022

Bilateral meeting: 5 December 2022

Chapter 5 – Public Procurement

Date of screening meetings:

Explanatory meeting: 15 September 2022

Bilateral meeting: 11 November 2022

Chapter 18 – Statistics

Date of screening meetings:

Explanatory meeting: 16 September 2022

Bilateral meeting: 14-15 November 2022

Chapter 32 – Financial Control

Date of screening meetings:

Explanatory meeting: 19 September 2022

Bilateral meeting: 6 December 2022

PREAMBLE

1. After the first political Intergovernmental Conference on accession negotiations with North Macedonia in July 2022, the Commission launched immediately the screening process.

- The screening is based on the enhanced enlargement methodology, which was adopted in 2020 and organises the negotiating chapters in thematic clusters in order to inject dynamism into the negotiating process and to foster cross-fertilisation of efforts beyond individual chapters. These thematic clusters bring together the chapters / areas according to broader themes and will allow a stronger focus on core sectors. Within each individual cluster, screening is carried out through meetings on a chapter-by-chapter basis. The substance of those clusters and chapters, as set out in Annex II of the Negotiating Framework, mirror the requirements for membership stemming from the Copenhagen criteria.

2. Regional cooperation and good neighbourly relations remain essential elements of the enlargement process. As provided in paragraph 47 of the Negotiating Framework for North Macedonia, the Commission will give special attention to North Macedonia's commitments to good neighbourly relations and regional cooperation.

- It is important to continue the dialogue with civil society and other stakeholders, with the aim of ensuring the support of citizens for the EU accession process. North Macedonia is expected to strategically communicate the benefits and obligations of the accession process to its public.

A) INTRODUCTION

The enhanced enlargement methodology¹, adopted in 2020, put the **Fundamentals cluster** at the heart of the accession negotiations, as reflected in the Negotiating Framework with North Macedonia. Accordingly, North Macedonia will need to fully embrace and implement reforms in the fundamental areas of rule of law, in particular judicial reform and the fight against corruption and organised crime, fundamental rights, the strengthening of democratic institutions and public administration reform, as well as economic criteria. This will in turn foster solid and accelerated economic growth and social convergence.

The cluster therefore includes the following which taken together are the basis for a stable, democratic, modern and well-functioning state:

- **Functioning democratic institutions** ensuring that power derives from the people through a representative system with free and fair elections at its core.
- **Reform of Public administration**, including public financial management, to ensure that it is efficient, professional, impartial and accountable and serves the interests of citizens and business.
- The EU's founding values include the **rule of law** and respect for human rights. An effective (independent, quality and efficient) **judicial** system and an effective **fight against corruption** are of paramount importance, as is respect for **fundamental rights** in law and in practice. These feature under Chapter 23.
- Under Chapter 24, the EU has common rules for **border** control, **visas**, residence and work permits, external **migration** and asylum. Schengen cooperation entails lifting border controls inside the EU. EU Member States also cooperate in the fight **against organised crime and terrorism**, and in judicial, police and custom matters and are supported by the EU Justice and Home Affairs Agencies.

¹ COM(2020) 57 final

- In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union, referred to as **Economic Criteria**. Economic governance has become even more central in the enlargement process in recent years.
- EU rules, under *acquis* Chapter 5, ensure that **public procurement** of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.
- EU rules require, under *acquis* Chapter 18, that Member States are able to produce **statistics** based on professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.
- The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The **financial control** rules of Chapter 32 further protect the EU's financial interests against fraud in the management of EU funds and the Euro against counterfeiting.

The **fundamentals** cannot be seen in isolation as they **interact with each other** and they are mutually reinforcing. A country grounded in democracy and the rule of law allows businesses to flourish, attracts foreign investments and international trade, and thus strengthens economic performance and boosts the prosperity of citizens. In turn, thriving economic and social conditions will bolster the social consensus around democracy and the rule of law, and bring resources for the good functioning of public institutions.

This **screening report is structured** according to the **respective areas and chapters** of the cluster. Each area/chapter starts with a short overview of the **main content of the EU *acquis* / European standards**. Each thematic area within a chapter then first summarises the **country's presentations and the outcome of the expert discussions** at the bilateral screening meeting, followed by the **Commission's assessment²**.

In the last **section**, the Commission draws from its findings, specific **recommendations for the next steps in the accession negotiations process in the present Cluster**.

North Macedonia stated that it accepts the *acquis* in the Fundamentals cluster and that it does not expect particular difficulties to implement the *acquis* and European standards of this cluster by accession.

B) FUNCTIONING OF DEMOCRATIC INSTITUTIONS

While there is no specific model or a single agreed definition of 'democracy' and EU Member States are ultimately responsible to establish their respective internal arrangements, there are principles that pertain to the functioning of democratic institutions, which are common to the Member States and need to be complied with by negotiating countries.

According to Article 2 of the Treaty on European Union (TEU), the Union is founded on the principles of human dignity, freedom, democracy, equality, the rule of law and the respect for human rights, including the rights of persons belonging to minorities. In line with Article 2 TEU, the Charter of Fundamental Rights of the European Union enshrines the fundamental rights that people enjoy in the EU. These principles, which are also addressed in the framework of Chapter 23 on Judiciary and Fundamental Rights, establish a Union founded on “the indivisible, universal values of human dignity, freedom, equality and solidarity; [...] on the principles of democracy and the rule of law” [Preamble]. In addition, the Copenhagen political criteria require that candidate countries consolidate “stable” democratic institutions before they join the EU.

² The Commission assessment is based on information received from the country in the context of the screening, while also drawing from policy dialogue with the country, notably in the Stabilisation and Association bodies, and from monitoring, notably in the context of the Commission's annual Enlargement package country reports. It also takes a variety of other sources into account.

Building on the revised Enlargement methodology of February 2020, the functioning of democratic institutions requires a specific structured engagement. To be meaningful and comprehensive, this has been developed along three main pillars:

- (1) the electoral process, including the functioning of the electoral administration, media in the election campaigns and the financing of political parties and election campaigns;
- (2) the functioning of parliaments in a democratic system;
- (3) the role of civil society, including the legal, regulatory and policy frameworks for civil society organisations (CSOs), as well as the wider context for an enabling environment.

These pillars encompass elements of hard and soft *acquis*, as well as European and international standards, principles, guidelines, and codes of good practices. These elements are crosscutting to other chapters under the fundamentals cluster, as the bundle of features that is relevant to assess the proper functioning of democratic institutions intersects other policy areas. Solid democratic stability is linked to the predictability inherent in the rule of law principle, good governance practices, and a society based on fundamental rights protection.

I. GENERAL FRAMEWORK ON DEMOCRACY

a. Country presentation

The **fundamental values** of the constitutional order are defined through the principles enshrined in Article 8 of the Constitution of North Macedonia. These are: the fundamental freedoms and rights of the individual and citizen; free expression of national identity; rule of law; separation of power; political pluralism and free, direct and democratic elections; legal protection of property; freedom of the market and entrepreneurship; humanism, social justice and solidarity; local self-government; proper planning and humanisation of space and protection and promotion of environment and nature; and respect for the generally accepted norms of international law. The Constitution allows a flexible **separation of powers** and **mutual checks and balances**. State power is divided into legislative, executive, and judicial power. The Assembly is the representative body of citizens and constitutes the **legislative power**. Its organisation and functioning are regulated by the Constitution, the Law on the Assembly and by the Rules of Procedure of the Assembly. The role and the mandate of the President of the Republic are defined in Articles 79, 80, and 84 of the Constitution. The **executive power** is vested in the Government, whose functioning and competences are defined in Chapter III of the Constitution, i.e. Articles 88, 89, Amendment XXIII, 90, 91, 92, 93, 94, 95, 96 and 97. The **judicial power** is exercised by the courts. The principles and functioning of the judicial power are outlined in Amendments XXV, XXVI, XXVII, Articles 99, 100, 101 and 102 of the Constitution. In particular, the Constitutional Court protects constitutionality and legality (Article 108) and decides on the conformity of laws with the Constitution, as well as the constitutionality and legality of other legal acts with the Constitution and laws (Article 110).

Political pluralism and free, direct and democratic **elections** are amongst the fundamental values. Every citizen at the age of 18 acquires the right to vote and be elected, which is equal, universal and direct, and is exercised at free elections by secret ballot (Article 22). Every citizen has the right to take part in the performance of public affairs (Article 23). The Electoral Code regulates the right to vote, as well as the functioning of the electoral system in general. On the violation of the right to vote and non-compliance with the established election rules, the Criminal Code contains a separate chapter on crimes related to elections and voting.

North Macedonia stated that the constitutional provisions, in conjunction with the provisions of the European Convention on Human Rights to which the country is party, are a sufficient basis for the entrenchment of freedoms in practice, without further intervention of the legislator. The freedoms and rights established in the Constitution have inviolable meaning and have a higher value than laws and other regulations.

b. Commission assessment

North Macedonia has laid down in its constitutional order the foundation of a democratic state, including the separation of powers and checks and balances. The country is pursuing the consolidation of its democratic institutions. The fundamental values of the constitutional order are defined through the principles enshrined in the Constitution.

C. SUMMARY OF FINDINGS - GENERAL FRAMEWORK ON DEMOCRACY

North Macedonia has laid down in its constitutional order the foundation of a democratic state and it is pursuing the consolidation of its democratic institutions.

II. THE ELECTORAL PROCESS

II.A FREE AND FAIR ELECTIONS

a. Country presentation

Elections are primarily regulated by the Constitution and the Electoral Code. The country has ratified key international human rights instruments pertaining to democracy and the holding of democratic elections, including the 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) and its 1952 Protocol.

The Electoral Code has been amended substantially during the past few years, including twice in 2021. The country evaluates that such amendments have improved the legal provisions to address recommendations by the OSCE/ODIHR and the Venice Commission. The continuation of the electoral reform is referred to as a political priority, including the adoption of a new Electoral Code.

A new working group for amending the election legislation has been established since May 2023. Representatives from political parties and interested parties, non-governmental organisations and associations take part in the drafting of the Electoral Code. Efforts are made to include all parliamentary opposition parties.

Different institutions are responsible for the implementation of the electoral legislation. Primarily, these include: the Assembly of North Macedonia, the Ministry of Justice, the State Election Commission, the State Commission for Prevention of Corruption, the State Audit Office, the Agency for Audio and Audiovisual Media Services, the Administrative Court, the Ombudsperson. Additional functions are executed also by the Administrative Court, the Ministry of Foreign Affairs, the Ministry of Internal Affairs and the Ministry of Finance.

The country's elections are primarily administered by a three-tiered structure led by the State Election Commission, which comprises of 80 Municipal Election Commissions (MECs) in addition to the capital Skopje, 3,480 Electoral Boards (EBs) and the Electoral Boards for voting at Diplomatic-consular offices.

Out of 120 Members of Parliament, 51 are women (42,5%, the largest share ever). The number of MPs from the non-majority communities 42 out of 120 (35%).

b. Commission assessment

Overall, the legal framework is conducive to the organisation of democratic **elections**. The latest report by the OSCE/ODIHR in conclusion to the last round of local elections confirmed that these were overall competitive and fundamental freedoms were widely respected. A number of recommendations issued by the OSCE/ODIHR in conclusions to various rounds of electoral observation, as well as by the Venice Commission, remain to be addressed in a timely, transparent and inclusive manner. These include in particular the following aspects.

- A comprehensive review of the legislation pertaining to the electoral process is necessary to address existing inconsistencies and introduce improvements necessary to further strengthen the alignment of the system to European and international standards. A broad consultative process should underpin the consolidation of this reform.
- The State Election Commission needs to be allocated the necessary resources in a timely manner to carry out its mandate efficiently and independently.
- The accuracy of the voter register should continue to be improved through systematic checks, reviews and data updates.
- Vigorous efforts should continue to be made by the authorities to counter any form of pressure on voters and on public and private-sector employees, including buying of votes.

II.B MEDIA IN ELECTION CAMPAIGN

a. Country presentation

North Macedonia's legislative framework on the **conduct of the media** relies on European and international instruments and standards, self-regulation³, as well as the country's national legislative framework. The latter includes, but is not limited to the Constitution, Electoral Code, Law on Audio and Audiovisual Media Services and Law on Media.⁴ The Electoral Code provides detailed regulations on media behaviour, from the announcement of elections through the election campaign. To address **disinformation** during the elections, North Macedonia indicated that it relies on relevant EU standards set out in EU Communications, such as the Guidelines to Strengthen the Code of Practice on Disinformation (2021).⁵ North Macedonia indicated that it intends to participate in the recent revision of the Code of Practice on Disinformation, through cooperation with the European Regulators Group for Audiovisual Media Services (ERGA). North Macedonia, as an observer in ERGA, will continue to closely follow the monitoring of the video sharing platforms with regards to respecting the new obligations from the new Code of Practice on Disinformation. In 2019, North Macedonia adopted a plan for Resolute Action against the Spreading of Disinformation. Regarding the fight against **disinformation** during the elections, North Macedonia placed a significant emphasis on media literacy across the country, starting with the primary education curriculum. The Media Literacy Policy of the Agency for Audio and Audiovisual Media Services along with the Media Literacy Network and Media Literacy Days contribute to the implementation and raise awareness on the issue of disinformation. In March 2023, the Agency for Audio and Audiovisual Media Services, in cooperation with OSCE/ODIHR, initiated the development of a Code of Conduct in the Online Sphere During Electoral Processes and Referenda.

³ Self-regulation instruments include: Code of Journalists, Guidelines for Ethical Reporting by Online Media, "Promedias" Register of Professional Online media, Manual for Ethical Coverage of Elections, MRT's Ethical and Professional Principles concerning Media Coverage of Electoral Processes, Charter on Ethical Coverage of the 2021 Local Election Campaign.

⁴ National Legislative Framework on media also consists of Law of Civil Liability for Insult and Defamation, Law on Free Access to Public Information, Methodology of the Agency for Audio and Audiovisual Media Services for Monitoring Media Coverage of Elections by the Radio and Television Programming Services during Electoral Processes.

⁵ Other relevant EU Communication include: Communication on the European Democracy Action Plan (2020); Joint Communication on the Action Plan against Disinformation (2018); Communication on Tackling Online Disinformation: a European Approach (2018).

Media pluralism is associated with freedom of speech and freedom of information (Article 16). Freedom of conviction, freedom of public speech and freedom of information are not subject to legal restrictions or regulation. The Constitution prohibits censorship in the sphere of information. The state authority has no right to place itself between the provider of the information and their recipients. The citizens have the right to get in direct contact with the media, without anyone mediating and filtering the news.

The restrictions on **paid political advertising (PPA)** are defined in Article 75-e of the Electoral Code of North Macedonia: paid political advertising is prohibited from the announcement of elections until the start of the election campaign, except for collecting signatures for the independent candidates. Article 76-f indicates that State Election Commission is responsible for maintaining a register of the media outlets that may broadcast/publish paid political advertising. Article 76 of the electoral code also defines that PPA must be marked, separated, and the entity that has ordered it must be indicated.

The Criminal Code provides **legal protection to journalists**. According to Article 144, prosecution of crimes against journalists is undertaken upon a private lawsuit. The Criminal Code was amended in February 2023 whereby, the crimes of murder, coercion and endangering security are classified as qualified forms of the crime if they are committed against a journalist or another media worker. These crimes shall no longer be prosecuted upon a private lawsuit as before, but shall be prosecuted "ex officio". Another significant novelty is that, if a journalist or another media worker is obstructed in the performance of his/her professional tasks, this shall be deemed as preventing an official from performing an official duty. In 2012, the Law on Civil Liability for Insult and Defamation decriminalised insult and defamation. In November 2022, a new Law on Civil Liability for Insult and Defamation was adopted significantly reducing the maximum amounts that the court may award as compensation for non-material damage caused by an insult or defamation on the part of a journalist in the exercise of their journalistic profession, an editor or his/her deputy, or by a legal entity.

The institutional framework addressing **conduct of the media** includes the Ministry of Justice, Ministry of Information Society and Administration (MISA), Agency for Audio and Audiovisual Media Services (AVMU), State Election Commission (SEC), State Commission for the Prevention of Corruption and State Audit Office.⁶

According to Article 75 of the Electoral Code, all media outlets, including online media, are required to cover the elections in a fair, balanced and unbiased manner. **Broadcasters** are also obliged to ensure balanced coverage of the elections and preserve proportionality and equality. Additionally, coverage of the regular activities of the government must not be in the service of the election campaign.

The Agency for Audio and Audiovisual Media Services is obliged to monitor the **coverage of the elections by the broadcasters** from the day elections are announced until their completion. To assist implementation, the Agency adopted a Methodology for Monitoring Media Coverage of Elections by the Radio and Television Programme Services. It also carries out training to the broadcasters and conducts monitoring of the balance in reporting on the electoral process in the broadcasters' programmes.

According to Article 76-c and Article 76-e of the Electoral Code, AVMU monitors **paid political advertising** aired by the broadcasters and verifies their reports on the PPA they have aired.

North Macedonia emphasised its commitment to further strengthen different areas related to media in election campaigns through the amendment of the Electoral Code and Law on Media, as well as through the harmonisation with the EU's Digital Services Act (2022) and Audiovisual Media Services Directive (2018).

⁶ Other institutions include: Agency for the Protection of the Right to Free Access to Public Information, Competent courts, Council of Media Ethics of Macedonia, Association of Journalists, Independent Union of the Journalists of Macedonia.

b. Commission assessment

As confirmed in OSCE/ODIHR reports, the context is generally favourable to **media freedom** and allows for critical media reporting. Further efforts are needed, in particular in the following areas.

- Action on self-regulation of the media should resume and produce practical results in advancing professional standards of journalism.
- Greater transparency is needed in relation to **political advertising**. Independence, professional standards and financial sustainability of the public service broadcaster, remain to be consolidated, despite the fact that a reform process was launched and a five-year development strategy adopted to structure its implementation.
- It is important to address disinformation during election campaigns. Online media is not governed by a specific law, and there are differing views on the need for regulation, especially in view of the growing threats from **disinformation**.

See also Chapter 23 – Judiciary and Fundamental Rights, on Freedom of Expression.

II.C FINANCING OF POLITICAL PARTIES AND ELECTION CAMPAIGN (INCLUDING ANTI-CORRUPTION MEASURES)

a. Country presentation

Financing of political parties and election campaigns is primarily regulated by the Electoral Code, the State Audit Law, the Law on Political Party Financing, the Law on Prevention of Corruption and Conflict of Interests and the Law on Party Research and Analytical Centres. The Electoral Code sets out the rules on the financing of electoral campaigns. The Law on Political Party Financing stipulates how financial means can be provided to political parties and managed correctly (Art.1). It also defines public (Art.8) and private sources (Art.13) and the way in which they are distributed to finance political parties (Art.10). Political parties which obtained more than one per cent of the vote in the most recent parliamentary or local elections receive public funding for their regular activities. The Law on Prevention of Corruption and Conflict of Interests⁷ regulates the measures and activities for prevention of corruption in the exercise of power, public authorisations, official duty and politics, measures and activities for prevention of conflict of interests as well as measures and activities for prevention of corruption in undertaking activities of public interest by legal entities related to execution of public authorisations.

The legal framework on political party financing consists of two laws, namely the Law on Political Party Financing⁸ and the Law on Party Research and Analytical Centres⁹. The latter regulates the manner of establishment, organisation, functioning and financing of party research and analytical centres, within the political parties in North Macedonia. It also sets the criteria under which parties can receive funds to finance their research and analytical centres. According to such criteria, only the first four political parties with the largest number of elected representatives in the Assembly of North Macedonia in the last held parliamentary elections, and which have established party research and analytical centres can receive the funds from the State budget to finance their research and analytical centres.

⁷ Official Gazette no. 12/19. Articles: 32, 33, 34, 35, 36 and 37

⁸ Official Gazette no. 74/04, 86/08, 161/08, 96/09, 148/11, 142/12, 23/13 and 140/18) and Official Gazette no. 294/20

⁹ Official Gazette no. 23 dated 14.02.2013 and 15/2015 dated 02.02.2015

The implementation of the legal framework for financing of political parties and election campaign falls under the competences of the Ministry of Justice, State Audit Office (SAO), Ministry of Finance and State Commission for Prevention of Corruption (SCPC).

The SAO oversees financial operations of the political parties and carries out audits of elections campaigns. It also evaluates the degree of compliance of laws and by-laws and makes recommendations for amendments and harmonisation. It then follows up on the implementation of audit recommendations within the frames of regular audits, reviews on the implementation of audit recommendations, as well as with separate follow up audits.

The responsibilities of the SCPC are defined in the Law on Prevention of Corruption and Conflict of Interests. They mainly consist of monitoring, disclosure and taking measures against responsible persons in state authorities and institutions. Action can be taken if there is suspicion that budget/municipal funds are used to organise or finance the election campaign; if there is a suspicion that the election campaign is being financed from sources which do not comply with legal provisions or come from anonymous sources and if political parties are financed from illicit or illegal sources.

b. Commission assessment

The legal framework for **campaign finance** has a number of gaps. Regulation of the amount of bank loans and the possibility to donate after elections, as well as of third-party financing, needs to be developed. The legislation does not align donation limits with spending limits, thus leaving open the possibility that for local elections, in smaller municipalities, a single individual can entirely fund a campaign. A reasonable determination of the maximum amount that may be contributed by a single donor has proven to be relevant to prevent corruption or limit the purchase of political influence.

To enhance transparency, the Electoral Code should require comprehensive disclosure of all types of campaign income and expenditures by contestants. Campaign finance reports should include a breakdown of expenditures by constituency, and the deadline for submitting final reports should be shortened to reflect international good practice. A mechanism for electronic submission of financial reports, including the disclosure of income data, should be established.

The agencies responsible for **campaign finance** oversight should conduct an effective scrutiny of campaign income and spending throughout the electoral process and should give proper and timely consideration to all reports and complaints concerning alleged irregularities. Gaps in the legal framework for campaign finance should be addressed, to strengthen measures to counter any risk of undue influence or corruption at the level of local elections.

The SCPC continued to fulfil its role proactively and boosted its capacity to verify statements of interest and assets. However, the authorities should make more efforts to fully address the conclusions of the SCPC reports. The Law on Prevention of Corruption and Conflict of Interest needs to be fully implemented and the SCPC needs to be strengthened, supported, and adequately resourced. *See general anti-corruption measures under Chapter 23 - Judiciary and Fundamental Rights.*

Efforts should continue to **improve the efficiency of the democratic system**, including **transparency on the funding of political parties**. In this regard, outstanding recommendations by the Group of States against Corruption (GRECO) on “Transparency of Party Funding”, need to be translated into proper measures.

II.D SUMMARY OF FINDINGS – GENERAL FRAMEWORK ON DEMOCRACY

The **legal and institutional framework** for conducting democratic **elections** is broadly in place, but should be further strengthened. The outstanding recommendations of OSCE/ODIHR as well as Venice Commission need to be addressed. On **media** in election campaigns, the environment is broadly favourable. Political advertising requires greater transparency. There are several gaps as regards **financing of political parties**. Efforts are needed to increase implementation capacity, especially for the electoral bodies/agencies.

III. FUNCTIONING OF PARLIAMENTS IN A DEMOCRATIC SYSTEM

General Overview

According to the Constitution, the sovereignty arises from the citizens and belongs to the citizens (Article 2). The Assembly is the representative body of the citizens and holder of the legislative power in North Macedonia (Article 61). The Assembly exercises political control and oversight of the Government and other public officials accountable to the Assembly (Article 68). The Assembly works in constant session and it consists of 120 to 140 Members elected in general, direct and free elections by secret ballot (Articles 62.1, 2 and 3 and 66). The Members of Assembly (MPs) perform their function in accordance with the Constitution, the Rules of Procedure of the Assembly and the laws. The Parliament decides, with majority voting, of the MPs attending the Session and at least 1/3 of the total MPs, unless foreseen differently by the Constitution. For laws that directly affect culture, use of language, education, personal documentation, and use of symbols, the Parliament makes decisions by a majority vote of the MPs attending, within which there must be a majority of the votes of the Representatives attending who belong to non-majority communities (Amendment X). The double-majority applies also for some elections and appointments ensuring equitable representation of non-majority communities. All MPs using the language spoken by at least 20% of the population may address the plenary and the bodies in their mother language. All motions in the Parliament are submitted in Macedonian and in Albanian. In the current composition of the Assembly (2020-2024), there are four parliamentary groups, 21 committees, seven informal inter-parliamentary cooperation groups, 8 committees are chaired by an MP from the opposition. Out of the 120 members, 51 are women and 69 men; different ethnicities are represented.

III.A TRANSPARENCY AND ACCOUNTABILITY

a. Country presentation

Provisions for transparency and accountability of the Parliament are enshrined in the Constitution, several Laws, Rule of Procedures (RoP) and the Code of Ethics¹⁰. The Plenary Sessions and the Committee Meetings are public. The Assembly may decide to work without the presence of the public by 2/3 majority of the total number of its Members (Article 70 of the Constitution and Article 2 of the RoP). The Assembly has its own media channel to broadcast Plenary Sessions, Committee/other bodies' meetings, events and conferences. This is regulated by the Law on Assembly. The Assembly determines independently its means of work and functioning. According to Chapter XIV of the Rules of Procedures, citizens may follow the Sessions and the Committee Meetings from the galleries, as well as journalists. The latter may have at their disposal all assembly documents, except in particular cases. The Assembly has a website to publish information on its work, as well as a bulletin and other publications (e.g. Annual Report, Mandate Report and Periodical Report). The public can follow the entire legislative process. The Assembly also publishes a series of other information and tools to address different target groups to increase the awareness on its activities and functioning. Citizens are also engaged in a series of dedicated activities, such as seminars and workshop with a constant growth.

¹⁰ Constitution (Official Gazette No. 52/91); Amendments I and II, Official Gazette No. 1/92; Amendment III in Official Gazette No.31/98; Amendments IV to XVIII - Official Gazette No.91/2001; Amendment XIX - Official Gazette No.84/2003; Amendments XX to XXX - Official Gazette No.107/2005; Amendment XXXI - Official Gazette No.3/2009; Amendment XXXII - Official Gazette No.49/2011 and Amendments XXXIII to XXXXVI - Official Gazette No. 6/2019); Law on the Assembly (Official Gazette No. 104/2009, 14/20,174/21, 298/21 and 67/22); Rules of Procedure of the Assembly (Official Gazette No. 91/2008, 119/10, 23/13 and 152/19); Law on Free Access to Public Information (Official Gazette No. 101/19); Code of Ethics for the Member of Parliament Official Gazette No 09/18 and 19/19); Law on Prevention of Corruption and Conflict of Interests (Official Gazette No. 12/19); Law on State Audit (Official Gazette No. 66/2010, 145/2010, 12/2014, 43/2014, 154/2015, 192/2015, 27/2016, 83/2018 and 122/2021); Law on Accountancy of the Budget and Budget Beneficiaries (Official Gazette No. 61/2002, 98/2002, 81/2005, 24/2011, 145/2015, 170/2017 and 122/2021); Law on Public Procurements (Official Gazette No. 24/2019 and 87/2021).

Both the Strategic Plan of the Assembly 2023-2027 and the Open Government Partnership Action Plan 2021-2023 aim at making a more digital, functional and open Assembly. All legal and private entities can request free access to public information in oral, written or electronic format. The holder of the information is obliged to reply to the request immediately, providing the applicant an insight, transcript, photocopy or electronic entry within 20 days from the day of submission of the request (Articles 4, 12 and 21 of the Law on Free Access to Public Information).

On coordination and planning of the work of the Assembly, the President of the Assembly, the Vice Presidents and the Coordinators of the parliamentary groups holds regular Coordination Meetings and ad hoc meetings if needed (Article 24 of the Law on Assembly). At Coordination Meetings, the work schedule of the Plenary and the Committees is aligned, and consultations are held on particular draft laws (Article 24 of the Law on Assembly). The President takes care of aligning the activities of the Assembly with the activities of the President of the Republic and the Prime Minister (Article 60 of RoP). The RoP describes the criteria that a bill must meet to be added in the agenda for a Parliamentary session. If inconsistencies are identified, the President has to inform the initiator who submitted the bill so as to correct it (Articles 135 and 136).

The Prime Minister informs the Assembly on issues related to the realisation of the policy for implementation of Laws and other acts of the Assembly (Art. 4 of the RoP of the Government). The subject of this Information is the Legislative Agenda of the Government for particular period, stipulated with the Programme on the Work of the Government. Each Committee can have its own RoP as long as they are in line with the main provisions of the RoP of the Assembly. The Committees may invite experts, representatives of organisations and institutions in order to present their opinion on particular issues. A trustee of the Government, a representative of the state administration, as well as each proponent whose proposal is being considered may participate in the Plenary and Committee meetings. For the draft laws in second reading, the participation of Government's representative or proponent is mandatory (Article 121 and 122 of RoP). The Assembly, following the general debate, may decide to schedule a public debate on a draft-law of wide public interest and to determine a competent committee for organising the debate. The Committee shall make public the draft-law, including the deadline for submitting opinions and proposals. Upon the discussion, the Committee integrates the opinions and the proposals in a report, which is submitted to the Assembly in the second reading (Articles 145 – 147 of the RoP). Initiatives for debate may be launched by other Assembly Committees, institutions and civil associations (Article 124 of RoP).

The voting shall be public – electronic, by raising hand or by roll call (Chapter V, Articles 96-103 of RoP).

The MPs and the Special Advisors in the Cabinet of the President of the Assembly, within 30 days upon the verification of the mandate or upon employment respectfully, as well as 30 days upon termination of the mandate or employment, are obliged to submit a declaration of assets and interests for them and their family members. The form is submitted to the State Commission for Prevention of Corruption and they are published online (Art.82 and 87 of the Law on Prevention of Corruption and Conflict of Interests). The State Commission for Prevention of Corruption performs regular checks and found that seven MPs failed to submit their asset declaration. In case of failing to submit the asset declaration, a misdemeanour payment warning; there are always sanctions for MPs failing to submit assets declarations.

The Members of Assembly, when performing the office shall respect the provisions of the Code of Ethics. In the course of their mandate, the Members shall be open to the media for all issues of public character (Article 5 of the Code of Ethics). The Assembly shall provide adequate conditions for contacts between MPs and citizens in their respective constituencies. The funds shall be provided from the finances of the Assembly within the State Budget, through an Act adopted by the Budget Council of the Assembly (Chapter X, Article 36 of the Law on Assembly).

The work of the Assembly is subject to audit. The Audit Reports are published on the website of the State Audit Office (Art. 22 and 31 of the Law on State Audit). The Assembly and the State Audit Office have established closer cooperation aimed to strengthen the efficiency and the transparency of the public financial oversight (Article 1 of the Memorandum for Cooperation). The Assembly is obliged to publish its final account on its website, within 15 days from the day when the final accounts are submitted to the Register of Final Accounts at the Central Registry (Art. 29 of the Law on Accountancy of the budgets and budget beneficiaries). The implementation of the Budget of the Assembly is being published since January 2019 without legal obligation.

The Assembly adopts a plan on its overall requirements for public procurements in the current year, which is published in the Electronic System on Public Procurements by the end of January of the current year, including the overall procurements procedure (Art. 75, 70 and 72 of the Law on Public Procurements).

Briefings with journalists in the Assembly as well public debates, including experts' participation, are taking place regularly. Until June 2023, 54 monthly briefings and 88 public debates were held. The President holds informal monthly briefings for journalists. This current Assembly has not passed a law in urgent procedure and has answered all request for access to public information within the established deadline. Constituency Relations Office are present and the number of visits and events have been increasing.

b. Commission assessment

North Macedonia continues to consolidate its democratic system, of which the Parliament is the cornerstone. The Parliament is duly empowered to exercise its oversight role on the executive, which continues systematically. **Accountability** lines between the Parliament and other relevant institutions are also duly established.

Overall, the Parliament is empowered to have a crucial role in the EU integration process, although this needs to be further consolidated. The governing coalition and opposition need to work together constructively within Parliament and focus on concrete steps in the negotiation process, including by taking forward EU related reforms. The National Council for EU Integration, chaired by the opposition, has the responsibility for securing broad consensus on the EU agenda.

Challenges remain in terms of planning the law-making process more efficiently. The opposition challenged the use of the ‘EU flag’ procedure, a shortened procedure aiming at aligning legislation with the EU *acquis*, and it blocked several draft laws at the level of committees. The number of laws adopted in shortened procedure, proposed either by the Government or the MPs, decreased slightly but remains still high. The use of fast-track procedures should be limited and should not be used to short-cut public consultation or resolve procedural difficulties in the legislature. *See also Effectiveness below.*

The Parliament has remained the main forum for political dialogue. However, its work was marred by persistent polarisation between the ruling parties and the opposition. The challenges of the ruling coalition to muster its majority and the ‘active blockage’ pursued by the largest opposition party delayed the adoption of many legislative proposals and several important appointments or elections, as well as timely revision of the reports of different regulatory bodies.

In terms of **transparency**, relevant practices are duly in place and accessibility is guaranteed. Their consistent implementation remains key to guarantee that the legislator is truly accountable.

III.B INTEGRITY

a. Country presentation

Provisions set in the Constitution, various laws, rules of procedure, the Electoral Code and the Code of Ethics for Members of the Assembly and for Administrative Officers constitute the national legal framework for integrity¹¹. In particular, Article 4 and Article 8.7 of the Law on Prevention of Corruption and Conflict of Interest establish the principle of integrity and define it¹². North Macedonia has ratified the United Nations Convention against Corruption (UNCAC)¹³. With the Resolution on Support of the Fight against Corruption adopted by the Assembly in 2005, MPs reaffirmed their commitment to support the fight against corruption, as well as their consent to disclosure of the asset of declaration concerning their property and to publication of the origin of their assets and the assets of their immediate family members.

According to Article 63.5 of the Constitution, the office of an MP is incompatible with other public functions or professions. Incompatibility of the function of the MPs is regulated also by the Electoral Code (Article 8), the Law on Members of the Assembly (Articles 5 and 8), the Law on Assembly (Article 7.2), the Law on the National Bank (Article 50.4) and the Law on Prevention of Corruption and Conflict of Interest (Article 44).

¹¹ Constitution (Official Gazette no. 52/91); and Amendments I and II (Official Gazette no. 1/92); Amendment III (Official Gazette no. 31/98); Amendments IV to XVIII (Official Gazette no. 91/2001); Amendment XIX (Official Gazette no. 84/2003); Amendments XX to XXX (Official Gazette no. 107/2005); Amendment XXXI (Official Gazette no. 3/2009); Amendment XXXII (Official Gazette no. 49/2011) and Amendments XXXIII to XXXXVI (Official Gazette no. 6/2019); Rules of Procedure of the Assembly (Official Gazette no. 91/2008, 119/10, 23/13 and 152/19); Law on the Assembly (Official Gazette no. 104/2009, 14/20, 174/21, 298/21 and 67/22); Law on the Members of Assembly (Official Gazette no. 84/2005, 161/2008, 51/11, 109/14, 140/18 and 27/19); Law on Prevention of Corruption and Conflict of Interest (Official Gazette no. 12/19); Law on free access to public information (Official Gazette no. 101/19); The Electoral Code (Official Gazette no. 40/2006, 136/2008, 148/2008, 155/2008, 163/2008, 44/11, 51/11, 142/12, 31/13, 34/13, 14/14, 30/14, 196/15, 35/16, 97/16, 99/16, 136/16, 142/16, 67/17, 125/17, 35/18, 99/18, 140/18, 208/18, 27/19, 98/19, 42/20, 74/21 and 215/21); The Law on Audio and Audiovisual Media Services (Official Gazette no. 184/13, 13/14, 44/14, 101/14, 132/14, 142/16, 132/17, 168/18, 248/18, 27/19, 42/20 and 77/21); Law on the National Bank (Official Gazette no. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18, 110/21); Code of Ethics for Members of Assembly (Official Gazette no. 109/18 and 19/19); Code for Administrative Officers (Official Gazette no. 183/14).

¹² Everyone is obliged to act conscientiously, professionally, responsibly, honestly, efficiently and impartially in the exercise of the office, public authority and official duty. The official exercising public powers and duties is obliged to respect the principles of legality, equality, publicity, the ethical norms and professional standards, without discrimination or favouring anyone, with full respect of the public interest.

¹³ Law on Ratification of the UN Convention against Corruption (Official Gazette no. 37/2007); Law on Ratification of the Additional Protocol to the Criminal Law Convention on Corruption (Official Gazette no. 83/2005); Law on ratification of the Criminal Law Convention on Corruption of the Council of Europe (Official Gazette no. 32/1999).

With the verification of the mandate by the Assembly, MPs acquire rights and duties stipulated by the Constitution, by law and other regulations and general acts¹⁴. An MP has the right and duty to attend at the sessions of the Assembly and the working bodies' meetings to which he/she is a member, as well as to participate in the work and decision-making of the Assembly¹⁵. In their work, MPs are obliged to be cautious of potential conflict of interest and to undertake measures for its avoidance (Article 72 of the Law on Prevention of Corruption and Conflict on Interests). The procedure for determining conflicts of interests and the system for reporting property and income applies both to MPs and to the Assembly as an institution in which elections and appointments are carried out (Articles 82 to 91 of the Law on the Prevention of Corruption and Conflict of interests).

The function of an MP is performed professionally (Article 7.1 of the Law on the Assembly; Article 4 of the Law on Members of Assembly). The amount of salaries and allowances paid to the MPs are regulated by the law, and are information of public nature (Articles 25 to 37 of the Law on Members of Assembly). The MPs and the members of their immediate families are directly prohibited from pursuing broadcasting activity, or to appear as founders or co-founders or acquire ownership of broadcasters (Article 38 of the Law on Audio and Audiovisual Media Services).

The Code of Ethics for the Members of the Assembly was adopted in 2018. It introduces fundamental ethical principles, rules of conduct of the MPs, a competent Assembly body on the implementation of the Code, measures for violations, conflict of interests and cooperation with the State Commission for the Prevention of Corruption. It also aims at implementing the recommendations of the Group of States against Corruption of the Council of Europe (GRECO) as well as OSCE/ODHIR. The Code is under amendment and the current draft includes revised provisions for the conduct of MPs, as well as measures to prevent corruption and conflicts of interest.

¹⁴ Article 6 Paragraph 4 of the Law on Members of Assembly (Official Gazette no. 84/2005, 161/2008, 51/11, 109/14, 140/18 and 27/19); Article 5 of the Law on the Assembly (Official Gazette no. 104/2009, 14/20, 174/21, 298/21 and 67/22); decisions adopted by the Assembly

¹⁵ Article 29 of the Rules of Procedure of the Assembly and Article 10 of the Law on Members of Assembly

MPs may not use their function for the purpose of acquiring assets or other benefits for themselves or others, may not request and/or receive gifts and free services, and may not use their office or the information they receive through the office for personal benefit or for the benefit of someone else. (Articles 3, 8, 9 and 10 of the Code of Ethics). The competent body of the Assembly on the Code of Ethics is the Committee on Rules of Procedure, Mandate and Immunity Issues. In July 2019, the Committee adopted Rules on Implementation of the procedure on determining minor and serious violations of the Code of Ethics and on imposing sanctions provided for by the Code of Ethics. In February 2020, the Committee adopted Guidelines for the Implementation of the Code of Ethics for Members of Assembly.

The function of the MPs is tied to the immunity, which they enjoy from the day of the verification to the day of termination of their mandate (Article 64 of the Constitution). The procedure on request for approval of detention is provided in Articles 53, 54 and 55 of the RoP. North Macedonia stated that there is a constant firm commitment among MPs to ensure an efficient system of integrity in the Legislature and that there is an efficient control mechanism.

The National Strategy for Prevention of Corruption and Conflict of Interest was submitted by the State Commission for Prevention of Corruption for adoption to the Assembly (Article 18.3 of the Law on Prevention of Corruption and Conflict of Interest). The Assembly adopted the 2021-2025 National Strategy in April 2021 with conclusion (Official Gazette No 86/21). The State Commission for Prevention of Corruption submits to the Assembly an Annual Report on its work, as well as an Annual Report on the Implementation of the National Strategy for the Prevention of Corruption and Conflict of Interest (Article 18.6 and 7 and Article 19.2 of the Law on Prevention of Corruption and Conflict of Interest).

b. Commission assessment

Overall, the relevant the national legal framework for integrity is in place. Particular attention is needed to ensure higher ethical and integrity standards are effectively implemented, while taking into account GRECO recommendations regarding the MPs.

See general anti-corruption measures under Chapter 23 - Judiciary and Fundamental Rights.

III.C EFFECTIVENESS

a. Country presentation

The legal framework for the organisation and the functioning of the Assembly is composed of provisions set in the Constitution, the Rules of Procedure of the Assembly, the Electoral Code and several Decisions¹⁶. There are three types of legislative procedures. The regular procedure allows for a first, second and possibly third reading (RoP, Articles 137 to 166)¹⁷. The urgent procedure is used for urgent enactment of a law in order to overcome major disturbances, pursuant to the RoP, Articles 167 to 169. The shortened procedure is used on laws that are not complex and extensive and with which compliance with EU law is carried out, according to Articles 170 and 171 of the RoP. The proposal to amend or supplement a draft law is submitted in the form of an amendment, in the second and third reading (Chapter IX of the RoP). Draft laws for harmonisation with EU legislation have a special procedure (Article 79.2, 135.5, 171-a to 171-d of the RoP).

In the current Parliament, North Macedonia reported that, until June 2023, a total of 441 laws were adopted, of which 182 laws with regular procedure, 201 with shortened procedure, 58 laws on ratification and none with urgent procedure.

¹⁶ The Constitution of the Republic of North Macedonia is published in Official Gazette no. 52/91; Amendments I and II in the Official Gazette no. 1/92; Amendment III in Official Gazette no. 31/98; Amendments IV to XVIII in Official Gazette no. 91/2001; Amendment XIX in Official Gazette no. 84/2003; Amendments XX to XXX in Official Gazette no. 107/2005; Amendment XXXI in Official Gazette no. 3/2009; Amendment XXXII in Official Gazette no. 49/2011 and Amendments XXXIII to XXXXVI in Official Gazette no. 6/2019; The Rules of Procedure of the Assembly (Official Gazette no. 91/2008, 119/2010, 23/13 and 152/19); The Law on the Assembly (Official Gazette no. 104/2009, 14/20, 174/21, 298/21 and 67/22); The Electoral Code (Official Gazette no. 40/2006, 136/2008, 148/2008, 155/2008, 163/2008, 44/11, 51/11, 142/12, 31/13, 34/13, 14/14, 30/14, 196/15, 35/16, 97/16, 99/16, 136/16, 142/16, 67/17, 125/17, 35/18, 99/18, 140/18, 208/18, 27/19, 98/19, 42/20, 74/21 and 215/21); The Decision to establish permanent working bodies of the Assembly (Official Gazette no. 64/17, 73/17, 33/19 and 207/19); The Decision to establish delegations, parliamentary groups and other forms of international cooperation of the Assembly (Official Gazette no. 237/20 and 310/2020); The Decision to establish a National European Integration Council (Official Gazette no. 140/2007 and 91/11); The Decision to establish Parliamentary Groups of the Assembly of the Republic of North Macedonia for cooperation with parliaments of other countries and election of Chairpersons and Members of the Parliamentary Groups of the Assembly of the Republic of North Macedonia for cooperation with parliaments of other countries (Official Gazette no. 284/20, 173/2021 and 87/22)

¹⁷ First reading - considering the acceptability of the draft law; Second reading - amendment debate; and Third reading - only at plenary sessions if there are more accepted amendments in the Second Reading.

In its oversight role, the Parliament may raise an issue on the accountability of the President of the Republic (Articles 205 to 210 of the RoP), call for a vote of confidence for the Government (Articles 214 to 218 of the RoP), request the interpellation of a public official (Articles 45 to 48 of the RoP), ask any parliamentary questions (Articles 37 to 44 of the RoP), establish Inquiry Committees (Article 76.2 of the Constitution and Article 118.6 of the RoP), organise oversight hearings (Articles 20 to 23 of the Law on the Assembly) and review reports of regulatory, supervisory and other bodies, in accordance with the laws of the respective areas.

In the current Assembly, for the period from August 2020 to June 2023, a total of seven interpellations were submitted and two votes of confidence issued (both in 2021). For the same period, 22 sessions on parliamentary questions were held, a total of 49 reports was reviewed.

All Members of Assembly have equal status and equal rights in the Assembly, regardless of whether they are part of the ruling majority, part of the opposition or an independent Member. According to the RoP, the opposition is guaranteed fair access to positions of responsibility in the Assembly, based on the principle of proportional representation and in accordance with respective acts. Several bodies are always chaired by MPs from the opposition. In certain cases, the allocation of responsible positions is the result of *ad hoc* political agreements.

The opposition has the right to have a vice-President according to Article 21.3 of the RoP. Other roles are indicated in Articles 108.3 of the RoP, Article 38 of the Law on Interception of Communications and Article 118.6 of the RoP, Article 33.2 of the Law on the Assembly, Article 4 of the Establishing Decision, Article 69.3 of the RoP, Article 40.2 and Article 49.3 of the RoP.

MPs are elected for a term of four years, but their mandate could terminate earlier. Cases of earlier termination are: resignation (Article 65.1 of the Constitution); termination due to conviction for a criminal offense for which a prison sentence of at least five years is prescribed (Article 65.4 of the Constitution), revocation of mandate due to conviction for a criminal or other offense that makes the him/her unfit to perform the office of an MP, as well as for unjustified absence from the Assembly for more than six months (Article 65 of the Constitution) or when an MP is elected or appointed to another position (Article 8 and Article 152 of the Electoral Code).

A State of Emergency can be established according to Constitutional provisions (Article 125, Article 63 and 128). The Constitution also regulates the possibility for a referendum (Article 73).

The Ombudsperson represents the authority for the protection of the Constitution and citizens' legal rights. The Assembly elects the Ombudsperson and his/her 10 deputies with a transparent procedure. In line with the Amendments to the Law on Ombudsperson (2016 and 2018), legal provisions on the role and competences of the Ombudsperson are in place.

Since 2018, North Macedonia has been part of the 'Jean Monnet Dialogue', an initiative of the European Parliament. There were a number of commitments taken by North Macedonia, including the amendments to the RoP, which need to be implemented. The country reiterated the importance to strengthen the role of oversight by increasing the number of oversight hearings and to continue the work of the Assembly to align with EU legislation.

b. Commission assessment

The **parliamentary oversight** of the work of independent institutions is in place. Parliamentary oversight of the intelligence services was exercised more regularly, but further work is needed to improve efficiency.

There was no significant progress in implementing the commitments made during the third round of the '**Jean Monnet Dialogue**' in early 2020. Parliament should implement without further delay the proposals for internal reform agreed in the 'Jean Monnet Dialogue' to ensure a better functioning of Parliament. The **Rules of Procedure of the Parliament** need to be improved by the end of this legislature, in particular to streamline procedures on the constitutive session, guarantee greater governmental oversight, consolidate the practices for public hearings, adoption of the parliamentary calendar and the procedures for 'EU flagged' laws. These amendments aim to ensure a smoother functioning of Parliament with the view to overcoming potential blockages and polarisation.

The Parliament should, without further delay, appoint three judges of the Constitutional Court, five Deputy Ombudspersons and members of the media councils, of the Council of Public Prosecutors, and of the Anti-Discrimination Commission.

III.D SUMMARY OF FINDINGS – FUNDAMENTAL FUNCTIONING OF PARLIAMENTS IN A DEMOCRATIC SYSTEM

Regarding the **functioning of Parliament**, the Parliament of North Macedonia has consolidated its democratic functions over time. Efforts are still needed to establish a more efficient planning of the law-making process, with the aim of limiting the use of fast-track procedures.

IV. THE ROLE OF CIVIL SOCIETY

IV.A GENERAL FRAMEWORK ON CIVIL SOCIETY

a. Country presentation

Freedom of association is guaranteed by the Constitution in its Article 20. Citizens may freely establish associations of citizens and political parties, join them or resign from them. This freedom is limited in so far as their “programme may not be directed at the violent destruction of the constitutional order of the Republic, or at encouragement or incitement to military aggression or ethnic, racial or religious hatred or intolerance”. The Law on Associations and Foundations is the main legal framework in this field. This Law regulates the procedure for establishment, registration and termination of associations and foundations.

Civil society organizations acquire the status of a legal entity by being registered in the register maintained by the Central Registry. Basic data of the registered CSOs are publicly available on the Register’s website.. In line with the Article 63 of the Law on Associations and Foundations the termination of an organisation can only be based on a decision adopted in accordance with the statute or a court decision.

The Law requires a minimum of five founders for establishment of an association, including three who must be permanent or temporary residents of the country. Foundations are legal entities established for the purpose of achieving a goal by means of acquiring and managing assets and funds. The law requires foundations to be established with initial assets amounting to at least EUR 10,000 (in denar counter-value). Foundations can be established by one or more founders, including natural persons and legal entities.

Foreigners are entitled to be founders and members of an organisation. Foreign organisations are permitted to act in the country through a subsidiary, office or other organisational form of foreign organisations with head office on the territory.

North Macedonia presented its measures to address Strategic Lawsuits against Public Participation (SLAPPs). Since 2012, insult and defamation have been decriminalised and the law provides for the right of reaction, denial, reply and correction. Training and specialisation of judges has also been introduced. The recent adoption of the new Law on Civil Liability for Insult and Defamation significantly decreases the maximum amounts for damage compensation.

North Macedonia indicated that the country intends to adopt a new Law on Associations and Foundations in 2023. A call was made for CSOs to submit proposals related to this legislative development.

b. Commission assessment

The legal framework of North Macedonia generally complies with its international obligations in terms of freedom of association. The country must however ensure that it implements pending judgements of the European Court of Human Rights related to registration of associations.

The Freedom of association is guaranteed for all in the legislation. The system of registration is not mandatory and for those that decide to register a CSO, the process is clear and accessible. The Central Registry remains the only institution where registration is available. However, in 2021, there were some obstacles for the CSOs regarding the obligation of registering the final owner of the CSOs.

In November 2022, the Parliament adopted several amendments to the Law on Associations and Foundations and to the Law on Political Parties, with the aim to ban establishments of associations and parties whose programme and activities are related to historical figures involved *inter alia* with fascism and Nazism. The development of a new Law on Associations and Foundations should take place through a meaningful cooperation with civil society organisation and concerned stakeholders. The law should aim to apply the highest international standards and guidance in this area, including by consulting the Venice Commission prior to the adoption of the law.

North Macedonia has taken steps in the right direction with regard to protection from SLAPPs. The adoption of the new Law on Civil Liability for Insult and Defamation is a positive step as it will decrease the fines applied in cases of defamation. However, it is important that the country adopts a mechanism for support to targets of SLAPPs, as is prescribed in the Recommendation to Member States which recommends provision of individual and independent support. Similarly, if adopted, the proposed Directive foresees that manifestly unfounded court proceedings are swiftly dismissed, all procedural costs are to be borne by the claimant in abusive cases and that a compensation of damages be awarded to the target of a SLAPP.

See Chapter 23 – Judiciary and fundamental rights.

IV.B NATIONAL LEGAL, REGULATORY AND POLICY FRAMEWORK FOR CIVIL SOCIETY ORGANISATIONS (CSOs)

a. Country presentation

North Macedonia defines the terms civil society and civil society organisation in its Strategy for Cooperation with and Development of Civil Society and the Law on Associations and Foundations. These include: associations, foundations, unions and organisational forms of foreign organisations registered in accordance with the provisions of the Law on Associations and Foundations. This definition excludes political parties, churches, religious communities and religious groups, trade unions, chambers and other types of associations regulated by special laws.

The main strategic document governing the sector is the aforementioned Strategy for Cooperation with and Development of Civil Society. The strategy aims to improve the environment in which civil society operates and develops, thereby strengthening democratic governance and establishing a structured dialogue with civil society. The strategy includes three main priority areas covering: the normative, institutional and financial framework for civil society development; democratisation, active participation of the civil society in social processes, in policy making and monitoring, with a special focus on the process of integration into the European Union; and civil society as a factor in socio-economic development.

These priorities notably envisage measures for improving the legal framework, strengthening the institutional framework and practices of cooperation between the Government, state administration bodies and civil society organisations, establishing a favourable tax framework and improving state financing of CSOs. In terms of participation, the aim is to increase CSO involvement in the creation, implementation, monitoring and evaluation of policies and to improve means for direct participation of citizens in decision-making. The Code of good practices for CSOs participation in policy development is undergoing revision in light of this objective. The Code is expected to be enacted as a binding document for public institutions to respect a unified and obligatory standard for including CSOs in relevant decision-making processes. The strategy envisages developing social entrepreneurship and volunteering as well as promoting philanthropy and increasing civil society organisations' role as service providers.

The main responsibility for implementation of the strategy lies with the organisational unit for cooperation with non-governmental organisations of the General Secretariat of the Government, supported by a network of civil servants for cooperation with the civil society and the Council for Cooperation between the Government and the civil society.

Financial support for CSOs is provided for in the Law on Associations and Foundations (Article 49). Organisations can receive funds from the state budget and from municipalities, including the City of Skopje. These entities adopt annual plans and programmes for the distribution of funds.

Categories of CSOs also receive funds via the Law on Games of Chance and Amusement Games. Sports federations and clubs also receive funding from the organisation of special games of chance.

The Code of good practices for financial support of citizens associations and foundations regulates the requirements for disbursing these funds, including provisions on independence of associations in implementing their activities, provisions on transparency and openness of the procedure for allocation of the fund and fair and impartial decision-making.

North Macedonia stated that the total amount of public funds disbursed to CSOs from all sources amounts to EUR 16,170,000 in 2022.

The tax framework for CSOs includes the Personal Income Tax Law (Article 12), the Profit Tax Law (Article 4-a), the Value Added Tax Law and the Law on Donations and Sponsorships in Public Activities. The Personal Income Tax law provides for reimbursements of expenses for persons participating in events organised by organisations established in accordance with the Law on Associations and Foundations to be excluded from taxation. Similarly, volunteering allowances are also excluded. The Profit Tax Law excludes certain incomes realised by non-profit organisations, including membership fees, voluntary contributions, donations, grants, gifts (in money, goods, property rights), legacies, legates, income from dividends from the trading companies established with the funds of the association, revenues from the state budget and from municipalities, as well as the income from economic activity in an amount less than MKD 1 million per calendar year. For any income over MKD 1 million, a favourable tax rate of 1% is applied.

North Macedonia intends to improve the system of state funding for CSOs by increasing the share of state funding from the central and local budget to reach a share of 30% (about MKD 2 billion) in the total revenues of CSOs by 2024, by transforming the existing Code of Good Practices for Financial Support of CSOs into a horizontal and mandatory bylaw for all state administration bodies, by amending the Law on Games of Chance and Amusement Games and by establishing an independent Fund for Support and Development of Civil Society.

b. Commission assessment

Civil society in the country is actively playing its role by monitoring government policies and providing important information for both citizens and state institutions. Civil society organisations are present in many sectors and are notably active in promoting human rights and fundamental freedoms by being steadfast in their roles as watchdogs and through their involvement in policy-making.

While the legal, regulatory and institutional framework for civil society is generally in place, a number of improvements are needed, including from the point of view of the financial support to CSO to ensure their sustainability. Implementation of legal provisions in a consistent manner is also needed to ensure legal certainty and predictability for stakeholders.

North Macedonia has put in place a policy to frame the relations between the government and state administration with civil society organisations. The Strategy for Cooperation with and Development of Civil Society aims to support the sector and provide for the means to support CSO involvement in policy making. A consistent implementation is needed for it to attain the goals detailed in its three priority areas. In this context, the role of the Council for Cooperation between the Government and the civil society and the organisational unit within the secretariat general of the government needs to be stepped up. An effective monitoring framework is needed to implement the strategy.

The implementation of the Strategy for Cooperation with and Development of the Civil Society and the Action Plan for 2022-2024 is ongoing, with mixed results. CSOs are included in the monitoring of the implementation of the Strategy. State funding for implementation of the Strategy is partial.

At the local level, the involvement of CSOs in policy making remains piecemeal, with varying practices among local governments.

Concerning the financial support to civil society through state funding, it is important that the ambitious objectives in the Strategy be implemented. The law should establish clear and objective mechanisms/criteria for the award of public funds by the new independent Fund for Support and Development of Civil Society. Budgetary allocations to the annual programme for cooperation with civil society have not been reinstated in the supplement to the 2022 budget. This goes against the policy aims of the strategy.

In 2022, the competence for allocation of public funds to CSOs was transferred to the Ministry of Political systems, which led to changes in the institutional set up for supporting CSOs.

The tax regime for CSOs is favourable. CSOs are not subjects to the Law on Profit Tax and the new Law on Personal Income Tax provides a number of exemptions.

IV.C.THE WIDER CONTEXT FOR AN ENABLING ENVIRONMENT

a. Country presentation

Participation of CSOs in the policy-making process is provided for in the Rules of Procedure of the Government (Article 68 and Article 68-a), in the Code of good practices for participation of CSOs in policy-development process, in the Methodology for regulatory impact assessment and in Guidelines for ministries implementing the regulatory impact assessment.

The Code of good practice aims at increasing transparency of the government and administration's work; at improving cooperation with civil society through structured and regular communication and consultations in the policy making processes and at improving the quality of policy making processes by making use of CSOs' expertise. The Code underpins certain principles such as respect for independence of CSOs and their ability to represent the views of citizens and providing services. CSOs need to organise their own internal consultations before addressing requests or proposals to the Government and all parties' status, competences and experience must be respected.

North Macedonia recognises four gradual forms of cooperation: information, consultation, dialogue and partnership. These are applied at all stages of the policy-making process: definition of priorities, drafting of laws and policies and their implementation. An annual call requesting CSOs' input in preparation of the Annual Work Program of the Government is published online by the end of August each year. CSOs are requested to submit policy proposals related to concrete laws contributing to the realisation of the strategic priorities of the Government. The proposals submitted and responses from the line ministries are published online.

The Single National Electronic Register of Regulations (ENER) is the main tool for consultation on legislative proposals prior to their submission in Government procedure, with a deadline of 20 days for comments. North Macedonia reports that in 2022, 56% of draft laws submitted to the government included a regulatory impact assessment report while 40% of drafts were published on ENER. Both mark a sharp decrease from 2018 where the figure stood at 86%. North Macedonia states that it does not limit consultation to formal organisations but interested parties beyond CSOs can also take part in the consultations under the same terms. It plans to address the issue of informal associations in the new Law on associations and foundations being developed.

The institutional framework for dialogue and cooperation with Civil Society includes the Council for Cooperation between the Government and Civil Society, the Unit for Cooperation with NGOs of the General Secretariat of the Government, the network of civil servants for cooperation with Civil Society in state administration bodies as well as participation of CSO representatives in Sectoral working groups and advisory and working bodies.

The Council for Cooperation is an advisory body of the Government for improving the cooperation, dialogue and encouraging the development of civil society which includes 31 members (15 civil servants and 16 CSO representatives which are nominated through an election by CSOs). The secretariat of the Council is performed by the Unit for cooperation with NGOs. The Council is competent to monitor public policy related to the enabling environment for CSOs. It can initiate the adoption of new or amending regulations and give opinion on draft-regulations to improve the **legal and institutional framework** for CSOs. The Council is also responsible for monitoring the implementation of the Government Strategy for cooperation with and development of civil society and it can participate in the process of identifying priorities for state funding of CSOs.

The Unit for Cooperation with NGOs of the General Secretariat of the Government is responsible for coordinating the implementation of the government strategy and preparing reports for the Council (quarterly) and the Government (annual). In addition to the Council for Cooperation, the Unit also provides administrative and professional support to the Commission for Public Benefit Organisations and to the Commission for allocation of financial support for programme activities of Associations and Foundations from the Government Budget (2008-2021).

b. Commission assessment

Civil society continues to be recognised by the state institutions as a key component of the democratic system. The environment in which civil society organisations operate is generally favourable and is further enabled by the adoption of the strategy of cooperation with and development of civil society 2022-2024. This also allows civil society organisations to play an important role in decision-making processes and in monitoring the activities of the state.

However, the decrease in the share of draft laws being consulted via the ENER tool is concerning. It is essential that transparency be a guiding principle in policymaking and that consultation processes be fully inclusive. The authorities should actively involve and meaningfully consult civil society organisations in legislative and policy initiatives, including through effective institutional mechanisms and I for dialogue.

The Council for Cooperation between the Government and Civil Society met only 4 times in 2022. Its functioning is being hampered by the boycott by representatives of civil society organisations, which started in March 2022 as a protest for the cuts in public funding to the CSO sector. The limited number of sessions and an incomplete composition raises concerns about the capacity of the Council to effectively exercise its role as the main structural channel for consulting and involving civil society in policy dialogue and decision-making.

IV.D SUMMARY OF FINDINGS – THE ROLE OF CIVIL SOCIETY

With regard to the role of **civil society**, overall, the legal, regulatory and institutional framework for civil society is generally in place. The process of registration of associations needs to be aligned with the judgments of the ECtHR. A number of other improvements are needed, including for the financial support to CSOs. CSOs operate in a broadly favourable environment, but further efforts are needed to improve transparency in policy making and their involvement in the consultation process.

C) PUBLIC ADMINISTRATION REFORM

A well-functioning and professional public administration is fundamental for a prospective EU Member State. According to the Copenhagen criteria, EU Member States must have the “**administrative and institutional capacity to effectively implement the EU *acquis* and ability to take on the obligations of membership**”. In addition, “**citizens’ right to good administration**” is enshrined in the EU Charter of Fundamental Rights (Art. 41). Good quality public administration is the basis for a successful, sustainable and resilient country. Public administrations at national, regional and local level deliver crisis response, provide services, implement reforms, manage investments and, more generally, manage public spending to create expected social value. They develop appropriate policies and translate EU and national law and programmes into concrete actions with long-term effects on economic, social and territorial cohesion, as well as on technological progress. They are responsible for the effective and efficient uptake of the EU Funds. They play a fundamental role in preserving the EU’s shared values. Public administrations are the direct interface between the EU and the citizens. Based on the level of their integrity, they are the main drivers of social trust in national and EU policies.

The Commission looks at the following key aspects to assess quality of public administration, and any need for reforms:

Strategic framework for public administration reform - The government ensures a strategic vision and leadership for an agile, innovative and continuously improving public administration responsive to new challenges.

Policy development and coordination - The government ensures that policies and budgets are harmonised, effectively planned, co-ordinated across whole-of-government, implemented, monitored and evaluated against clearly defined policy objectives. Ministries develop coherent public policies through an open and participatory process, informed by sound evidence and analysis.

Public service and human resource management - Public servants act with professionalism, integrity and neutrality. They are recruited and promoted based on merit and equal opportunities and have the right competencies to deliver their tasks effectively.

Accountability - The organisation of the public administration is efficient and effective across all levels of government. Public administration bodies are open and transparent and apply clearly defined internal and external accountability mechanisms. Strong oversight bodies protect the rights of citizens and the public interest.

Service delivery and digitalisation - The public administration places users at the centre and delivers high-quality and easily accessible services online and offline to all people and businesses. Digitalisation enables data-driven decisions, effective and efficient processes, as well as quality and accessible services.

Public financial management - The public administration plans and manages public finances to ensure that they are sustainable and transparent and allow the delivery of policy objectives. Control, procurement and oversight arrangements are in place to ensure the economic, efficient and effective use of public resources shared across all levels of government.

North Macedonia confirmed that they **accept the *acquis* and European standards in public administration reform and public financial management**. The country is committed to further improve the stability, quality and capacity of the public administration and public financial management. North Macedonia is **moderately prepared** in the area of public administration reform.

I. STRATEGIC FRAMEWORK FOR PUBLIC ADMINISTRATION REFORM

a. Country presentation

The country presented an overview of the key strategic documents, the Public Administration Reform Strategy and the Public Financial Management Strategy, with their respective Action Plans. In July 2023, North Macedonia adopted the 2023-2030 PAR Strategy following an inclusive consultative process with relevant stakeholders. Funding for the implementation of this strategy will come from the national budget, IPA funds and donor funding. A proper costing of activities under the new PAR Strategy will be concluded from the onset and linked to IPA programming.

The digital transition of the public administration is governed by the Law on Electronic Management and Electronic Services and the Law on Electronic Documents, Electronic Identification and Trust Services. The country indicates that the national interoperability framework is aligned with the earlier European Interoperability Framework. There are plans to further align the national interoperability framework with the updated version of the European Interoperability Framework. A national portal for e-services is in place, serving as a central point for both citizens and businesses to access electronic public services. The country plans to increase the number of services provided through this portal.

The level of implementation of envisaged activities across all areas in the 2018-2022 PAR Strategy until the end of 2021 was 54%, 10% were underway and 36% - delayed. The low level of implementation in the last years is mainly due to the political situation in the country and the COVID-19 pandemic. The 2018-2022 PAR Strategy had focused mainly on the adoption of laws. Many laws could not be adopted for political reasons. The implementation rate of planned activities in the new PAR Strategy is envisaged to be improved through a higher degree of practical targets and a focus on increasing competences and less activities centred on the adoption of laws outside the mandate of the Ministry of Information Society and Administration.

Data is collected on the degree of implementation and used to determine the risk of unimplemented activities. Monitoring and reporting are carried out by the Ministry of Information Society and Administration, which submits a report on the implementation of the PAR Strategy Action Plan twice a year to the PAR Council. Public hearings are held on the degree on implementation – these are open to all interested parties.

[Regarding accelerated integration, North Macedonia would be interested to request observer status in selected Technical Support Instrument (TSI) projects and in the Expert Group on Public Administration and Governance.]

b. Commission assessment

Regarding the **legislative and institutional framework, North Macedonia needs to continue reforms within the framework of a valid and well-coordinated reform strategy.** The strategic framework for PAR is advanced with key strategic documents in existence. The 2023-2030 PAR Strategy and the accompanying Action Plan were adopted in July 2023. The preparation and adoption processes were fully consultative, with active participation of internal and external stakeholders.

A comprehensive set of indicators to measure the progress against outputs and objectives were also completed to ensure effective monitoring of the reforms. The process underwent full consultation with all internal and external stakeholders and was presented at the sector working group on public administration in July 2023. The final decision on priorities and reform programme should be discussed and endorsed by the PAR Council and the Government.

The national interoperability framework has been aligned with the European interoperability framework 2.0. The country should ensure alignment with the latest version of the interoperability framework. The country contributes to the European Commission's Digital Public Administration Factsheets¹⁸ and eGovernment Benchmark¹⁹ reports and should continue to do so. North Macedonia should also seek alignment with the proposal for [Interoperable Europe Act](#).

¹⁸ <https://joinup.ec.europa.eu/collection/nifo-national-interoperability-framework-observatory/digital-public-administration-factsheets-2021>

¹⁹ <https://digital-strategy.ec.europa.eu/en/library/egovernment-benchmark-2022>

Related to the Berlin Declaration and as part of the Berlin process, on 2 November 2020 a Memorandum of Understanding on Regional Interoperability and Trust Services was signed with Western Balkan partners.

The PAR Council – the highest-level body for PAR – met once in 2022. Strong political leadership and political endorsement of the reforms at the highest level is needed to ensure ownership of reforms and increase implementation rates. The responsible institutions need a stronger mandate to lead on PAR.

Concerning **implementation**, the 2018-2022 PAR Strategy was heavily dependent on donor funding. The financial sustainability of outlined reform activities in the new Strategy therefore needs to be ensured.

As regards the 2018-2022 PAR strategy, the critical issue was the lack of implementation of planned measures under the strategic framework: only some of the annually planned measures were implemented. Processes and structures for monitoring and reporting exist but reports were produced with significant delays, reducing the impact and relevance of the monitoring exercise. Implementation issues were thereby not addressed and corrected in a timely manner.

In addition to the lack of a stronger political support, the lack of human and financial resources is also a key obstacle for the effective implementation of key strategic objectives and driving reforms forward.

The Commission considers it relevant for North Macedonia to obtain observer status in selected Technical Support Instrument (TSI) projects and in the Expert Group on Public Administration and Governance. The country already has observer status in the European Public Administration Network (EUPAN). These initiatives aim to enhance the collaboration of Member States and enlargement countries in view of the accession process. Providing the possibility to North Macedonia of following and observing the work of EU Member States would add significant value on both sides as regards several different policy areas of top EU priority.

c. SUMMARY OF FINDINGS – STRATEGIC FRAMEWORK FOR PUBLIC ADMINISTRATION REFORM

North Macedonia is **moderately prepared** on its **strategic framework for public administration reform**. North Macedonia needs to continue reforms within the framework of a valid and well-coordinated reform strategy and should ensure timely preparation and adoption of new strategic planning documents for reforms to ensure continuity, maintain momentum and avoid implementation gaps. The national interoperability framework should be aligned with the European interoperability framework.

II. POLICY DEVELOPMENT AND COORDINATION

a. Country presentation

The national legal framework for **policy development and coordination** consists of the *Law on Government*, the *Government Rules of Procedure*, the *Law on the operation and organisation of state administration bodies*, and the *Organic Budget Law*. A methodology on strategic planning is in place and the country plans to adopt a new normative and methodological framework to better link short and medium to long-term strategic policy planning with financial planning and sustainable development. The adoption of new *Government Rules of Procedure* is planned for 2023 with the aim to operationalise Centre of Government functions and to improve transparency in the decision-making system.

The institutional set-up for the policy planning and policy making area consists of the General Secretariat, the Secretariat for Legislation, the Secretariat for European Affairs, the Ministry of Finance and the Ministry of Information Society and Administration. There are coordination challenges and coordination structures at the Centre of Government will be improved via adoption of new Government Rules of Procedure.

The **parliamentary rules of procedure** ensure parliamentary scrutiny of government work.

The **annual government programme** sets out the policy priorities. Annual reporting is irregular and previous reports do not contain a qualitative analysis of implementation. The country plans to improve this.

Accelerated parliamentary procedures take place. However, the country maintained that fastened procedure does not mean undue process and that certain files have required acting with urgency in times of crisis such as COVID-19 and the ongoing energy crisis.

North Macedonia is developing an **electronic platform** that will serve as a digital tool to support the EU integration process. At this stage, 6 modules will be developed as follows: National Programme for the Adoption of the *Acquis* (NPAA) module; Nlex module (for coordination of the process of alignment with EU *acquis*); Translation module; Capacity building module; CDAD module (for registration of foreign assistance); and Administrative module. The modules will be interoperable, enabling the Secretariat for European Affairs to coordinate the EU integration process in all phases more efficiently (planning, monitoring, reporting, and evaluation).

A **Single National Electronic Register of Regulations** (ENER) exists, which is a central point for presenting draft laws and policy documents subject to public consultation before submission to government adoption procedure. Other digital tools contributing to Centre of Government coordination include e-government, an electronic intranet system for strategic planning and preparation of the annual work programme. An upgrade of the system has been initiated and should result in interoperability of the Government electronic platform, NPAA electronic platform, ENER, e-Parliament and e-Official Gazette.

The General Secretariat has set out a plan to reorganise and strengthen its capacities for the review of sector strategies prior to government adoption. In addition, the country plans to strengthen the capacities across the civil service in the executive so that civil servants dealing with strategic planning have the necessary capacities to fulfil this mandate. The country would like to strengthen the quality of Regulatory Impact Assessments (RIAs) and the regulations preparation process.

b. Commission assessment

North Macedonia should improve policy planning and inclusive, evidence-based policy-making by ensuring that new legislation is subject to the regular legislative procedure, including through the conduct of a proper public consultation and the preparation of a regulatory impact assessment. The use of shortened or urgent legislative procedure should be limited.

The **legal framework and institutional structures** for a coherent policy-making system are in place. However, their use, impact and quality is limited, largely due to weak functioning of centre-of-government. Legislative planning and implementation remains weak, requiring stronger central co-ordination, support and oversight.

New legislation, as well as amendments to existing legislation, is often adopted using **shortened parliamentary procedures**²⁰. As the conducting of Regulatory Impact Assessments (RIAs) and public consultations is not a requirement under such procedures, a high number of policy and legislative proposals are not properly analysed and consulted with the wider public - only 54% of draft laws approved by government in 2022 had RIA prepared and only 37% of RIAs were published on the ENER platform for consultation. 25% of new laws adopted in 2020 had to be amended within a year following adoption. This creates additional work for the administration and effectively postpones implementation. North Macedonia needs to better balance efficiency ('speed') with due diligence and proper procedure in the policy-making process.

The country needs to improve central co-ordination capacities, notably by strengthening the role of the General Secretariat to ensure it can properly perform its co-ordination and quality control function. Most new laws are not part of the Annual Legislative Planning, meaning democratic processes are by-passed and loopholes exist in the overall planning.

²⁰ (SIGMA 2021 assessment: In 2020, about 60% of laws were adopted through non-standard procedures, bypassing important procedures and timelines that can affect the quality of final adopted laws).

In terms of **implementation**, North Macedonia should ensure new policies are developed in an inclusive and evidence-based manner. The legal requirement and institutional set up for implementation of the regulatory management tools - **public consultation and R-As** - are established but implementation is weak and inconsistent. Requirements for public consultations are only partially followed with no proper follow-up ensured and only limited reporting on public consultation outcomes. The quality of RIAs needs to improve. The plans to strengthen central oversight control of RIAs to help improve the quality of RIA reports should be followed up on.

Progress is needed in critical areas such as **sectoral planning, monitoring and reporting**. The quality of government planning and monitoring has gaps in implementation, and some of the key co-ordination structures are not functional. Monitoring and reporting on European integration needs to resume as there are no annual plans and reports on implementation of the regulatory measures. The last NPAA was approved in June 2021 but no clear monitoring is established and there are no reports currently available. The NPAA should be fully aligned with the government annual and institutional work plans.

New guidelines and methodology on sector and cross-sector strategies were approved in May 2022. The new sector strategies are being developed following the new methodology. Full implementation of this new system of sectoral and cross-sectoral planning is needed. The Ministry of Finance has initiated work on a new Law on Sector Strategy and sustainable development. It is important that these initiatives are fully coordinated with the General Secretariat so that the new legislation is aligned with the recently adopted regulations and methodology on sector planning.

c. SUMMARY OF FINDINGS – POLICY DEVELOPMENT AND COORDINATION

North Macedonia is **moderately prepared** in its **policy development and coordination**. North Macedonia should improve policy planning and inclusive, evidence-based policy-making by ensuring that new legislation is subject to the regular legislative procedure, including through the conduct of a proper public consultation and the preparation of a regulatory impact assessment. The use of shortened or urgent legislative procedure should be limited. The country needs to improve central co-ordination capacities, notably by strengthening the role of the General Secretariat.

III. PUBLIC SERVICE AND HUMAN RESOURCES MANAGEMENT

a. Country presentation

A revision of the Law on Administrative Servants and the Law on Public Sector Employees is ongoing. It is envisaged for the objectives of the two laws to remain the same as in current laws. The scope of the Law on Administrative Servants will be extended to also cover institutions, previously excluded from this law. The revised law will also include provisions clarifying who is an administrative servant and what administrative work entails. It will further address the issue of staff retention policy in the administration.

The country started working on a **new Law on Salaries** and are aiming to submit it to the Parliament in the first quarter of 2024. Outlining what salaries should apply to which specific positions still needs to be agreed together with the Ministry of Finance.

The country has prepared a **draft Law on Top Management** which aims at providing for a merit-based recruitment and promotion system for senior management posts in the civil service. Stakeholder consultations are ongoing. The attainment of full political agreement is still ongoing. The timeline for adoption of the law is December 2023.

A new framework for professional competences is to be developed.

On **staff retention**, a new system will be established, including salary and other incentives and will be covering all administration. Temporary employment will be reduced. An institution will be able to temporarily employ a candidate only under certain conditions. Management level positions will not be able to be filled temporarily.

All **gaps on the recruitment IT-system** identified in the State Audit Office report, published in August 2022, will be dealt with. Further information will be provided once this exercise gets underway.

b. Commission assessment

North Macedonia should ensure that all recruitments, promotions and dismissals in the public administration, especially at senior management level, are merit-based and transparent, including by properly regulating this in national legislation. In that respect, the adoption of the revised Law on Administrative Servants and Law on Public Sector Employees and provisions on the recruitment, promotion and dismissal of senior managers remain essential. The Law on Administrative Servants and the Law on Public Sector Employees have undergone several amendments since their adoption in 2014, which has hindered their consistent implementation. The two laws are now being revised which, together with the new Law on Top Management Service, intend to strengthen merit-based recruitment and fair promotions and dismissals, including at management level. Implementation of these laws and the actual impact they will have on the system need to be closely monitored.

Unfair remuneration differences exist, salaries across various sectors of the public administration are not transparent, and salary supplements are given based on unclear criteria. The planned Law on Salaries should tackle these shortcomings.

The county should develop a retention policy for the entire public administration and increase its attractiveness as an employer. This will require employer branding, and focus staff wellbeing, overall good working conditions, managerial culture aligned with the principles of a good public administration, an enabling framework for mobility, as well as professional learning and development opportunities for all staff.

North Macedonia should facilitate the work of the State Commission for Prevention of Corruption by providing additional financial and human resources in order to allow it to properly perform its control functions in recruitment, appointment, promotion and mobility procedures. The country should ensure proper follow-up to the recommendations of the State Commission for Prevention of Corruption by the concerned institutions.

Big gaps exist in terms of **transparency as well as merit-based recruitments, promotions and dismissals** in the public administration. The current civil service legislative framework has been implemented inconsistently across the administration, resulting in a disregard for the principle of merit, notably through appointments to top managerial positions without a competitive procedure, and inconsistent application of recruitment and promotion procedures. Data collection in the human resources management area needs to be further improved and effective oversight to be introduced over the use of temporary contracts in accordance with the legal provisions.

The ‘BalancER’, a human resources tool, which determines the proportion of public employees from each ethnic group, does no longer meet the objectives, as the percentage in the formula does not reflect census data on the residence population. Parallel recruitment procedures set to increase the employment of minorities in the public sector may undermine in their application the principles of merit, effectiveness and equitable representation and affect institutions’ independence when selecting their employees according to institutions’ needs, following the requirements of equitable representation”. Parallel recruitment procedures set to increase the employments of minorities in the public sector may undermine in their application the principles of merit, effectiveness and equitable representation and affect institutions’ independence when selecting their employees according to institutions’ needs, following the requirements of equitable representation.

Shortcomings exist regarding senior civil service, training and professional development, and disciplinary procedures. The **integrity policy** should be embedded and properly implemented by the civil service contributing to fight against corruption and increasing trust in public officials.

c. SUMMARY OF FINDINGS – PUBLIC SERVICE AND HUMAN RESOURCES MANAGEMENT

North Macedonia is **moderately prepared** in its **public service and human resources management**. North Macedonia should ensure that all recruitments, promotions and dismissals in the public administration, especially at senior management level, are merit-based and transparent, including by properly regulating this in national legislation.

IV. ORGANISATION AND ACCOUNTABILITY

a. Country presentation

The **Law on Organisation and Operation of the State administrative bodies (LOOSAB)** is the pillar underpinning the hierarchy and accountability lines in the public administration. The country would like to address accountability lines that remain unclear with this new law. It is expected for the draft law to be ready in the first part of 2024. It will then undergo public consultations. The law could then be submitted to Parliament in March or April 2024. To be passed, the Law needs a 2/3 majority in Parliament.

The country outlined that government information is being shared in a transparent manner and that there is compliance with the **Law on Free Access to Information**.

Public institutions have improved their information sharing, including via official websites. The **Agency for Protection of the Right to Free Access to Public Information** is operational since 2019 (inherited the former Commission) and proactively monitors the publication of all information acts of public nature from all institutions. Most institutions do hold such information. On average, there have been 8500 requests for public information annually in the past 3 years. 755 appeals were sent to the Agency for failures of the information holders to provide public information in 2021.

The country wants to conduct awareness raising campaigns and trainings on integrity.

Implementation of the **planned state organisation reform** is expected to continue through 2024. Three Ministries (the Ministry of Information Society and Administration, the Ministry of Economy, and the Ministry of Agriculture, Forestry and Water Economy) have volunteered to form part of a piloting exercise. The pilot phase will last until July 2023. Depending on the results it will be then extended to other Ministries. There is some resistance from managers of certain institutions to the foreseen reforms.

b. Commission assessment

The legal framework covering citizens' right to good administration provides for administrative and judicial reviews. The **Law on Administrative Disputes** was adopted in 2019. However, full implementation needs to be ensured.

The **lack of a rational organisation of central government bodies and clear lines of accountability** between subordinate bodies and parent ministries negatively impacts the accountability of the public administration. **The government should proceed with the swift adoption of the new Law on State Organisation** to streamline the institutional framework, eliminate overlapping competences, improve the administration's efficiency and improve the lines of accountability.

Managerial accountability is embedded in legislation. Despite attempts to apply it more in practice, top managers remain reluctant to delegate some of their authorisations to lower management levels.

Access to information by the public is not at its full potential. Civil society and media are the dominant users of this instrument. The Agency for Protection of the Right to Free Access to Information decides upon appeals regularly, despite the lack of administrative and technical capacity coupled with a lack of financial resources. Information is not proactively and consistently being published across the public sector. Central government institutions have the highest level of transparency.

c. SUMMARY OF FINDINGS – ORGANISATION AND ACCOUNTABILITY

North Macedonia is **moderately prepared** in its **organisation and accountability**. The government should proceed with the swift adoption of the new Law on State Organisation to streamline the institutional framework, eliminate overlapping competences, improve the administration's efficiency and improve the lines of accountability.

V. SERVICE DELIVERY TO CITIZENS AND BUSINESSES

a. Country presentation

The national **legal framework underpinning the service delivery area** are the Law on General Administrative Procedure (LGAP), the Law on the Introduction of a Quality Management System and Common Assessment Framework for the Performance and Service Provision in Public Service, the Law on the Central Population Register, the Law on Electronic Management and Electronic Services and the Law on Electronic Documents, Electronic Identification and Trust Services. A central inter-operability platform was established in 2015. This enables data exchange between state institutions as well as data exchange with private companies.

The country will establish a new directorate devoted to the implementation of the Law on General Administrative Procedures.

The country is working on **digitalisation and simplification of the administrative procedures**, analysing all steps in the process of digitalising a service and optimising procedures. A National Population Register was established in 2019 and is the basis for citizen's digital identity. This system is designed in full respect with General Data Protection Regulation principles and provides detailed reports about personal data usage. The once-only principle is applied. A catalogue of all available services is published. The country plans to develop more electronic services and is currently supported through an EU-project to develop a further 135 electronic services to be placed on the national portal for electronic services by December 2023. This platform currently has 98,050 users. The platform allows access to people with disabilities. No cross-border services are available now, although there are plans to develop such services under the Western Balkan initiative.

North Macedonia does not have a clear plan how to increase the numbers of digital service users. For citizens that do not have computers, the country is discussing the option to set up mobile one-stop shops, in addition to the existing five regional one-stop shops.

The creation of a digital wallet for citizens is one of the activities in the new PAR Strategy that will improve the data quality during the citizen identification process and the country plans to work on this in the upcoming period.

b. Commission assessment

The country should ensure that the provision of services is customer-oriented and easily accessible to citizens and businesses through simplification of administrative procedures and digital access. To that end, the number of fully digitalised services on the national portal for services should be significantly increased.

North Macedonia should **align with the latest European Interoperability Framework**. State institutions should use the interoperability framework to its full potential. This is in place since 2015 but is being regularly used only by few institutions. The Law on General Administrative Procedures (LGAP) is not yet systematically implemented across the administration. A revision of the law is currently ongoing. In addition, the harmonisation of special laws with the LGAP needs to be completed.

In the first half of 2020, all bylaws arising from the Law on Electronic Documents, Electronic Identification and Trust Services were adopted, thereby establishing a comprehensive legal environment which is harmonised with the EU Regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS Regulation). According to the eGovernment Benchmark and for 2022 North Macedonia scores 23% on the possibility to use eID for accessing digital services, below the EU27+ average of 67%.

Progress is needed to ensure that service delivery is citizen-oriented and accessible. North Macedonia needs to increase the number of digital services and further simplify administrative procedures. Basic systems (e.g. digital mailbox) need to be put in place that would facilitate further progress on e-government.

Concerning **implementation capacities**, the modernisation of public services is fragmented and lacks clear ownership. MISA is tasked to lead on all digitalisation projects with limited resources and capacities, and with limited cooperation and support by most of the state institutions. Efforts are ongoing to upgrade the national e-portal for services in an attempt to develop a more user-centric service delivery.

North Macedonia scores at the lowest rank on the eGovernment Benchmark (data collection 2022), with only 36% score in the Country overall eGovernment maturity (EU27+ biennial average). Only 5% of the population are using electronic services.

c. SUMMARY OF FINDINGS – SERVICE DELIVERY TO CITIZENS AND BUSINESSES

North Macedonia is **moderately prepared** in its **service delivery** to citizens and businesses. The country should ensure that the provision of services is customer-oriented and easily accessible to citizens and businesses through simplification of administrative procedures and digital access. To that end, the number of fully digitalised services on the national portal for services should be significantly increased. North Macedonia should align with the latest European Interoperability Framework.

VI. PUBLIC FINANCIAL MANAGEMENT

a. Country presentation

North Macedonia indicates that it is well advanced in most areas of public financial management (PFM). It lags behind peers in the areas of budget credibility and budget reporting and monitoring.

North Macedonia reports that the **PFM Reform Programme 2022-2025** named „**Smart Public Finances**”, including a 2022 Action plan, was adopted in June 2022. It was prepared by the PFM Working Group. Reform measures are designed to address weaknesses identified in recent diagnostics, including the 2021 PEFA, a Public Investment Management Assessment (PIMA, 2020), Tax Administration Diagnostic Assessment Tool (TADAT, 2021) Tax DIAMOND (2020) assessment and OECD SIGMA monitoring assessment using the Principles of Public Administration (2021). An independent view of the availability and comprehensiveness of budget documents is carried out every two years through the Open Budget Survey. The PFM Reform Programme covers 8 pillars, including PIFC, Public Procurement, External Audit and PFM at the local level, and is fully costed. The MoF publishes semi-annual and annual monitoring reports, including annual implementation statistics, on its website. Authorities plan for a mid-term review of the PFM Reform Programme 2022-2025 at the end of 2023. They foresee the option of extending the programme by two years.

North Macedonia has in place a **legal framework for PFM**, at the centre of which is the **Organic Budget Law** (OBL, Official Gazette No 203/22), adopted in September 2022. The OBL regulates the registry of public entities, fiscal rules and principles, the fiscal council, budget and financial plans, budget classifications, medium-term budget planning, the budget process, the budget circular, the fiscal strategy, the Integrated Financial Management System (IFMIS) and transparency. By-laws for the implementation of the new OBL (Article 120) are to be adopted within 24 months from its adoption. Other important pieces of legislation shaping the PFM system are the Law on Financing Local Self-Government Units, the Law on Public Enterprises, the Law on Reporting Liabilities, and the Law on Financial Discipline.

Regarding the status of implementation of the IFMIS, functional and technical documentation has already been prepared with the aim of improving the efficiency of business processes and ensuring the interconnection between currently fragmented IT systems used in public finance. The Ministry of Finance, in collaboration with the World Bank, is in the final phase of preparation of the tender documentation for procurement of services for development and implementation of IFMIS.

In terms of **budget reliability** North Macedonia indicates that its fiscal performance is within the margins of fiscal targets for deficit and public debt. Overall fiscal discipline has been improving over the years. Revenue and expenditure plans in the annual budget are credible at aggregate level.

North Macedonia reports that the **transparency of public finances** remains a weakness to be addressed. While the framework for budget reporting improved both in terms of detailed data on budget users and public availability, monthly reports on budget execution are extensive and timely and cover central and local budgetary units on an economic and administrative basis. Also, consolidated information on SOEs is provided annually in the fiscal strategy with medium term perspective, regularly published quarterly reports on SOEs on web side of Ministry of finance and reports on local and sub-national governments (LSGs) are published on a quarterly basis. However, authorities see ample room for improving the recording of commitments, monitoring SOE performance as well as in-depth explanation of budget execution deviations. The 2022 OBL mandates the Ministry of Finance with preparation of a Report on tax expenditures' impact on the budget revenues. The tax expenditures report is to be submitted to the Parliament on an annual basis, as part of the Annual Budget Report.

North Macedonia describes its systems for the **management of assets and liabilities**. Liabilities are captured monthly in the Electronic System for Reporting and Recording of Liabilities (ESPEO) and the MoF publishes quarterly summary reports on its website in line with the Law on Reporting Liabilities (2018). North Macedonia reports that the **fiscal risk reporting** remains a weakness of the PFM system. As only major contingent liabilities are quantified and reported, reporting needs to be strengthened, extended to all specific risk areas (including PPPs) and consolidated. The timely submission of audited annual SOE financial statements is not monitored effectively, and the balance sheets of SOEs are not analysed comprehensively. Regular auditing of municipal accounts and of yearly financial reports of LSGs is missing. Measures to strengthen the capacity for fiscal risk assessment and to prepare a consolidated fiscal risk statement as part of the draft budget by 2025 are foreseen under the PFM Reform Programme, to which end concrete action plan is already agreed upon with the IMF.

North Macedonia has in place a legal framework for **debt management**, which is primarily governed by the Public Debt Law, the Law on financing LSGs Units and the new OBL. The OBL introduces provisions on fiscal rules by setting up a ceiling for general government debt of 60% of GDP and for guaranteed public debt of 15% of GDP, as well as a borrowing limit. A **Public Debt Management Strategy** has been adopted as a separate document, covering a 3-year period with outlook for additional two years. The Strategy sets short- and medium-term debt limits and targets, as well as thresholds on debt structure in terms of currency, interest rate and maturity. MoF has achieved several improvements in the debt portfolio, reducing interest rate risk and re-financing risks. Furthermore, the PFM Reform Programme envisage measures to further reduce the risk profile and introduce new debt instruments. Debt transparency is satisfactory: The execution against the debt management objectives, including ranges for various indicators, is publicly reported, while the quarterly statistics on debt indicators are also published on the website of the Ministry of Finance. Measures are envisaged to reduce the risk profile and introduce new debt instruments. In addition, in December 2022 the authorities enacted a new act on the organisation of the Ministry of Finance, establishing a dedicated Public Management Department. Capacity development for the Department and its staff will be an ongoing focus. Looking ahead, a separate module on E-debt will be established under the new Integrated Financial Management Information System (IFMIS) by 2025.

North Macedonia describes the current state of the **public investment management (PIM)** system in detail. It is characterised by a high degree of decentralisation of decision-making to budget users on project selection, implementation and monitoring. Multi-year projects require approval by the Government. Only some large projects funded from external sources undergo thorough economic appraisal. There is a need to develop national guidelines for project appraisal and extend economic appraisals to all major projects. There is a need to develop standard procedures for project implementation and to publish comprehensive annual implementation reports. Recurrent costs of capital projects are yet to be included in the budget document. Based on the recommendations of a 2020 Public Investment Management Assessment (PIMA) the Government prepared an action plan to address the shortcomings described which was adopted in December 2020 but implementation remains behind schedule. The authorities have also prepared a law on Public-Private Partnerships prepared as well as technical specifications for the establishment of the Single Electronic PPP system. *(See Chapter 5 for further information on public procurement and concessions.)* In terms of institutional arrangements, North Macedonia explains that the process of creation of a new PIM Department at the MoF is ongoing. According to North Macedonia new acts on organisational set-up and systematization should pave the way for staffing the new department and developing its capacity in 2023. The MoF, Authority for Legal and Property Affairs, the Agency for Real Estate Cadastre and the Government are involved in **public asset management (PAM)**. Records of major categories of financial assets are kept, but the information on their performance is fragmented. There is a need to improve timeliness of information recording in the real estate cadastre for non-financial assets and other property registers are yet to be established. Authorities also highlight the need to increase transparency of asset disposal.

Policy-based fiscal strategy and budgeting. North Macedonia presents its efforts to strengthen tax revenue **forecasting** and tax and customs policy capacity, especially through training in forecasting and simulations of policy impact, and through institutionalising tax expenditure analysis and reporting as mandated by the new OBL. There is a further need to increase the staffing of the Projections and Analytics Unit at the Tax and Customs Policy Department to enable the Unit to fulfil its mandate. North Macedonia reports that the **fiscal strategy (FS)** has continuously been upgraded and enriched with additional content and data. Its outlook was extended by two additional years covering five years. It now includes fiscal targets that are in line with the fiscal rules defined in the 2022 OBL. There is room for further improvement so the FS can play a strategic role in policy planning. The 2022 OBL also addresses methodological shortcomings in the **medium-term budgetary framework**. The operational alignment between medium-term budget framework and **annual budget process** needs to be strengthened, as well as: the budget calendar, the process of budgeting capital investment projects, the quality of strategic and performance information in the annual budgets, the process of in-year budget appropriations and Parliamentary scrutiny of annual budget.

Predictability and control in budget execution. North Macedonia highlights that the country performs best compared to regional peers in terms of reliability of budget execution and accounting practices, and there was a significant improvement in 2021 compared to 2017. **Cash management** performs in line with international standards using the TSA. Information on account balances is available in real time & cash is consolidated daily and coverage is comprehensive. The current Treasury Information System (TrIS) includes commitment control. An Electronic System for Reporting and Recording of Liabilities (ESPEO) has significantly improved information on payment arrears. The Ministry of Finance publishes summary reports on a quarterly basis on its website. There is room for further improvement regarding comprehensiveness of ESPEO and strengthening commitment control measures to halt accumulation of arrears. With the operationalisation of the new IFMIS, North Macedonia will move to active cash management, with important reforms planned for 2023-2024: North Macedonia plans to develop a cash investment policy and processes and increase the staff to reduce operational risk. It is preparing a new By-law on Liquidity Planning and Cash Management. (*See Chapter 32 for information on internal control and audit.*)

North Macedonia presents the legal, institutional, and strategic framework for **revenue administration**. The Public Revenue Administration (PRO) is a legal entity under the MoF, with 1,135 staff members and 2 officials. Its work is based on the Law on public revenue administration and the Law on tax procedure, as well as the Rules for the organisation of the work of the PRO and the Rules for the systematization of jobs in the PRO. There are also a **Tax System Reform Strategy 2021–2025**, a **PRO Strategic Plan 2023-25**, a **PRO Code of Conduct**, a **PRO Quality Management policy**, **Guidelines for anti-corruptive behaviour of the employees in the PRO**, among others. The Strategic Plan contains two programmes: First, Digitalisation and information as strategic tools, and second, Reform in support of effective tax administration. Within the PFM Reform Programme, measures to strengthen administrative capacity at the PRO are envisaged. In particular, the PRO plans to hire 100 new staff in 2022 and promote another 215 staff, to re-organise the IT sector and establish three new institutional sub-structures: a modernization department, a department for operational functions and a compliance risk management unit. A Tax Academy has been established to ensure continuous training. North Macedonia recognises that more needs to be done to facilitate access to comprehensive and up-to-date information for taxpayers.

External scrutiny and audit of the annual financial statements of the budget execution: In accordance with Article 52 of the Budget Law, the Government is required to submit the annual budget execution report (i.e. the Final Account) together with the audit report of the core budget to the Parliament for discussion and adoption by June 30. The audit reports were submitted by SAO to the Parliament before June 30 in 2018, 2019 and 2021 and by October in 2020 as the State of Emergency declared due to COVID-19 crisis extended the deadliness to produce the Final Accounts. *(See Chapter 32 for further information on external audit.)*

b. Commission assessment

North Macedonia is moderately prepared in terms of its **strategic and legal framework** for PFM. The new 2022-2025 PFM Reform Programme (PFMRP) is articulated through eight pillars that cover systemic weaknesses identified by the 2021 PEFA and 2020 SIGMA assessments. Although the pace of reforms has been slower than originally planned, the Government has achieved considerable progress in the areas of budget formulation, budget execution and reporting, and external oversight. Implementation of the PFMRP is characterised by a high degree of transparency, with the main documents (programme, action plan, reports, and policy dialogue conclusions) available publicly and without restrictions on the MoF webpage. The adoption of the Organic Budget Law in September 2022 provides the legal framework to carry out critical reforms such as the reform of the administrative budget classification (reduction of the number of first-level budget / creation of parent budget users), strengthening the medium-term budget framework, implementation of the Integrated Financial Management Information System (IFMIS) and establishment of fiscal rules and a fiscal council. The delay in the adoption of the new PIFC Law is blocking necessary reforms to enhance the scale of internal audit at the level of parent ministries (see Chapter 32 for further assessment of internal control, internal audit and external audit).

A new momentum in PFM reforms is needed after years of blockage due to delays in the adoption of the OBL. To accomplish the comprehensive and ambitious reform encapsulated in the new OBL, **North Macedonia needs to speed up the establishment of the new institutional structures** foreseen under the OBL and **ensure technically skilled and adequate staffing of key reform units** in a timely manner: I.e. establishment of two new departments at the MoF – one for public debt management and one for –IM - and three new departments at the –RO - a modernization department, a department for operational functions and a compliance risk management unit. And thirdly, strengthening capacities and staffing in the key technical units at the MoF, i.e. the macro-fiscal unit, the projections and analytics unit at the Tax and Customs Policy Department, the budget department, the cash management unit, and the PRO.

Delays in the adoption of the OBL and the PIFC law have undermined the implementation of critical reforms for the past years. To lend credibility to its PFM reform, North Macedonia needs to adopt and publish a detailed **action plan for the implementation of the new OBL and IFMIS** and speedily adopt implementing regulations and guidelines for the OBL as well as the PIFC Law.

In terms of budget reliability, North Macedonia needs to reduce the significant deviations at functional classifications and sector level. This concerns especially the under-execution of capital spending, which highlights the need to improve public investment management (see below). Also, there is a need to strengthen the capacity for macro-modelling and revenue forecasting for budget credibility and for relevance of the fiscal strategy (see below).

Significant weaknesses remain in the transparency of public finances. North Macedonia needs to **strengthen disclosure of all relevant fiscal information for budget transparency.** In-year budget reports need to be more comprehensive and provide in by programmes. Extra-budgetary revenue and expenditure need to be assessed accurately. With the implementation of programme budgeting under the new OBL, it is important to strengthen performance information on service delivery. The 2021 Open Budget Survey notes that North Macedonia makes 6 out of 8 key budget documents publicly available online in a timeframe consistent with international standards. The Pre Budget Statement (2021-2023 fiscal strategy including an outlook until 2025) was published with delay due to constraints to complete the fiscal framework during the COVID-19 crisis. It is however currently published timely and the OBL will introduce improvements on its content.

The management of assets and liabilities is another weak area except for debt management. North Macedonia's **capacity to monitor and manage fiscal risks** is at an early stage of development. **Reporting, monitoring and analysis of fiscal risks stemming from state-owned enterprises and local and sub-national governments (LSG) need to be strengthened.** Currently, LSG annual financial reports are not audited on an annual basis. Implementation of an annual audit cycle of LSGs, either through private auditors or the SAO, should be considered to enhance the regularity of spending at local level.

A functional public investment management (PIM) system will be necessary for economic development, the green transition and envisaged structural reforms. North Macedonia needs to put in place transparent and rigorous system of appraisal, prioritisation and implementation of investment projects, which limits the application of political criteria to public investment projects that are technically and financially viable. It is important to start implementing the comprehensive PIM action plan adopted in 2021. In particular, North Macedonia needs to strengthen the capacity of the PIM department established in December 2022 to fulfil its role as per the 2022 OBL and support the MoF in playing a gate-keeping role for the capital budget. It also needs to integrate PPPs within the overall PIM framework and increase consistency between national strategic planning and capital budgeting.

North Macedonia needs to ensure that its fiscal strategy and budget are policy-based.

Budgeting is still mostly an annual process and not policy-driven. The fiscal strategy reflects the medium-term perspective, but it does not include disaggregated medium-term budget sectoral objectives or ministerial ceilings. In their absence, sectoral policy priorities and the fiscal strategy remain weakly linked. It is important to ensure alignment between sector and cross-sector strategies and the budget process. The planned reduction in the very high number of first-level budget organisations should facilitate efforts towards turning the budget preparation process into a more strategic exercise. The introduction of programme-based budgeting with OBL needs significant investment in strengthening planning and budgeting capacities across budget users. The successful operationalisation of the 2022 OBL provisions on fiscal rules and a fiscal council will depend on the development of technical capacities for economic forecasting, modelling, and analysis within the Government and beyond – with stakeholders in the legislative offices, academia, civil society and the future fiscal council - to facilitate meaningful public accountability.

Strengthening and modernizing revenue administration, together with increased transparency and accountability on tax expenditure are key PFM reform contributions to reaching the domestic revenue mobilization potential of the country. The institutional strengthening of the PRO through organisational changes and strengthening of administrative capacities mentioned above need to be prioritised to enable the PRO to apply modern compliance and risk management approaches and IT tools to maximise its effectiveness.

Accounting and reporting are strong foundations of the PFM system in North Macedonia. Its Single Treasury Account has comprehensive coverage, which facilitates timely bank account reconciliation. Periodic fiscal reports on cash-basis are produced from the current treasury IT system TrIS, giving an accurate picture of revenues and expenditures against the approved budget but do not provide information on commitments or arrears. Quarterly reports on liabilities are produced separately. The accounting information is considered accurate. While timely, in-year budget execution reporting is largely aggregated on economic and administrative classifications. Transparency of in-year budget execution has been enhanced through the Open Finance Portal.

c. SUMMARY OF FINDINGS – PUBLIC FINANCIAL MANAGEMENT

North Macedonia is **moderately prepared** in terms of its **public financial management** system. North Macedonia needs to speed up the establishment of the new institutional structures foreseen under the 2022 Organic Budget Law and ensure technically skilled and adequate staffing of key reform units in a timely manner. The country needs to adopt and publish a detailed action plan for the implementation of the new OBL and IFMIS and speedily adopt implementing regulations and guidelines for the OBL as well as the PIFC Law.

D) CHAPTER 23 – JUDICIARY AND FUNDAMENTAL RIGHTS

According to Article 2 of the Treaty on European Union (TEU), the European Union (EU) is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These principles are common to the Member States, in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail, and need to be complied with by candidate countries. Article 49 of the Treaty on European Union states that ‘Any European State which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union.’

Pursuant to Article 19 (2) TEU Member States shall provide remedies sufficient to ensure effective legal protection in the fields covered by Union law. The right to fair trial, as enshrined in Article 6 of the European Convention on Human Rights (ECHR) and Article 47 of the Charter of Fundamental Rights of the EU (CFR), provide that the judiciary must be independent and impartial.

Successfully preventing and fighting corruption is essential both to safeguard EU values and interests, as well as the effectiveness of public policies, and to maintain the rule of law and trust in those who govern and public institutions. . Protecting these values is a priority for the EU and its Member States, in line with the EU *acquis* and European standards in the area. Notably, pursuant to Article 67 TFEU, EU should ensure a high level of security, including through the prevention and combating of crime and the approximation of criminal laws. TFEU Article 83 (1) establishes the competence of the Union to draw up minimum rules concerning the definition of criminal offences and sanctions related to corruption. Article 325 TFEU, which tasks the EU and its Member States with the obligation to protect the EU’s budget from fraud and any other illegal activities affecting the EU’s financial interests.

According to TEU Article 6 the EU respects fundamental rights, as guaranteed by the CFR. Moreover, fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and as they result from the constitutional traditions common to the Member States, shall constitute general principles of the Union's law.

TEU Article 3(2) and Article 67(1) of the Treaty on the Functioning of the EU (TFEU) establish an area of freedom, security and justice.

I. JUDICIARY

I.A GENERAL OVERVIEW

a. Country presentation

North Macedonia adopted a Strategy on Judicial reform for the period 2017 – 2022 and an accompanying action plan. The annual report on the implementation of the Strategy on Judicial Reform was adopted at the session of the Council for monitoring of judicial reform held April 2023. A new comprehensive strategy on judicial reform for the period 2023-2027 is under preparation. Sub-sectoral strategies are in place for the management of human resources in courts and in the Public Prosecutor's Office.

The Judicial Council and the Council of Public Prosecutors are respectively determining the number of posts per court and public prosecutor's office (PPO). The judiciary employs 425 judges and 159 public prosecutors (June 2022). The judiciary is organised as a three-instance court system. It consists of 27 Basic Courts, 4 Courts of Appeal and the Supreme Court. It has one Administrative Court and one Higher Administrative Court.

The Prosecution is organised around the Public Prosecutor of North Macedonia, Higher Public Prosecutor's Offices and 22 Basic PPOs. There are seven general PPOs handling offenses punishable by imprisonment of up to five years and 15 PPOs with extended competencies handling offenses punishable by imprisonment of more than five years. One specialised Basic Public Prosecutor's Office prosecutes organised crime and corruption.

The Constitutional Court is composed of nine judges, elected by the Assembly with a majority vote for a nine-year term, without the right to re-election. In addition, the Assembly elects six judges with a majority of votes from the total number of MPs and three judges with a majority of votes from the total number of MPs, whereby there must be a majority of votes from the total number of MPs who belong to the communities that are not the majority in North Macedonia. The Constitutional Court elects a President from its own ranks for a three year and non-renewable term. The budget for the judiciary and the prosecution amounted to EUR 50 million in 2022 (EUR 40 million in 2021) and has been increasing for the last couple of years. The judicial system budget between 2019 and 2021 had decreased by 8.3% due to reallocations to address the consequences of COVID-19 and economic crises.

b. Commission assessment

North Macedonia has **some level of preparation/ is moderately prepared** on the functioning of the judiciary.

The country's **legislative and institutional framework** on judiciary has a **good level of alignment** with the EU *acquis* and European standards.

The judicial system of North Macedonia underwent constant reforms that improved its overall independence, efficiency and professionalism. The implementation of successive judicial reform strategies allowed North Macedonia to address recommendations made by the Venice Commission and the Senior Experts' Group on systemic rule of law issues. The independent management bodies, the Judicial Council and the Council of Public Prosecutors, continued implementing the strategic reform plans, helping them to strike a balance between independence and accountability. Both Councils need to increase their transparency and continue pursuing in a decisive manner their commitment to full respect for the principle of independence of the judiciary. It is important to ensure that the judiciary is effectively shielded from any risk or perception of undue interference.

North Macedonia should complete the implementation of the judicial reform strategy and the updated action plan. A specific focus should be placed on adopting a new law on civil procedure, and on preparing the new strategy on judicial reform, in line with European standards. North Macedonia should step up the implementation of human resources strategies for the judiciary and public prosecution. Court case management systems should be fully functional.

North Macedonia must ensure prompt execution of ECtHR judgements, notably on the right to a fair trial.

I.B INDEPENDENCE AND IMPARTIALITY

a. Country presentation

Judicial independence is enshrined under Article 8 of the Constitution, which provides for the separation of powers. Judges and public prosecutors are elected by the respective judicial self-governance bodies (Judicial Council/ Council of Public Prosecutors). They cannot be transferred from their place of election against their will, except temporarily for a maximum of one year but not more than once during five years and, as an exception, if the ongoing operation of a court or public prosecution office cannot be ensured otherwise.

Article 98 of the Constitution provides for the autonomy and independence of courts. Judges enjoy functional immunity. They cannot be held criminally responsible for an expressed opinion or for their decisions in court. The Judicial Council is the only institution that can decide to revoke the immunity of a judge. A judge cannot be detained without approval of the Judicial Council, unless caught in the act of a crime punishable by more than five years imprisonment.

The Judicial Council is the self-governance body that is tasked to ensure and guarantee the independence of judges. It is composed of fifteen members, eight judges chosen by their peers. Three of the elected members are members of the communities that are not the majority in North Macedonia, whereby the appropriate and fair representation of citizens belonging to all communities is maintained and three members elected by the Assembly, by absolute majority of the total number of MPs, and absolute majority of the total number of MPs belonging to non-majority communities. Furthermore, two members are elected by the Assembly upon proposal of the President of the Republic from whom one is a member of the communities that are not the majority in North Macedonia. The President of the Supreme Court and the Minister of Justice are *ex-officio* members. However, they do not have voting rights nor take part in sessions on appointments and dismissals. The Judicial Council has exclusive competence for the election of judges and courts presidents. In addition, the Judicial Council is responsible for monitoring and evaluating the work of judges. It decides on the disciplinary responsibility of its members, of judges and presidents of courts and can decide on the termination or dismissal of a judge's function. In September 2022, the Judicial Council adopted its programme and action plan for the prevention of corruption in the judiciary for 2022-2025.

As regards guarantees for the internal independence of judges, Article 11 of the Law on Courts prohibits interfering with the autonomy and independence of courts and judges. According to Article 19 of the Law on Courts, the courts shall be obliged to provide legal assistance to each other. The court of higher instance may require from the court of lower instance within its area of competence information about the application of laws, the problems emerging during the trial, the monitoring and harmonisation of the court practice, the deferral of procedure regarding particular cases, and may review the work of these courts, as well as call for joint meetings to discuss these matters. In exercising these powers, the court of higher instance is required to respect the independence and autonomy of a lower instance court in the adjudication of specific cases, and in no way exert influence over that court.

Article 106 of the Constitution provides that “the Public Prosecutor’s Office is a unique and independent state body”. The Council of Public Prosecutors (CPP) is a self-governance body, tasked to ensure and guarantee the independence of public prosecutors in the performance of their duties. It is composed of eleven members, including one member from the Public Prosecutor’s Office of North Macedonia, four prosecutorial members from appellate areas of higher PPOs, one public prosecutor from non-majority communities, and four members elected by the Assembly by simple majority. The Public Prosecutor of North Macedonia is an *ex-officio* member. The election of public prosecutors is the exclusive competence of the CPP. In accordance with the Law on Public Prosecution, it also monitors the work of public prosecutors, decides in second instance on the disciplinary responsibility of public prosecutors and decides on the termination or dismissal of a public prosecutor’s function. The CPP employs six staff members out of the ten foreseen and had a budget of EUR 380 000 in 2022.

The Constitution posits that the Public Prosecutor is appointed and dismissed by the Assembly, by simple majority, upon a proposal of the Government and following an opinion from the CPP, for a term of six years with the right to re-election. The public prosecutors are elected by the CPP, without time restrictions to their term in office. The principle of equitable representation of citizens belonging to all communities applies also to the election of prosecutors. The CPP decides on the dismissal of public prosecutors.

The Constitution guarantees the right to a fair and impartial trial. Judges and public prosecutors are required to conduct proceedings impartially based on their own assessment of facts and interpretation of the law. In 2019, the Supreme Court upon proposal by the Association of Judges adopted the Code of Ethics for judges and lay-judges. North Macedonia considers that the new code fully embraces all relevant standards in the field of independence, equality and impartiality. An Advisory Body for Judicial Ethics, composed of a President and six members, has been established and can provide opinions on ethics and performance of judicial office upon request of a judge or association of judges. The members of the Advisory Body for Judicial Ethics are elected by the Managing Board of the Association of Judges from among judges and lay-judges and upon a proposal of the local offices of the Association of Judges. Upon a request from judges, or the Association of Judges, the Advisory Body provides advisory opinion related to one or more issues of ethics in exercising judicial duties, or on avoiding of conflict of interest. Thus far, it issued four opinions.

The Council of Public Prosecutors adopted the Code of Ethics for Public Prosecutors in 2021. The Public Prosecutor appoints a person responsible for integrity within the prosecution as well as an Ethics Council composed of five members who can advise prosecutors on ethical dilemma. The members of the Ethics Council enjoy immunity and cannot be responsible or subject to disciplinary proceedings against them due to voting, expressed opinion or action as a member of the Ethics Council.

The Law on the management of the movement of cases in courts, adopted in 2020, provides for strengthened mechanisms for automatic distribution of cases in courts. The software for the management of cases that also ensures their automatic and random distribution is being upgraded. The Law on Courts, as amended in 2018, stipulates that the Ministry of Justice (MoJ) has an obligation to carry out regular supervision over such system and its implementation in courts. A Commission, composed of two lawyers with at least ten years of experience, and two IT specialists, appointed by the Minister of Justice, carries out supervisions. Reports with recommendations from the supervisions are published on the website of the MoJ.

Legal provisions on conflicts of interest and rules on termination are in place. A judge shall be prohibited from performing a political function in a political party or carrying out political activities. Failure to comply may result in the termination of a judge's function. Public prosecutors are prevented from engaging in a political party and failure to comply may result in the dismissal of public prosecutor's function.

The Law on Courts (Article 77, (1), point 2), makes conflicts of interest subject to disciplinary proceedings. The President of Court shall inform in writing the Judicial Council, within eight days after the committed violation came to his/her knowledge, but no longer than six months after the violation. The Law on Prevention of Corruption and Conflict of Interest, in its Chapter 8, regulates the obligation to declare assets, and any changes thereof, and public access to declarations. It applies to all elected or appointed holders of office including all judges and prosecutors. The declaration of assets is submitted within 30 days upon taking an office, and again within 30 days after the end of tenure.

The Declaration on Open Judiciary signed in March 2022 by 12 different judicial institutions, CSOs and professional associations, led by the Supreme Court, aimed to improve transparency and public trust in the judiciary.

b. Commission assessment

The reform of the Judicial Council has introduced a number of measures for reaching a better balance between independence and accountability. Following a decision of the Constitutional Court, all Council members, and not only those elected by the Parliament, can be elected as a president or a deputy. The individual obligation for Judicial Council members to publicly explain their positions on recruitment and the promotion of judges has been removed. Furthermore, the Judicial Council amended in December 2022 its rules of procedure to better regulate procedures for determining the division of responsibility for a judge and a president of court. The overall capacity of the CPP should be further strengthened since the institution still lacks both sufficient staff and adequate IT resources. Concerning the Public Prosecutor's Office for Fight against Organised Crime and Corruption, it is important to ensure that the elections by the peers, in line with the Law on Public Prosecutors, is transparent, based on clear criteria and merit.

The Judicial Council and the CPP both need to strengthen their commitment to fully respect the principle of independence of the judiciary and increase their transparency. The Judicial Council, in particular, needs to strengthen in a credible manner its role as guardian of the independence and impartiality of judges, including through improving the legislative framework regulating its work. It is important to ensure that the judiciary is effectively shielded from any risk or perception of undue interference. All forms of internal and external interference with the judicial system need to be prevented and sanctioned.

The implementation of the strategies for human resources management in the courts and in the Public Prosecutor's Offices remains limited. The recruitment procedures require better advance planning and implementation. The remuneration of judges and prosecutors has increased, following the decision of the Constitutional Court to annul two articles of the law on salaries and emoluments of elected and appointed persons. The measure enforced the respect of the principle of financial independence of magistrates. However, a comprehensive solution is required through amendments to the laws regulating salaries of judges and prosecutors as well as of the court and prosecutorial administrations.

The Law on the management of the movement of cases in courts, adopted in 2020, provides for strengthened mechanisms for automatic distribution of cases in courts. A system for electronic distribution of cases in the Public Prosecutor's Office became operational in January 2023.

However, the automation on the side of the prosecution can be further strengthened. The system allows for electronic filing and/or scanning of documents but it can be further developed, including by adding features that would empower to track more systematically developments of cases and also collect quantitative information, such as the number of financial investigations carried out and the asset seized or confiscated. The authorities need to step up the efforts to ensure that the automated court case management information system (ACCMIS) is fully functional. Furthermore, the Commission for the supervision of the functionality of ACCMIS need to carry out supervisions in a systematic manner.

Overall, the administration needs to develop more reliable and precise statistical data, in line with the recommendations and methodology of the Council of Europe European Commission for the Efficiency of Justice (CEPEJ), particularly to allow more consistent monitoring of the performances of the judiciary and the prosecution.

The Supreme Court under the Declaration on Open Judiciary intensified further its cooperation with the CSOs and professional associations.

I.C ACCOUNTABILITY

a. Country presentation

The Law on Courts, (Chapter V) stipulates the disciplinary accountability of judges. The Judicial Council determines the disciplinary responsibility of judges and court presidents. When their disciplinary responsibility is determined, the Judicial Council can impose the following disciplinary measures: written warning, public reprimand, salary reduction in the amount of 15% to 30% of the monthly salary of a judge for a period of one to six months. The Judicial Council can decide to dismiss judges or court presidents in the case of a serious disciplinary violation that makes them unfit to perform the judicial function prescribed by law or in case of unprofessional and negligent performance of the judicial function, under conditions established by law²¹. The definition of a serious disciplinary violation is established under article 74 of the Law on Courts. Furthermore, under article 76, a ground for dismissal shall be “award of unsatisfactory mark in two regular consecutive assessments by the Judicial Council”. Judges can appeal against the decisions of the Judicial Council to the *ad hoc* Appeals Council of the Supreme Court. This Council is composed of nine members: three judges from the Supreme Court, one judge from each Appellate Court and two judges from the domestic court of the judge. The Council is formed anew for each appeal. In February 2023 the Supreme Court adopted a principle stance according to which the ad-hoc Appeal Council may directly implement provisions of the Constitution and ECHR when deciding upon an appeal. The Judicial Council also decides on requests for disciplinary responsibility of its own members.

²¹ https://vlada.mk/sites/default/files/dokumenti/zakoni/law_on_courts.pdf

A disciplinary commission decides in first instance on disciplinary measures against public prosecutors. The CPP decides in second instance. The disciplinary commission is composed of five members: one from the State PPO and one each from the four Higher PPOs. All five are elected by collegiums of these five offices. Disciplinary measures range from written warnings, salary reduction up to 15% of the monthly salary of the public prosecutor for a period of one to six months, salary reduction in the amount of 15% to 30% of the monthly salary of a prosecutor for one to six months to dismissal from the position of public prosecutor in cases of serious disciplinary violation that makes them unfit to perform the function prescribed by law. In case of dismissal, a public prosecutor can initiate a dispute in front of a competent court.

The Judicial Council and the CPP act on written submissions and complaints of citizens and legal entities about the work of judges, presidents of courts and courts and of public prosecutors respectively.

In addition, the Judicial Council reviews and evaluates the quarterly and annual reports on the work of the courts. These reports as well as the decisions and minutes of Judicial Council and CPP sessions are made public on their website. The sessions of both Councils are public except when they could jeopardise the reputation and integrity of a judge or public prosecutor, in which case only the final decision is made public. The Ministry of Justice performs the tasks of supervision of the work of courts in accordance with Article 17 (first indent) of the Law on Organisation and Work of State Administrative Bodies, and Chapter VI of the Law on Courts. This includes carrying out of activities of judicial administration; providing of general conditions for exercising judicial powers; drafting laws and other regulations in the field of organisation and work of courts and PPO's, adoption of a Court Rulebook, providing material, financial, safety, spatial and other conditions for operation of the courts and PPO's, supervision over the efficient performance of the work in the courts and implementation of the Court Rulebook, supervision of the implementation of the regulations on court deposits and guarantees, reviewing the complaints of citizens about the work of the courts pertaining to delay of the court procedure or the work of the judicial services, etc. Article 11 of Law on Courts nevertheless prohibits interfering with the autonomy and independence of courts and judges.

b. Commission assessment

The role of the Judicial Council in effectively safeguarding the independence and accountability in the judiciary needs to be consolidated. Further progress should be achieved through continued implementation of the revised norms on professionalism and transparency. The Judicial Council should provide reasoning for its decisions and also ensure better media outreach.

The *ad-hoc* Appeals Council that revises disciplinary proceedings can annul a decision of the Judicial Council on disciplinary liability of magistrates only in case of manifest error in the application of the law. Recent procedural changes introduced the right to appeal against performance evaluations and re-evaluations. The Judicial Council shall repeat the procedure and is bound to follow the instructions of the Appeal Council. Its decisions are final. The General Session of the Supreme Court (SC) issued on 23 February 2023 a principle stance for direct application of the Constitution and ECHR related to the appeals upon decisions of the Judicial Council on dismissal of judges or presidents of courts. It concerns direct application of the provisions guaranteeing right to an appeal, court protection and effective legal remedy. The SC General Session concluded to initiate a scrutiny of the relevant articles on the Law on Judicial Council with the Constitutional Court and to advise amendments to this Law to the Ministry of Justice. The matter should be addressed during the preparation of the new Strategy for Judicial Reform 2023-2027. The Judicial Council insists that it has a final say on dismissals.

Some steps have been noted on the side of the prosecution, for instance through the adoption of a Code of Ethics for prosecutors. However, the Code of Ethics, notably its restrictive provisions limiting possibility to comment on any decision of CPP, needs to be amended. Increased transparency on prosecutors' work has been achieved, to some extent, with more systematic media engagement and regular press statements, while it remains important to continue respecting the rights of the accused, the presumption of innocence and the confidentiality of investigations. The CPP still plays a too limited role in disciplinary proceedings, as defined in the 2019 Law on PPO and 2019 amendments to the Law on the CPP. The entry into force of the new Law on Public Prosecutor's Office in 2020 has been an important step towards strengthening independence and has been crucial also to strengthen the accountability of the prosecutorial system, precisely in relation to the crimes stemming from the previous practices of illegal wiretapping. The reform ensured greater autonomy in prosecutors' decision-making. In this regard, the role of the CPP can still be strengthened further, including by a revision of the disciplinary system and appraisal mechanisms.

The system of asset declaration for judges and prosecutors is functional. However, the State Commission for the Prevention of Corruption should have access to specialised software that would also allow cross checks and interoperability with other institutions and access to specialised databases for in-depth reviews.

II.D QUALITY

a. Country presentation

The Academy for judges and public prosecutors is the sole entry point to access these professions and is responsible for the initial and continuous trainings of magistrates. The initial training of judges and prosecutors lasts 24 months, with nine months of theoretical training and 15 months of professional training. For two years after entering the career, magistrates are considered as “young judges” and therefore assigned less complex cases. Article 7 of the Rules for continuous trainings foresees a number of mandatory training days per year for judges and prosecutors already in function according to their number of years of experience. Continuous trainings cover all legal areas, including ethics, management of courts and public prosecution and case management. Every year, the Academy adopts a catalogue of trainings on offer following extensive consultations. The Quality Management System in the Academy of Judges and Public Prosecutors (ISO 9001:2015) is applied during the preparation, development, and implementation of all continuous training programmes. A specialised programme for continuous training for professional services in the judiciary and PPO is prepared once a year. In accordance with the Law on Courts, lay judges must attend a specialised training organised by the Academy. Moreover, the Academy organises a training of trainers once a year.

The Academy is actively cooperating with the European Judicial Training Network (EJTN) and the Academy for European Law (ERA). The total budget allocated to training initiatives at the Training Centres and to other initiatives implemented directly by courts and prosecution offices in 2021 amounted to EUR 1 193 036, a 38 % increase on the previous year. In 2022, a total of 4 223 judges and public prosecutors attended the trainings organised by the Academy. A total of 19 specialised trainings were offered for the benefit of 965 professionals of the judiciary, mostly future candidates of the Academy and associates. As regards evaluation of magistrates, the Judicial Council applies the new methodology for professional evaluation for appointments and promotions.

The Laws on the Judicial Council and Public Prosecution foresee a regular evaluation of judges and public prosecutors every four years. Evaluations are also carried out upon appointment to a new court or PPO, promotion to a higher court or election as a member of the Judicial Council or CPP. The Judicial Council adopted the by-laws referring to the qualitative assessment of judges and president of courts.

On transparency, an important role is played by the Council for Open Judiciary. It gathers under the auspices of the Supreme Court and is composed of representatives from all judicial instances across the country: the Judicial Council, the Academy of Judges and Public Prosecutors, and members of a number of relevant professional associations. This body adopted an action plan for 2021-2023.

In December 2021, the Supreme Court adopted its new Rules of Procedure. It adopted 35 principle legal opinions, stances and conclusions, which are all published on its website. The Judicial Council and CPP also have an obligation to hold public sessions and to publish all the minutes of their meetings and their decisions on their website.

The Law on Mediation entered into force in January 2021 in order to promote the quality of mediation and unify the application of the law by all licensed mediators. In accordance with the provisions of the Law, the Government established a National Council for mediation in September 2022. The national coordinator for mediation was also appointed. The Council shall independently ensure, follow up and assess the quality of the mediation in accordance with the law. The Council is chaired and represented by the national coordinator and consisted of four members and a secretary.

b. Commission assessment

Standards related to quality and efficiency have been strengthened in the judiciary of North Macedonia. The performance evaluations of judges and prosecutors are based on objective criteria established by law, and may be challenged before a court. The automated court case management information system (ACCMIS) has to become fully compatible with the new measure of complexity of court cases and the method for assessing judges and presidents of courts. The capacities and resources of the Academy for Judges and Prosecutors have been increased, thus increasing the capacity of the institution to manage new cohorts of candidates, as well as to expand its capacity to support continuous training of magistrates.

The new law on the Academy for Judges and Prosecutors, adopted in June 2023, maintained the Academy as the sole entry point to the judiciary and prosecution, and heeded the European Commission's recommendations not to shorten the initial training. The current state of the premises and facilities at the Academy affect the quality of the trainings and should be upgraded. The efforts to strengthen the capacity, quality, and efficiency of the Academy for Judges and Prosecutors shall be further pursued. The central role of the institution in regulating the access to judicial careers and ensuring continuous training of magistrates needs to be preserved. The Academy should also contribute to secure better specialisation of magistrates, particularly in relation to countering organised crime and corruption.

The National Council for Mediation, that should independently ensure, follow up and assess the quality of the mediation, needs to become fully functional.

I.E EFFICIENCY

a. Country presentation

North Macedonia stated that it is committed to proceed with the resolution of court cases within a reasonable time. The Judicial Council adopts action plans to deal with the backlog of cases in courts. Coordinators from the Judicial Council oversee the work of courts and are responsible for ensuring the efficiency of courts. The Law on Courts provides for an effective legal remedy as regards the duration of procedures, in line with the *acquis*. The Supreme Court may decide on requests for the protection of the right to a trial within a reasonable time. End 2021, there were 97 338 unresolved cases in all courts in North Macedonia, compared to 99 594 in previous year, which represents a decrease of 2,2%. In the past years there has been a trend of maintaining a clearance rate of 100% or higher, with the exception of administrative cases. The number of unfinished cases under the old procedural laws is decreasing.

As regards the introduction of information technology, the Council for Digitalisation in the Judiciary intensified the work to implement the IT strategy. Five pilot courts received IT equipment provided by foreign donors. The recruitment of additional IT staff depends on offering working conditions that are competitive with those in the private sector.

b. Commission assessment

No efforts were made to address the Venice Commission recommendations to re-examine the provisions of the Law on the use of languages related to bilingualism in judicial proceedings. No steps were taken to tackle the overall cost and duration of the enforcement process. Nearly all courts continued a positive trend by maintaining a clearance rate close to 100%. Scheduled retirements that started in June 2022, as well as delays with implementation of the Strategies for Human Resources in courts and in PPOs, resulted in increase in backlogs in several courts.

The Supreme Court and the four Courts of Appeal pursued their efforts to build a jurisprudence that improves consistency of judgments and provides clear ground to harmonise court practices.

The adoption of a new law on mediation in 2021 was a positive step, which streamlined and harmonised the work of licensed mediators. Promotion of mediation and of the use of other alternative dispute resolution methods remains important.

The use of the automated court case management information system (ACCMIS) needs to be consolidated further. Its features can be further developed and ameliorated, also in view of gathering in more systemic ways information that can feed the appraisal systems.

I.F SUMMARY OF FINDINGS – JUDICIARY

North Macedonia has some level of preparation/ is moderately prepared on the functioning of the judiciary. The legislative and institutional framework for the judiciary in North Macedonia has a good level of alignment with the EU *acquis* and European standards North Macedonia needs however to further strengthen, in an effective manner, the independence of judges and prosecutors, consolidate the accountability and integrity at all levels of the judiciary, and increase the accessibility and quality of justice, delivered efficiently.

II. ANTI-CORRUPTION

II.A STRATEGIC AND LEGISLATIVE FRAMEWORK

a. Country presentation

A National **Strategy** for Prevention of Corruption and Conflicts of Interest and a related action plan are in place for the period 2021-2025, and are in line with Article 18 of the Law on Prevention of Corruption and Conflict of Interest. An inclusive consultation process took place. The strategy is cross-sectoral, i.e. it indicates corruption risks across various area of the entire system. The majority of actions pertain to enforcement bodies, health care and education. On public procurement, the Strategy for the Improvement of the Public procurement System in the Republic of North Macedonia for the period 2022-2026 and its Action Plan were adopted in March 2022.

The State Commission for Prevention of Corruption is the coordinating body responsible for preparing an annual report on progress on implementation, for proposing an action plan for amending the National Strategy and for submitting them to the Parliament. For the first time, state-owned companies, spatial and urban planning, sport, agriculture and environment are considered an area of risk in the strategy. North Macedonia assessed the Strategy as aligned with all principles and standards stemming from the Conventions and International Agreements ratified by the country.

According to the 2022 report of the State Commission for the Prevention of Corruption (SCPC) on the implementation of the National Strategy for the prevention of corruption: in 2022, 10% of the actions have been fully implemented, 35% are ongoing, 55% have not been implemented.

According to the same report, in 2021: 20% of the actions were fully implemented, 27% ongoing and 59% had not been implemented. North Macedonia aims at strengthening the monitoring mechanism for the implementation of the Strategy by organising biannual meetings for collection of information about the implementation with institutions and organisations, especially with those which have a low progress rate.

North Macedonia stated that the country's anti-corruption legal framework is comprehensive and largely in line with EU and international instruments and standards. According to the authorities, the national legal framework is harmonised with the Civil and Criminal Law Conventions on Corruption of the Council of Europe. North Macedonia is also aligning with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, while not being party to it.. The Law on the Ratification of the UN Convention against Corruption (UNCAC) came into force in 2007. According to North Macedonia, the anti-corruption legal framework is fully aligned with the UNCAC.

The main legislation in the field of **corruption prevention** is the Law on Prevention of Corruption and Conflict of Interest, adopted in 2019. North Macedonia assessed the Law to great extent in line with the international and EU standards and aligned with EU Directive 2017/1371. The Law defines the terms "Corruption (passive and active), Conflict of interests, Corruption risk and Integrity". It also establishes the status, composition and competences of the SCPC. The Law also contains measures on the prevention of corruption in politics, including political parties and electoral campaign financing, in exercising public authorisations and on the work of public interests and other activities performed by legal entities.

The law empowers the SCPC to inspect privilege or discrimination related to public procurement contracts and to request competent authorities to undertake measures and activities accordingly. The law prohibits influence on public procurement procedures.

The Law on Lobbying entered into force in June 2022; all related bylaws were adopted by SCPC in December 2021. The Law regulates the conditions for acquiring status of lobbyist and lobby organization, registration and obligations as well the processes of preparing adopting and amending public policies, programmes and legal acts. It also extends the competences of the SCPC, adding the responsibility to keep a register of lobbyists and lobbying organisations.

North Macedonia has adopted ethical codes and rules of conduct for all categories of public officials.

Regarding **repression**, the Criminal Code foresees the criminal offences of passive bribery (Article 357) and active bribery (Article 358). Other corruption offences are also criminalised: misuse of official position and authorization (Article 353), awarding an illegal influence and receiving a reward for illegal influence (Article 358-a and Article 359), illegal acquisition and concealing of property (Article 359-a).

It also contains, provisions on giving and accepting bribes in connection with voting (Article 162), abuse of the funds for the electoral campaign (Article 165-a), illegal disposal of budget funds during elections (Article 165-c), Electoral deceit (Article 165).

The Criminal Code includes other offences against the official position and in the area of economic crime in public and private sector, such as: embezzlement in the service (Article 354), defraud in the service (Article 355), helping oneself in the service (Article 356), malpractice of official duty (Article 353-c), defraud at the expense of the frauds of the European Community funds (Article 249-a), money laundering and other unlawful property gain (Article 273), abuse of trust (Article 252), abuse of official position and authorisation (Article 353), malfeasance in public procurement (Article 353 paragraph 5 and 275c), abuse of authority in economy (Article 287), forging of documents (Article 378, 379), forging an official document (Article 361), abuse of office (Article 353) and trading in influence (Article 358a, 359).

North Macedonia stated to have broad international cooperation in line with international conventions. The country has signed the International Treaty on Exchange of Data for the Verification of Asset Declarations in March 2021. The Law on International Cooperation in Criminal Matters defines the wide scope of international legal assistance and informal exchange of data and information.

North Macedonia presented amendments to the Law on state owned companies with the aim to reduce the number of members in the management boards and to have public calls for the positions of manager.

The Law on Police covers political impartiality, independence, internal control of police and appointment of police officers. The latest amendments to the Law envisage a new tool to test professional capacity of police authorities and a mechanism for external control.

The penalties prescribed for corruption offences in the public and private sector (Article 357 (Receiving Bribe) and Article 358 (Giving Bribe) of the Criminal Code) range from one to ten years in prison. With the amendments of the Criminal Code adopted in February 2023, the penal policy has been strengthened in prescribing the penalties for the crime of Bribery (Article 358), in accordance with the Directive (EU) 2017/1371 on the suppression of fraud committed against the financial interests of the Union. Furthermore, instead of the possibility of exemption from punishment, for the one who gave or promised a bribe at the request of an official and reported it before finding out that the crime was discovered, the possibility of a lighter punishment is prescribed.

According to national authorities, provisions for the seizure and confiscation of gains obtained from a criminal offence are in line to a great extent with international standards. The legislation in North Macedonia is aligned with the Directive 2014/42/EU on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union, with the exception of those provisions related to extended confiscation, which are expected to be aligned once the amendment to Criminal Code is completed.

There is no dedicated law regulating the issue of mobility from public to private sector.

The Law on Prevention of Corruption and Conflict of Interest regulates the asset declaration of public officials. Failure to report property or reporting false information is a misdemeanour in North Macedonia. However, if in the procedure for examining the property and property status of the official it is not proved that the property was acquired or increased as a result of revenues that were reported and taxed, the SCPC may instigate an initiative for criminal prosecution to the Public Prosecution.

The Law on the financing of political parties adopted in 2004, and amended several times regulates political party financing. It stipulates how financial means can be provided to political parties and managed correctly. This law regulates the sources and methods of financing, the records and control of financing of political activities of political parties, coalitions and political entities. The Electoral Code sets out the rules on the financing of electoral campaigns. The control of financing of political activities of political entities is carried out by the State Audit Office (SAO), which carries out ex-post checks and publishes annual reports on its website.

The procedure for exercising the right to free access to information is described in the Law on Free Access to Public Information and its bylaw. The Agency for the Protection of the Right to Free Access to Public Information (APRFAPI) is responsible for the implementation of the law. The Law on free access to public information allows applicants to obtain information on the public financing of political parties. According to North Macedonia, it is possible the filing of appeals to the Agency against the decision whereby the holder of the information rejected or denied the request, within 15 days as of the day of receipt of the decision.

The Constitution guarantees basic and fundamental values and freedoms relevant for whistle-blowing protection (Articles 8, 16, 24 and 50). The implementation of the Law on Whistle-blower Protection started in March 2016 and is **partially aligned** with the EU Directive 2019/1937. The Law was amended in 2018 to implement the Venice Commission's and other international organisations' recommendations and standards. The process for the initiation of a new law on Whistle-blower protection is ongoing and foreseen to be completed by 2025. North Macedonia stated that to comply with the latest best practice standards, further improvement is needed to clarify safeguards, liability in cases of retaliation and the burden of proof.

The Law on Whistle-blower establishes channels of whistle blowing for both internal and external institutions. According to the Law, a whistle blower and its close persons are protected from any type of violations of right, sanctions, discrimination, etc. The oversight of the implementation of the law is done by the MoJ. The SCPC collects data, write reports and give an annual assessment of the implementation of the law. Reports are published. The 2017 and 2018 annual reports were not submitted to the Parliament due to non-functionality of the SCPC.

Other provisions relevant for the implementation of the Law on Whistle-blower Protection are contained in the Law on Personal Data and Law on Classified information; the Law on Prevention of Corruption and Conflict of Interest (Art. 17 item 21 - authorized persons register, Art. 43 – protection of authorized persons, Art. 60 protection of officials who pointed out the illegal request from a superior); Criminal Code (Art. 368-a Obstruction of Justice); Law on Public Sector Employees (Art– 30 - protection of employees who have made protected reporting, Art. 35 pointed to an illegal request from a superior).

The register for lobbyists, lobby organisations and lobbying is operational since June–2022, but there are no lobbyists registered so far.

North Macedonia stated that, in 2022, no whistle-blowers solicited protection in accordance with the procedure foreseen in the Law on protection of whistle-blowers.

In the semi-annual reports for the first half of 2022, four institutions reported to the SCPC that the authorized persons in those institutions received a total of 17 reports from whistle-blowers, following which actions and measures were taken in accordance with the Law on the Protection of Whistle-blowers and by-laws. In the second half of 2022, five institutions reported that they received 7 reports from whistle-blowers and acted in accordance with the Law.

In 2022, 10 external reports were submitted to the SCPC, which contained suspected allegations of illegal, illegal and unethical actions taken by the persons responsible or by other officials in the institutions where they work.

To address the recommendations made by the Council of Europe Group of States against Corruption (GRECO) in the Fifth Evaluation Round report, North Macedonia adopted amendments to the law on internal affairs and to the law on police in April 2022. The changes to the legislative framework include the obligation to submit asset declarations, the ban on employees being members of a political party or a body of a political party, a new integrity test, and of objective and professional criteria for the appointment of the director of the public security bureau (head of the police).

b. Commission assessment

Implementation of the **national strategy** for the prevention of corruption and conflict of interest (2021-2025) and the related action plan has been slow. According to the 2022 SCPC's report on the implementation of the national Strategy for the prevention of corruption only 10% of the activities planned for 2022 were implemented in full by the end of year,

In order to be effective, implementation of the National Strategy should be carried out at all levels of the administration. The institutions responsible for the activities of the Strategy should implement effective reporting system about the degree of implementation of the activities for which they are responsible. The low implementation rate of the national strategy indicates a lack of political commitment and sense of ownership across institutions.

The country is party to all international anti-corruption conventions, including the United Nations Convention against Corruption. The Law on Prevention of Corruption and Conflict of Interest needs to be fully implemented.

Regarding the **legal framework**, the Law on the protection of whistle-blowers still needs to be further aligned with the EU *acquis* including to provide for civil, criminal and/or administrative liability of an official who recommended or participated in retaliation, and to reverse the burden of proof.

The recommendations of the Council of Europe's Group of States against Corruption (GRECO) need to be implemented more systematically. In June 2023, GRECO adopted the Second Compliance Report of the Fifth Evaluation Round on preventing corruption and promoting integrity, which concluded that 13 of the 23 recommendations have been implemented in a satisfactory manner, nine partially implemented and one not implemented.

In the Fourth Round Evaluation Report on the prevention of corruption in respect of members of parliament, judges and prosecutors GRECO concluded that nine of the 19 recommendations have been implemented (or dealt with) in a satisfactory manner, nine have been partly implemented and one has not been implemented. In March 2023, North Macedonia submitted a situational report to GRECO, on the measures taken to implement the remaining recommendations.

II.B INSTITUTIONAL FRAMEWORK

a. Country presentation

The State Commission for the Prevention of Corruption (SCPC) is the main body to **prevent and promote** the fight against corruption. The status and competences of the SCPC were expanded in 2019 with the Law on Prevention of Corruption and Conflict of Interests. The SCPCs have access to databases of 17 institutions, including banks and other financial institutions. It can also participate in the sessions of the parliamentary working bodies for presentation and argumentation of the SCPC needs for financial resources. It is composed of currently seven members²². The Misdemeanour Commission, composed by employees of the Secretariat of the SCPC, is responsible for initiating misdemeanour proceedings against officials. The budget of the SCPC has increased in 2022 by 59% compared to 2019 and the number of employees in the Secretariat doubled (currently 48). The authorities recognised that human resource capacities need to be further strengthened, and stated that the premises and the current ICT equipment meet the SCPC needs, but renewing of the ICT hardware will soon be needed. The development of a new ICT software and a new electronic system for submission of statements of asset and interest is under development.

The SCPC monitors the implementation of the measures of the National Strategy for the prevention of corruption and prepares annual and final reports. The first report and the second annual report are submitted to the Parliament and published on the SCPC website. The SCPC has also issued guidelines to other public institutions on how to build an integrity policy. Targeted guidelines for local government bodies have also been released. As a result of this steering and dissemination process, 68 municipalities and 91 state institutions, including the Ministry of Interior, have adopted an integrity policy. Public campaigns were held to raise awareness on integrity, on whistle-blower protection, and more generally on the fight against corruption.

²²

<https://dksk.mk/en/2499-2/>

The institutions with key roles in the **repression of corruption** are the Specialised Unit for Organised Crime and Corruption in the Criminal Court Skopje, the Public Prosecutor's Office for Prosecuting Organised Crime and Corruption (OCCPPO), the Specialised Units within the Ministry of Interior, the Financial Police Office, the Customs Administration and the Financial Intelligence Office. The OCCPPO is **the main law enforcement authority** for conducting investigations, while the Court has competence for adjudicating corruption cases. According to the Law on Public Prosecutor's Office and the Law on Courts, the public prosecutor's office, and the courts, apply the judgements of the European Court of Human Rights, the International Criminal Court or any other court whose jurisdiction is recognised by North Macedonia. OCCPPO is competent to prosecute fraud to the detriment of the funds of the EU; Abuse of official position and authorization; Receiving a bribe; Giving a reward for unlawful influence; Receiving a reward for unlawful influence; Illicit acquisition and concealment of property; Abuse of public call procedure, procedure for awarding public procurement contract or public-private partnership (Law on Public Prosecutor's Office, Art 32).

Following the dissolution of the Special Public Prosecutor in 2019, the OCCPPO took over cases to further prosecute crimes related to and deriving from the content of illegally intercepted communications. Criteria for determining high level corruption cases were updated in November 2017 to align them with the expert recommendations of the IPA project on strengthening measures to fight against organised crime and corruption.

The OCCPPO has an independent budget, which significantly increased. The 2022 budget increased by more than 100%, compared to the 2020 budget, while the total number of employees increased from 30 to 44 in the period 2017-2022. North Macedonia stated that the premises are fully equipped. However, capacity needs to be strengthened in terms of both technical equipment as well as human resources. The budget of the Criminal Court Skopje - Specialised unit for Organised Crime and Corruption is covered by the budget of the basic Criminal Court. The number of employees has steadily increased from 2017, although it reduced from 2021 to 2022. The number of judges and professional associated to the Specialised Unit also decreased. North Macedonia pointed out that the offices are adequate. All cases are distributed through the court case management information system (ACCMIS), while the Interoperability platform is functional including for criminal record certificates.

The State Audit Office (SAO) conducts the state audit in accordance with the Law on State Audit, INTOSAI auditing standards and GUID 5270 – Audit Guidelines for Prevention of Corruption. State auditors are also applying the Guidelines related to the detection of irregularities, fraud and corruption and the Guidelines for the audit of EU funds and pre-accession assistance. The SAO has 113 employees out of 183 positions foreseen in the organigram. In 2021, nine audit reports have been submitted to the Public Prosecutor's Office; two audit reports have been submitted to the SCPC; seven audit reports for seven political parties and coalitions have been submitted to the SCPC, ex officio in accordance with the amendments to the Electoral Code, Article 85-b (Official Gazette No. 42/2020).

The Department for Internal Control ensures the independence of police within the Ministry of Interior. A newly established Unit focuses on the integrity, prevention of corruption and human rights protection.

In June 2021, the Customs Administration adopted a new code of conduct for customs officers. In September 2021, the Ministry of Interior adopted its regular internal anti-corruption programme with an action plan and provided training on related topics, including on the protection of whistleblowers and ethics for staff members.

North Macedonia considers the premises, technical equipment and human resources of the Specialised Units within the Ministry of Interior, the Financial Police Office, the Customs Administration and the Financial Intelligence Office as adequate.

b. Commission assessment

On the **prevention** side, the State Commission for the Prevention of Corruption (SCPC) is proactive but efforts to improve its functioning should continue, and a further allocation of financial and human resources is needed. By the end of 2022, the SCPC had a total of 48 employees out of the 64 planned. The SCPC need to recruit specialised staff with investigative experience to enhance the effectiveness of its verification of assets declarations. The authorities should make more efforts to fully address the conclusions of the SCPC reports. The sectors most vulnerable to corruption require targeted risk assessments and dedicated actions.

The SCPC need to further strengthen its own-initiative prerogatives, identifying possible wrongdoings not yet flagged and reported in the media. The software, which will allow interoperability between cadastre, revenue service, Ministry of Interior and the central registry, need to be operational in order to assure a better verification of assets declarations. North Macedonia needs to pursue in more decisive terms the **prevention** of corruption, by ensuring greater effectiveness of all the bodies contributing to the implementation of the national strategy for the prevention of corruption and conflict of interest. Furthermore, a systematic approach in tackling corruption is needed in order to address the common denominators of the risk factors: strong political influence in the public sector; low rate of sanctioning corruptive behaviour; inconsistent regulations; low level of enforcement of integrity measures; insufficient transparency, oversight system and control mechanisms in the public sector.

As regards the **repression side**, level and quality of resources need to be better calibrated, particularly at competent prosecution offices. Additional human resources and financial means should also be made available to the Public Prosecution Office, investigative centres and law enforcements units in charge of investigating corruption. The Office of the Basic Public Prosecutor for Organised Crime and Corruption remains (OCCPPO) to be equipped with specialised prosecutors, financial experts, and digital forensic analysts in the ranks of the support staff. The OCCPPO should increase cooperation, information sharing and follow up to SCPC's initiatives and recommendations. An effective implementation of the MoU recently signed between the two institutions could help in this respect. The intelligence-led policing principles need to be introduced more widely, including in cooperation with prosecutors. Systematically promoting joint police and prosecutors target based approach, with concrete strategy and action plans, would increase the success in combatting high-level corruption. Moreover, it will be necessary to systematically link investigations to parallel financial investigations of persons and companies suspected of involvement in wrongdoing. When justified, the authorities should make full use of the freezing and confiscation mechanisms, especially when the indictment alleged that the criminal offence damaged the State budget.

The number of judges in the Unit for Organised Crime and Corruption in Basic Court needs to be increased and a sufficient number of specialised judges needs to be established. Furthermore, the judges organised in specialised units should benefit from targeted trainings and exchanges of experiences, especially in the fields like money laundering, corruption and organised crime, with particular reference to assessment of evidence and the qualification of facts.

II.C TRACK-RECORD

a. Country presentation

The Public Prosecutor's Office has established cooperation with EUROJUST, SEEPAG, OLAF, Europol and other international organisation for data exchange. The PPO and the MoI and the Financial Police Office are members of the UNODC GlobE network since October 2021.

To better monitor developments towards establishing a track-record of investigation, indictments and verdict of high-level corruption cases, North Macedonia developed an online system to collect data on preventing and repressing corruption and money laundering (AKstats), which is operative since 2019.

Between 2017 and 2021, a total of 299 cases were filed, of which 20% are high level corruption cases; 154 investigations were carried out, 73 indictments filed and 66 first instance judgments issued, of which 33 final. Most of the cases regard the misuse of official position and authorisation, money laundering and other unlawful property gain, malpractice of official duty, accepting a reward for illegal influence and accepting a bribe.

Crimes were committed at government level, local level (mostly on issuing zoning permits, legalising illegal buildings), as well as in the education (enrolment and marking of students) and private sector (mostly banks). Perpetrators include high-ranking public officials, including the former Prime Minister, former Minister of Interior, General Secretary of the Government. The number and the type of sanctions increased since 2017.

North Macedonia stated that human and technical resources need to be strengthened to fight corruption more efficiently. Measures include the digitalisation of processes and the upgrade of tools for collecting and processing of data (incl. CMS and AKstats) and forensic laboratory.

On whistle-blowing, a system of protected internal and external reporting in SCPC is place. A register of authorised persons for receiving whistle-blower report is regularly updated by the SCPC. In 2022, out of 1324 institutions in the public sector, 200 institutions with 201 authorized persons (one institution appointed two authorised persons) or 15.18% have submitted a notification about appointed authorised person to the SCPC.

Public sector institutions are obliged to provide reports on whistle-blowers, but only a limited number have submitted them mostly because they do not have cases. In the first half of 2022, out of 103 public institutions, four received whistle-blowers reports and 17 submitted reports.

The SCPC has taken measures to follow up on the allegations received in the whistle-blower reports. Inter-institutional cooperation is established for administrative verification of the allegations in the reports and data collection. Provisions on data protection and safety of classified data are applied when reporting on whistleblowing involves more bodies.

In 2021, assets were confiscated in four cases for a value of approximately EUR 256,000. Real estate, movable and immovable property, and shares were frozen in temporary measures in three cases of alleged corruption.

b. Commission assessment

North Macedonia continues to investigate, prosecute and try corruption cases, including at high-level. However, corruption is prevalent in many areas of public and business life and remains an area of serious concern. The track record of successful investigations, indictments and court proceedings continues to be rather limited, especially in terms of tackling high level corruption. Some final convictions against high-ranking state officials have nonetheless been pronounced. However, there is a discrepancy between the number of investigations and the number of final convictions. After the delivery of the first instance verdicts, there is a significant number of cases where the delays in court proceedings result in the expiration of the statute of limitations. The cases need to be managed in an efficient manner through the judicial system in order to ensure timely justice. Increasing the number of final convictions of high-level officials remains an important priority to further tackle a culture of impunity. More structured and consistent efforts, including adequate resources, tools and skills to establish a solid track-record remain necessary. On the side of law enforcement, together with the State Audit Office, the investigative centre/judicial police in the prosecutor's office and the police need sufficient resources allocated in order to pursue high-profile cases properly. Staffing levels are insufficient to fully tackle cases of corruption and organised crime. As regards prosecution, specialisation within the OCCPPO is missing. This should be pursued in parallel to a reorganisation of the support staff, which at present lacks adequate financial experts or analysts that can support the build-up of complex corruption and money laundering cases. New IT software solutions are in place to increase information sharing amongst public institutions for the prevention of corruption and to increase integrity in the public sector, provide protection to whistle-blowers and monitor implementation of the national strategy for the prevention of corruption.

Overall, anti-corruption measures continue to have a limited impact in particularly vulnerable sectors (public infrastructure, cadastre, property, customs, tax administration, education, health, public procurement, PPP contracts, etc.). These sectors require targeted risk assessments and dedicated actions. Weaknesses as regards internal checks and inspection mechanisms in the public administration remain to be addressed.

Further decisive progress towards establishing a solid track-record of proactive investigations, prosecution, and final decisions of corruption cases, particularly at high level, remains to be ensured. Seizure and confiscation/recovery of criminal assets resulting from corruption-related offences is still limited.

II.D SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

North Macedonia has some level of preparation/is moderately prepared in the fight against corruption.

The legislative and institutional framework on anti-corruption is **partially aligned** with the EU *acquis*. The country needs to continue the implementation of the national strategy for the prevention of corruption notably in risk sectors such as procurement and public finance. It needs to allocate sufficient resources to the State Commission for Prevention of Corruption (SCPC) and the Public Prosecutor's Office for Prosecuting Organised Crime and Corruption (OCCPPO) and consolidate the track record on preventing and combating corruption, including at high level. Seizure and confiscation/recovery of criminal assets resulting from corruption-related offences remains limited and should be seriously addressed. North Macedonia must address systematically the recommendations of Council of Europe's Group of States against Corruption (GRECO).

III. FUNDAMENTAL RIGHTS

III.A GENERAL FRAMEWORK

a. Country presentation

North Macedonia stated that the protection of fundamental rights is included in the Constitutional order of the country and that everything that is not prohibited by the Constitution and the law is permitted. North Macedonia has ratified most international conventions protecting human rights. Article 118 of the Constitution stipulates that international conventions become part of the national legal order and cannot be changed by law. International agreements supersede domestic legislation. North Macedonia is an observer in the EU's Fundamental Rights Agency. The independent institutions tasked with monitoring the respect for fundamental rights include the Ombudsperson institution, the Commission for Protection from Discrimination, the Agency for the Protection of the Right to Open Access to Public Information and the Personal Data Protection Agency.

b. Commission assessment

The **legal framework** is **largely in line** with international human rights instruments. North Macedonia still has to address remaining gaps to fully align its legislation with that of the EU, including with the Charter of Fundamental Rights and the European Convention of Human Rights. North Macedonia needs to consistently address the recommendations of international human rights monitoring bodies.

The overall administrative **capacity** for effectively guaranteeing human rights in practice needs to be strengthened. The delay in appointment of five deputy ombudspersons by the Parliament has undermine the effective enforceability of human rights.

III.B RIGHT TO LIFE AND TO THE INTEGRITY OF THE PERSON, HUMAN DIGNITY

a. Country presentation

The Constitution protects the right to life and prohibits the death penalty in all circumstances (Article 10). North Macedonia has ratified Protocols 6 and 13 to the ECHR prohibiting the death penalty. The Constitution also considers the human right to physical and moral dignity as irrevocable, while the Criminal code includes provisions related to human cloning. In July 2018, at the Western Balkans Berlin Process summit, the Western Balkans partners, including North Macedonia, adopted a Joint Declaration on Missing Persons, committing to make progress on the matter. The same year, the Council of Ministers and the International Commission on Missing Persons (ICMP) signed a Cooperation Agreement to advance efforts to locate persons who went missing during the communist period and ensure that the whereabouts of the missing and the circumstances of their disappearance are investigated effectively.

b. Commission assessment

The provisions of the legal framework are largely adequate and aligned with the EU *acquis* and European standards. The country needs to align with the Charter of Fundamental Rights as regards provisions covering the fields of medicine and biology to strengthen legal guarantees on the integrity of the person.

III.C PREVENTION OF TORTURE AND INHUMAN OR DEGRADING TREATMENT AND PRISON SYSTEM

a. Country presentation

The Constitution prohibits any form of torture, or inhuman or humiliating conduct or punishment and article 142 of the Criminal code foresees a sentence of three to eight years' imprisonment. The legal framework in this field includes the Law on Execution of Sanctions and the Law on Probation. The Ombudsperson acts as National Preventive Mechanism pursuant to the Optional Protocol to the UN Convention against Torture. The main strategic documents include the Standard Operating Procedures in the Penitentiary System, the National Strategy on the Development of the Penitentiary System in the Republic of North Macedonia (2021-2025) and the strategy for the Development of the Probation Service in North Macedonia 2021-2024. North Macedonia has also adopted an Action plan to address the European Committee for the Prevention of Torture (CPT) recommendations concerning the Penitentiary Facility Idrizovo and an annual plan for the prevention of corruption based on a Risk Assessment Analysis. A project for the reconstruction and construction of penal institutions is being implemented. A training centre provides education for prison staff and other employees of the prison system. Concerning the probation service, it currently includes 11 offices staffed with 29 probation officers. There are currently 11 penitentiary institutions (and one correctional institution for juveniles) accommodating 2178 convicts, while the capacity in penitentiary institutions is 2113 persons, an occupancy rate of 103%. The penitentiary facilities in Štip and Prilep and the Prison Skopje are overcrowded. With regard to the pre-trial detention section, the capacity is 350 and the number of persons in detention is 297 for an occupancy rate of 84.8%. North Macedonia noted that education and health care of persons deprived of their liberty is still a challenge.

b. Commission assessment

The legal framework is generally in place and generally in line with the EU *acquis* and European standards. The National Prevention Mechanism (NPM) is operational and performs visits according to its mandate, including unannounced. The NPM needs to receive sufficient funding that would allow the recruitment of supplementary specialised staff.

It is a concern that five years after its establishment by law, the external oversight mechanism for the police, including the prison police, is still not fully functional. With regard to ill-treatment by police, North Macedonia should ensure all incidents are investigated without delay and that safeguards against ill treatment by police are implemented systematically.

Regarding prisons, North Macedonia has a very negative record of outstanding and repetitive recommendations of the European Committee for the Prevention of Torture (CPT) of the Council of Europe. The Committee has assessed the detention conditions in parts of Idrizovo as inhumane. The main shortcomings of the prison system remain: poor quality healthcare, inter-prisoner violence, squalid material conditions, a lack of purposeful activities and endemic corruption. North Macedonia should urgently tackle the persistent issue of inadequate detention conditions in prisons, police stations, social care and psychiatric facilities, in line with the recommendations in the last CPT report of 2021 and previous ones. North Macedonia needs to ensure adequate detention conditions and a humane treatment of all persons deprived of their liberty. North Macedonia needs to ensure adequate training for all prison staff on the prevention of illegal treatment of detainees. North Macedonia has to improve the disciplinary follow-up mechanisms on cases of ill-treatment.

The Law on the execution of sanctions foresees a set of requirements for the appointment as prison director, yet, the law is not consistently applied, including when appointing interim directors. This lack of uniform standards of professionalism undermines the management of the penitentiary system, as also noted by the CPT.

Concerning probation, the application of alternatives to detention is only applicable after sentencing. North Macedonia needs step up the use of alternative sentences to decrease the pressure on the penitentiary system and to lower the risk of re-offending, including for juveniles. Resocialisation and rehabilitation of convicts needs to be prioritised. Educational and resocialisation services, and treatment programmes, should be run in all penitentiary facilities and educational correctional facilities.

Plans mentioned by North Macedonia to centralise all persons under pre-trial detention to a single detention centre in Skopje raise questions as to the respect for the right to private and family life which should not be denied to persons that are not convicted and thereby fall under the presumption of innocence.

III.D RIGHT TO MARRY AND RIGHT TO FOUND A FAMILY

a. Country presentation

The Constitution protects the family. Legal relations in marriage, the family and cohabitation are regulated by Law on Family. Marriage can be concluded between a man and a woman who are 18 years or older. For the marriage to be legally valid, both future spouses must freely express their consent in front of a state registrar. In certain circumstances, the court may, in an out-of-court procedure, allow a person who has reached 16 years of age to conclude a marriage. The legal framework does not allow for the official recognition of same-sex couples.

b. Commission assessment

The **legal and institutional framework** is generally in line with European standards. Despite legal prohibition of underage marriage, the phenomenon persists especially in the Roma community and needs to be addressed. The authorities should promote more effective policy measures towards awareness raising at community level, as well as at prevention and support for children affected by underage marriage.

III.E PROTECTION OF PERSONAL DATA

a. Country presentation

Article 18 of the Constitution guarantees the protection of personal data. North Macedonia ratified the Protocol amending the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (Convention 108+) in 2021. It also ratified the Additional Protocol to the Convention for the Protection of Individuals with regard to the automatic processing of personal data, in relation to supervisory bodies and cross-border transfer. The new Law on Personal Data Protection is applicable since August 2021. The law aims to align with the General Data Protection Regulation, and its recast is currently prepared to fulfil this objective. The new legal framework has yet to be aligned with the Law Enforcement Directive 2016/680.

The Personal Data Protection Agency is the independent and autonomous state administration body established pursuant to the Law on Personal Data Protection. The Agency is responsible for monitoring the lawfulness of activities taken when processing personal data and it reports to the Assembly. The agency has powers of investigation to carry out supervisions, of correction – including imposing administrative fines, power to grant authorizations and advisory powers. It has a staff of 21 including the Director. Ten persons work directly on the implementation of the Law on Personal Data Protection.

In 2021, the Agency carried out 304 supervisions, received 540 complaints, issued reprimands in 4 cases and it issued 17 opinions on laws and by-laws. One fine was imposed in 2021. The Agency also has a role in oversight of the security services pursuant to the Law on Interception of Communications and in 2021-2022 it notably carried out inspections at the Operational Technical Agency for interception of communications and of the National Security Agency. During 2022, the Agency performed a total of 170 supervisions over the legality of the activities undertaken during the processing of personal data a decrease of 56% compared to 2021.

In the same period it also received 300 complaints, issued reprimands in 4 cases, and issued 15 opinions on draft laws, by-laws, and other documents in the field of data protection.

b. Commission assessment

The legal framework is **partially aligned** with the EU *acquis*. North Macedonia needs to complete the recast of its legal framework to ensure full alignment with the General Data Protection Regulation. North Macedonia also needs to enact a new law to align with the Law Enforcement Directive.

The low levels of staff in the Personal Data Protection Agency has a serious negative impact on implementation of the law. This also impedes the Agency's ability to perform its tasks effectively. Despite having issued opinions on 17 legal acts in 2021, it would need to be more systematically consulted on sectoral laws or implementing legislation. Moreover, it is important to note that even when it is consulted, the advice provided by the Agency is not always followed.

Improvements are needed in the field of data protection in the electoral sector. There is no assessment on the harmonisation of the Electoral Code with the national law on data protection. The Electoral Code brought in the use of biometric data, but the procedure did not include prior consultation with the Personal Data Protection Agency. Following identification of certain irregularities identified during the supervision, the State Election Commission has addressed some of the concerns.

The respect of the right to privacy must be ensured.

III.F FREEDOM OF THOUGHT, CONSCIENCE AND RELIGION

a. Country presentation

Article 19 of the Constitution provides for the guarantee of freedom of religious confession and the right to express one's faith. The Constitution also specifies that the *Macedonian Orthodox Church* and other religious communities and groups are separate from the State and are equal before the law. The Law on the legal position of a church, religious community and religious group also stipulates the secularity of the State. The law provides for the registration of religious entities by the Civil Court and it regulates the activities of churches, religious communities and religious groups. Regarding the fight against anti-Semitism, the government adopted the working definition of anti-Semitism, defined by the International Holocaust Remembrance Alliance in 2018. North Macedonia has decided to establish the *Holocaust Fund of the Jews of Macedonia* and to appoint an Ambassador in charge of the International Holocaust Remembrance Alliance.

b. Commission assessment

The legal framework is generally in line with the EU *acquis* and European standards. Freedom of thought, conscience and religion is guaranteed by law and in practice, and discrimination on grounds of religion is prohibited. The Commission for Relations with Religious Communities and Groups is encouraged to organise inter-religious dialogue and to improve cooperation between the religious communities.

III.G FREEDOM OF EXPRESSION INCLUDING FREEDOM AND PLURALISM OF THE MEDIA

a. Country presentation

Article 16 of the Constitution guarantees freedom of expression and the right to information. The domestic legal framework notably includes the Law on Media and the Law on Audio and Audiovisual Media Services, last amended in April 2021. North Macedonia has signed up to the Declaration for the Future of Internet.

North Macedonia considers its legal framework to be fully aligned with Article 11 of the EU Charter of Fundamental Right and Article 10 of the European Convention on Human Rights as well as with Article 30.2 of the 2018 Audio-visual Media Services Directive. North Macedonia has carried out a gap analysis to identify the necessary changes in order to complete its alignment with the Law on Audio and Audiovisual Media Services with the Directive. Draft Law amending and supplementing the Law on Audio and Audio-visual Media Services is in the parliamentary procedure for adoption.

The Agency for Audio and Audiovisual Media Services is the national regulatory body. A set of bylaws regulate the independence and transparency of the Agency, covering for instance rules of procedure or the code of ethics for the members of the Council and employees as well as an annual plan for the prevention of corruption. The Agency has taken measures for transparency of its work including the publication of all agendas, minutes and decision on its website. The Council's sessions are live-streamed. As part of its legal obligations, the regulator supervises broadcasters, print media, operators of public electronic communication networks and providers of on-demand media services, as well as on illicit media concentration and ownership transparency. It works with civil society organisations and media outlets to promote media literacy and human rights topics such as gender equality and accessibility for persons with disabilities.

The Agency monitors media ownership on a regular basis. Advertising by the government on commercial channels is prohibited.

The set-up of the Agency for audio and audio-visual media services is defined in the Law on audio and audio-visual media services, i.e. Director and the Council of the Agency. The Parliament of North Macedonia elects the 7 members of the Council. The Director of the Agency for audio and audio-visual media services is appointed by the Council following a public competition.

The public service broadcaster *Macedonian Radio Television* broadcasts its programme in 5 different channels (MRT 1 – Macedonian language channel; MRT 2 - Albanian language channel; MRT 3 – channel broadcasting sports and entertainment; MRT 4 - channel in other minorities languages (such as Turkish, Serbian, Romany, Vlach and Bosnian); MRT 5 - channel for children; MRT Sobraniski Kanal - broadcasts the activities of the Assembly of North Macedonia. As regard public funding, the Law on audio and audiovisual media services specifies that the amount of public funding for the public broadcaster, the Agency for Audio and Audiovisual Media Services and the public broadcaster represents 1% of the state budget as of 2021. The authorities are granted discretionary powers by law to transfer the funds at a lower rate.

As regards media self-regulation, the Council of Media Ethics is a self-regulatory body handling complaints for breaches of ethical standards. In 2022, the Council of Media Ethics received 78 complaints for breaches of ethical standards. The most frequent violation, in 49.37% of cases, referred to the legal provision that "the journalist should publish accurate and verified "information". The self-regulatory body noted breaches of the Code of Journalists in 48 cases. The Council of Media Ethics reported increased pressure over its work from political and economic actors, but also from media representatives.

The Law on Civil Liability for Insult and Defamation, adopted in 2012, decriminalised the defamation and insult for the first time. From the time of its enactment until the present, the Law's shortcomings in its actual application necessitated the adoption of a new one. The new Law on Civil Liability for Insult and Defamation was adopted by the Parliament in November 2022.

North Macedonia indicated that the legal protection of journalists has increased by amending the Criminal Code, which stipulates that an attack on a journalist is considered as an attack of an official, and the new Law on civil liability for defamation, which significantly lowers the fines for insult and defamation.

Issues relating to electronic communication and audio-visual media services are covered in Chapter 10.

b. Commission assessment

North Macedonia has achieved **some level of preparation/is moderately prepared** in the area of freedom of expression. The legal framework is **partially aligned** with the EU *acquis* and European standards. The Law on Audio and Audio-Visual Media Services is largely aligned with the Audio-Visual Media Directive 2018. However, further alignment with the EU *acquis*, notably the European Media Freedom Act is needed. There are also challenges with regard to its implementation. For instance concerning the funding of the public broadcaster and the independence of the media regulator, the government has exercised its discretionary powers to derogate from the legally set levels of funding from the state budget. Transparency regarding media advertising by state institutions and political parties needs to be improved.

The general context is favourable to media freedom and allows for critical media reporting. A number of attacks, threats and intimidating behaviour towards journalists were noted, involving also senior government officials and public office holders. The country has established mechanisms for following up cases of intimidation of journalists. It is essential that public officials set an example of high standards for the respect of freedom of media in their interactions with journalists. In 2022, the Ministry of Interior recorded and opened investigation on 17 cases of attacks against journalists. The Association of Journalists recorded 14 incidents involving journalists, out of which four are physical attacks and illegal detention, while eleven are verbal attacks, threats and other forms of intimidation. The appointment by the Basic Public Prosecution in Skopje of a prosecutor that is tasked with monitoring the proceedings concerning cases of attacks against journalists is a positive development and proves political commitment to protect journalists.

The overall reform of the media sector needs to be guided by a strategic framework prepared with the support of all stakeholders.

As regard the institutional framework, the financial stability and independence of the media regulator needs to be consolidated. The council of the Agency for Audio and Audiovisual Media Services still needs to be appointed. Delayed appointments of the new members of the Agency's Council (and Public Service Broadcaster's Programme Council) illustrate the lack of political consensus about media reforms among the political parties represented in the Parliament. Despite these challenges, the work of the Agency for audio and audio-visual media services has been positively assessed by media associations.

The public broadcaster has to undergo a reform to ensure its independence, professional standards and financial sustainability. The reform process is stalled due to delays in appointing members of its programming council by the Parliament.

Greater transparency is needed regarding advertising by state institutions and political parties. The current ban on state advertising in private media is being questioned and a debate is ongoing between supporters and opponents of a reform of the system which would reinstate the possibility for state advertising in private media.

Online media is not governed by a specific law. An assessment of legal gaps in alignment with EU *acquis* with regard to online media and challenges deriving from technological developments has been carried out. The country needs to align its legislation with the EU *acquis*, in view of the growing threats from disinformation, especially stemming from online media and social media. Campaigns are needed to boost the understanding of both stakeholders and the general public and to increase their resilience in the face of disinformation.

Media self-regulation should be stepped up and lead to enhanced professional standards of journalism. The Council of Media Ethics has reported attempts to influence its work from political and economic actors, but also from media representatives. Numerous media outlets lack an internal code of ethics. Many journalists have a vulnerable contractual status and difficult socio-economic conditions which contributes to a culture of self-censorship and creates openings for media owners to strongly influence editorial policy.

With respect to the **right to access to information** of public interest, the recent amendments to the legal rules ensured increased inspection supervision, and introduced shorter deadlines for response.

III.H FREEDOM OF ASSEMBLY AND ASSOCIATION

a. Country presentation

North Macedonia presented its legal framework related to the right to the freedom of assembly which is protected by the Constitution, as is freedom of association. Freedom of assembly can be limited in conditions of war and emergency. The Law on Public Assemblies does not stipulate an obligation for the public assembly to be announced but it also includes the procedures for registration with the Ministry of Interior. Spontaneous assemblies are permitted.

Aspects related to labour and trade union rights and social dialogue are dealt with in Chapter 19, while political parties and civil society organisations are covered in the Functioning of Democratic Institutions.

b. Commission assessment

The legislation is in line with the EU Charter of Fundamental Rights and the European Convention on Human Rights. No particular restrictions can be noted on the exercise of free assembly. More efforts are needed to implement the rulings of the European Court of Human Rights with regard to the registration of associations. Any new legislation on associations and foundations need to be in line with the EU *acquis* and European standards and should be subject to a broad consultation process with civil society and consultation with the Venice Commission prior to its adoption.

III.I NON-DISCRIMINATION

a. Country presentation

Non-discrimination principles are enshrined in the Constitution and national legislation. The main legal framework is the Law on Prevention and Protection against Discrimination which, according to the authorities, is aligned with the Directives 2006/54/EC on equal treatment of men and women in matters of employment and occupation (recast), Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation as well as Directive 2004/113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services. The Constitution includes a closed list of protected grounds while the Law on Prevention and Protection against Discrimination includes an open-ended list of grounds for discrimination. North Macedonia has ratified protocol 12 to the ECHR providing a general prohibition of discrimination. The Law on prevention and protection against discrimination enables a person who believes that they have been discriminated to file a civil lawsuit before a competent court.

The work in this field is guided by the National Strategy for Equality and Non-discrimination 2022–2026 and the National Action Plan 2022–2024. Another strategic document is the Strategy for One Society and Interculturalism 2020–2022.

The National Coordination Body, composed of representatives of the state institutions, civil society organisations and academia in charge of the overall coordination in this sector, is tasked with monitoring the situation regarding non-discrimination and implementation of laws, by-laws, and strategic documents, as well as to raise awareness about non-discrimination principles. The Ombudsperson and the Commission for Prevention and Protection against Discrimination (CPD) both play a role in addressing cases of discrimination, with the latter being the country's equality body. In 2022, the CPD addressed 248 complaints, seven *ex officio* procedures and issued two recommendations. It confirmed discrimination in 30% of the cases, notably in the sectors of public information and media, and labour relations. Based on its wide-ranging powers, the CPD submitted fourteen requests for a misdemeanour procedure. In response to a request made by the CPD, a court passed judgment confirming the findings of discrimination. In 2022, the Ombudsperson's Office worked *ex officio* on three cases and received 76 complaints on grounds of discrimination (43 in 2021), predominantly concerning work and labour relations, and it issued 16 opinions.

b. Commission assessment

On non-discrimination, the legal and institutional framework is **partially aligned** with the EU *acquis* and European standards. The Law on Prevention and Protection against Discrimination covers direct and indirect discrimination, harassment, segregation, multiple discrimination, intersectional discrimination, repeated discrimination and continued discrimination. Harmonisation still needs to take place with other laws needing to be aligned with the Law on Prevention and Protection against Discrimination.

The implementation of the Law and enforceability of rights is hampered by the challenges faced by the Commission for Prevention and Protection against Discrimination (CPD), notably budget cuts and a lack of administrative support staff. Inconsistencies in the law, requesting a prior approval from the Ministry of Finance, also affect the CPD's independence as regards use of its budget. Two positions in the Commission are vacant. The CPD is nonetheless operational and it exercised its functions including by making use of *ex officio* powers and acting as *amicus curiae*. The majority of cases handled by the CPD concern work and labour relations and access to goods and services.

The discrimination cases handled by the Ombudsperson's office predominantly concern work and labour relations. The possible overlapping competences between the Ombudsperson's Office and the Commission for the Prevention and Protection against Discrimination require regular and effective coordination in order to ensure that the law is adequately implemented. The new members of the National Coordinative Body for Equality and Non-discrimination have not been appointed which prevents the institution from functioning at its full potential.

Necessary resources need to be provided to the Commission on Protection and Prevention against Discrimination and the Ombudsperson so they can independently and effectively fulfil their mandates.

III.J MEASURES FOR COMBATTING RACISM AND XENOPHOBIA, HATE SPEECH AND HATE CRIME

a. Country presentation

North Macedonia presented its legal framework and indicated that it considers it fully aligned with the Framework Decision 2008/913/JHA on combating certain forms and expressions of racism and xenophobia by means of criminal law. The Criminal Code includes a definition of hate crime and for aggravating circumstances, as well as articles on genocide, crimes against humanity and war crimes. It contains provisions on spreading racist and xenophobic material via information systems. The Criminal Code also includes specific provisions covering racial or other discrimination, offending the reputation of a foreign state, causing national, racial and religious hatred, discord and intolerance and spreading racist and xenophobic material by means of computer system.

The Ombudsperson Office and the Commission for prevention and protection against discrimination are competent in promoting and enforcing measures in combating racism, xenophobia and hate speech.

Following the adoption of the 2021-2026 strategy for equality and non-discrimination, the authorities adopted an action plan for the implementation of the strategy, accompanied by a financial forecast.

The Ministry of Interior is competent to gather statistics for the criminal offenses on hate crime and hate speech. In 2021, 25 offenses were recorded, with criminal charges being filed against 31 perpetrators. 22 of these criminal acts were committed via ICT systems (15 based on political affiliation, five on national origin, one based on ethnicity and one based on religion or conviction) while in three cases the criminal offenses were committed in the public space and based on nationality and ethnic origin. The country provides hate crime data of ODIHR, according to which 22 cases were recorded by police and 125 cases prosecuted in 2021. Civil society organisations report in 2022, a total of 150 cases of hate speech, out of which 61 were based on political affiliation, 52 based on ethnicity, 39 based on sexual orientation and gender identity, and 8 based on sex and gender. In 2021, 877 cases of hate speech were recorded in 2021 on social media, of which 34% are cases of hate speech based on ethnicity, 33% reported based on sexual orientation and gender identity, and a fifth of the reports referred to hate speech related to political affiliation.

b. Commission assessment

The legal framework on combating racism and xenophobia is **partially aligned** with the EU *acquis*. The adoption of amendments to the Criminal Code in February 2023, regulating criminal acts of gender-based violence, including stalking and hate crimes based on gender identity and gender differences, represented important legislative progress. A revision of the criminal code is needed to include, notably, provisions to counter hate speech. Alignment is also needed with Council Directive 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. The legal framework on combatting hate speech needs further improvements (in line with the European Commission against Racism and Intolerance of the Council of Europe's General Policy Recommendation No. 15 on combating hate speech). The official data on hate crime needs to be gathered more systematically, and more efforts need to be invested in the development of a recording and data collection framework by the authorities. No detailed data is available from the courts. A civil society database continues to register hate crime cases successfully. The systematic collection of disaggregated data and statistics on hate crime and hate speech needs to be ensured.

The capacity of law enforcement and criminal justice officials to effectively prevent and prosecute all instances of violence, hate crimes and hate speech needs to be enhanced. Additional staff and training to enhance understanding by enforcement officials and legal experts of hate speech and hate crime are needed.

The Ministry of Interior manages a website for citizens to report hate crime and hate speech. However, there is little information available on these cases and any follow-up action.

It is important to ensure that incidents of hate crime and hate speech are promptly identified and effectively investigated and that those responsible are brought to justice. Overall, implementation in these areas requires further improvement.

III.K GENDER EQUALITY' AND WOMEN'S RIGHTS

a. Country presentation

North Macedonia is a party to the main international Conventions, including the Istanbul Convention. The Law on Equal Opportunities for Women and Men and the Law on Prevention and Protection from Violence against Women and Domestic Violence are the main legislative frameworks.

North Macedonia's work in this field is guided by the National Strategy for Gender Equality 2022–2027, as well as a National Action Plan for Gender Equality 2022–2024. The monitoring is carried out by the Ministry of Labour and Social Policy, the Inter-ministerial Work Group for Gender Equality, the Commission for Equal Opportunities for Women and Men within the Assembly of the Republic of North Macedonia, as well as Associations of citizens and international organisations.

Coordinators for equal opportunities for women and men are nominated in all line ministries and all local-government units.

North Macedonia indicates that 13 regional specialised services for accommodation of women victims of domestic violence and gender-based violence (shelters) are operational, as well as 10 specialised counselling centres alongside three centres for referral of victims of sexual violence and nine counselling centres for psycho-social treatment of perpetrators.

b. Commission assessment

The legal framework on gender equality is **partially aligned** with the EU *acquis*. The adoption of the draft law on gender equality is pending. The draft law foresees improvements in the national and local gender mechanisms and establishment of an independent ministry-level body for gender equality to be responsible for coordination and implementation of gender equality legislation and policies. The adoption of the law would be relevant for the effective implementation of the National Gender Equality Strategy 2022-2027.

The lack of reliable gender-disaggregated data across sectors creates significant constraints in developing evidence-based policies and measures.

The administration lacks proper gender-strategic planning and budgeting tools, which limits the opportunities for effective gender mainstreaming in policymaking and for integrating the gender perspective into sector dialogue and public finance management. The cross-institutional mechanisms designed to implement and monitor policies promoting gender equality appear too weak, in terms of organisational arrangements, budget and professional expertise on international standards.

Further alignment with the provisions of the Istanbul Convention on preventing and combating violence against women and domestic violence is necessary, including as regards the definition of rape in the criminal code. Action is pending to align related laws and adopt implementing legislation to the Law on the prevention of and protection from violence against women and domestic violence. Amendments to the Criminal Code are needed to provide full protection to victims from all forms of violence including femicide. In January 2023, progress was made with amending the Criminal Code by incorporating the gender-based violence in several criminal acts, and by introducing a new criminal act - *stalking*, in line with the Istanbul Convention and the gender equality *acquis* of the EU. Services for victims of gender-based violence are insufficient both in quantity and in budget, not meeting Istanbul Convention standards; moreover, access for women with disabilities is limited.

The country lacks clear cross-institutional protocols, and police and health workers lack the capacity to fully assess the consequences of violence and to take adequate measures. The provision of psychosocial and other prevention services remains uncoordinated and dependent on financing from local self-government, foreign donors and the business community. Clear cross-institutional protocols and standardised reintegration services for victims - as well as adequate follow-up by the institutions in cases of rape and domestic violence are currently insufficient.

III.L RIGHTS OF THE CHILD

a. Country presentation

North Macedonia is a party to international agreements in this field including the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (Lanzarote Convention). The Constitution provides for special protection of children (Articles 40 and 42). The legal framework includes the Law on the Protection of Children and the Law on Justice for Children. Other laws include specific provisions for children.

Strategic documents guiding the work in this field include the National Youth Strategy 2016-2025, the National Action Plan for Protection, Promotion and Fulfilment of the Human Rights of Roma Women and Girls 2022-2024, as well as the National Strategy for Prevention and Justice for Children for 2022-2027 and Action Plan for 2022-2023.

Particular importance is placed on efforts towards deinstitutionalisation through the specific National Strategy 2018-2027.

North Macedonia presented statistics on the application of measures for children in conflict with the law including disciplinary measures, enhanced supervision and alternative sanctions. The age of criminal liability is set at 14 years old. According to Annual Report of the State Council for the Prevention of Child Delinquency for 2021 a prison sentence for children in 2021 was imposed on two children or 0.4%, in 2020 on one and in 2019 on three children. In 2021, proposals for the application of sanctions were submitted against 483 children or 40% against whom criminal charges were submitted. At the same time: 32% of the children were sentenced to disciplinary measures, 54% of the children were imposed measures of enhanced supervision, 5% (25 children) were sentenced with alternative measures. This was an increase compared to 2020, when alternative measures were imposed upon five children, in 2019, upon four and in 2018, upon eight children.

Aspects related to social services are dealt with under Chapter 19.

b. Commission assessment

The legal framework is outdated and not in line with international standards and EU directives, including the Directive (EU) 2016/800 on procedural safeguards for children who are suspects or accused persons in criminal proceedings.

Societal and inter-party consensus is insufficient on key legislative reforms to bridge legal gaps, following the needs and best interests of children. Discrepancies between the family law provisions on adoption and international standards remain.

Structural challenges are inadequately addressed, such as the lack of resources by state institutions dealing with child rights, the lack of strategic documents on child rights and functioning of the statutory body responsible for overseeing implementation of the Convention on the Rights of the Child. An action plan for children, including a sufficient budget and sectoral models to provide effective services for children, has yet to be prepared.

Cooperation among institutions to better understand and address the challenges faced by different groups of children such as children with disabilities, vulnerable children, children from minorities (including Roma children), is weak. Challenges remain to fully implement the national strategy to end violence against children (2020-2025). Resources destined to the child protection system to address the increasing challenges of online violence and abuse (cyberbullying) remain lacking. Awareness raising efforts on violence against children among the general public and professionals to recognise abuse and report it are insufficient. The country lacks programmes to provide social, psychological and legal support children victims of violence. Additional measures need to be taken and implemented in order to ensure that vulnerable children are protected from sexual exploitation.

The social protection system is currently not enough child-sensitive and not sufficiently based on a child-centred service delivery model, with a lack of professional development and supervision in the delivery of good quality child protection services.

Efforts are needed to ensure equal access to quality education. Legal education provided to judges and public prosecutors on issues such as discrimination based on disability, gender based and sexual violence against women, and violence against children is lacking. The law on juvenile justice is not systematically implemented. Access to justice, legal representation and the capacity of public officials involved with child victims, child witnesses and children in conflict with the law are still inadequate. The inter-sectoral approach to implementation of the legal framework is not systematised and streamlined among professionals of juvenile justice.

III. MRIGHTS OF PERSONS WITH DISABILITIES

A. COUNTRY PRESENTATION

The rights of persons with disabilities are constitutionally guaranteed and further specified in the Law on Prevention and Protection against Discrimination. A number of other laws, notably regulating social policy and assistance, are also relevant in this context. North Macedonia is a party to the UN Convention on the Rights of Persons with Disabilities. North Macedonia has adopted a new model of assessment of children with disability according to the International Classification of Functioning, Disability and Health.

The National Deinstitutionalization Strategy 2018–2027 foresees the transition from institutional care towards family and community based care with the support of social services, the development of services according to the needs of beneficiaries and changing the medical model of looking at disability. The National Equality and Non-Discrimination Strategy is also relevant in this context.

The National Coordination Body for the implementation of the Convention on the Rights of Persons with Disabilities is made up of all relevant ministries and two representatives of civil society organizations of persons with disabilities. A team for monitoring the implementation of the Convention on the Rights of Persons with Disabilities (CRPD) is also embedded in the Ombudsperson's office. It includes 17 stakeholders, including organizations for people with disabilities, civil society organizations and individuals.

North Macedonia emphasises inclusive education for children with disabilities and the new Law on Primary Education promotes full inclusion of pupils with disability by transforming special schools and classes into learning support centres. There are no longer any children with disabilities in social care institutions. The gradual resettlement of adult beneficiaries with disabilities to housing units for supported living continues. Home-based care and day care services are also established.

A new National Strategy for the Rights of Persons with Disabilities 2023 – 2030 is being finalised following consultation with the National Coordinating Body for the Implementation of the UN Convention on the Rights of Persons with Disabilities and the Ministry of Labour and Social Policy.

Aspects related to social services, assistance and benefits are dealt with under Chapter 19.

b. Commission assessment

In spite of its strategic framework which includes the National Strategy on Achieving Equal Rights for the Persons with Disabilities, persons with disabilities continue to face considerable discrimination, both direct and indirect, due to infrastructure-related barriers (insufficient accessibility), a lack of information and services, discriminatory attitudes and social exclusion. The change from a medical-based to a social model of disability assessment based on human rights has not been brought in systematically.

North Macedonia has established structures for the implementation of the UN Convention on the Rights of Persons with Disabilities. North Macedonia has ratified the Optional Protocol to the UNCRPD. However, the effectiveness of the national coordination body for implementing the Convention for the Rights of Persons with Disabilities and its capacity to influence decision-makers in state structures is insufficient. The structure for monitoring the implementation of the Convention is functioning within the Office of the Ombudsperson and cooperation with civil society has been established.

North Macedonia is implementing a de-institutionalisation strategy. The process of resettling persons with disabilities from social care institutions is ongoing. It is positive that no children remain in large institutions. Focus needs to be made on realising the right of persons with disabilities to live independently and be included in the community, using as guidance the 'Guidelines on deinstitutionalisation, including in emergencies' of the UNCRPD Committee.

The Commission for Prevention and Protection against Discrimination in its latest quarterly report notes 18 cases of reported discrimination based on disability, mainly related to lack of accessibility and segregation in the education system.

III.N RIGHTS OF LESBIAN, GAY, TRANSGENDER, INTERSEX AND QUEER PERSONS

a. Country presentation

Sexual orientation and gender identity are among the protected grounds in the Law on Prevention and Protection against Discrimination. The National Coordination Body on non-discrimination is following implementation of the law. North Macedonia has an Inter-party Parliamentary Group in the Assembly for promotion of the rights of LGBTI persons.

In 2021, the Commission for Prevention and Protection against Discrimination handled 14 cases on the grounds of sexual orientation, gender identity, and social origin and found discrimination in 8 cases, while in 2022, out of 39 cases, it found discrimination in 22 cases.

The authorities also indicated that they have supported the organisation of the Pride Parade in the past four years, provided financial support to the first shelter centre for domestic violence victims of the LGBTIQ community, and support to the establishment of the first SOS helpline for the LGBTIQ community.

b. Commission assessment

The legal framework against discrimination and hate crime on the grounds of sexual orientation and gender identity is broadly in place and **largely in line** with the EU *acquis* and European standards, but implementation of these laws needs to be improved. The promotion of equality and the condemnation of hate speech, hate crime, discrimination and intolerance needs to be strengthened. Politicians need to refrain from using discriminatory language.

The draft amendments to the law on civil registry to bring in the legal gender recognition procedure to implement the January 2019 judgement of the European Court for Human Rights' judgment are yet to be adopted. The country does not have a dedicated strategic document for LGBTIQ equality. The adopted National Strategy for Equality and Non-discrimination (2022–2026) includes anti-discrimination measures against LGBTIQ people. The country should invest efforts and allocate appropriate resources in the implementation of the Strategy.

Past attacks against LGBTIQ organisations have not been adequately followed up and prosecuting such incidents should be made a priority. The authorities do not systematically collect data on hate crimes based on sexual orientation and gender identity. Overall awareness of the law and law enforcement and legal professionals' capacity to effectively prevent and prosecute all instances of violence, hate crimes and hate speech remains largely insufficient. Physical assaults and hate speech remain common, particularly in social media. Serious efforts are needed to protect and ensure people can exercise their LGBTIQ rights.

III.O RIGHT TO PROPERTY

a. Country presentation

The Constitution guarantees the right to ownership of property. The Law on property regulates both private and state property. The Law on Expropriation regulates the limiting of the right to property in case of public interest. North Macedonia informed about their intention to amend the Civil Code including regarding property including family and hereditary legal relations. The Law on Denationalization regulates the conditions and procedure for the return of property and the compensation for property seized under the Communist regime. The process which was due to end years ago has been tied down by administrative disputes over first-level decisions with 4167 such cases still pending resolution. The prolongation of the denationalization process is the result of numerous court proceedings, initiated by the claimants of the right to denationalisation, as well as by the state, represented by the State Attorney's Office. In cases where a return of property is not possible, claimants are given compensation in the form of bonds, which are issued in accordance with the Law on the Issuance of Bonds of Republic of North Macedonia for denationalization.

A national register where the property rights and ownership of real estate are recorded is in place and updated of any changes, as per the Law on real estate cadastre. The National Real Estate Register is fully digitalised and located in one central database of the State Real Estate Agency. All professional users are connected digitally (notaries, lawyers, municipalities, banks) and can access the data.

b. Commission assessment

The legal framework is generally in line with European standards. The process of enforcement of property rights in North Macedonia requires improvements as current procedures are lengthy and expensive for citizens, due to the lack of a central institution and the lack of coordination between institutions dealing with these rights.

There is no strategic framework in place to guide the work on reforming the sector.

The Cadastre Office is performing its work in an adequate manner. The registration of land and properties has been completed and laser scanning has been conducted across the whole country. However, the digitalisation of property registers is not systematic and the updates are not always adequately carried out, particularly at the municipal level.

The case-load and insufficient staffing of the administrations that handle restitution, compensation and legalisation processes hamper their effectiveness. Over 5 000 denationalisation cases in first instance procedure are still open and form the bulk of complaints addressed to the Ombudsperson's Office, even though this process was officially declared closed in 2013.

III.P PROCEDURAL RIGHTS

a. Country presentation

North Macedonia presented its alignment with the minimum standards laid down in the six EU Directives on procedural rights for suspects and accused persons, and identified gaps that remain towards full alignment with the Directives. It considers its legal framework to partially correspond to EU standards.

Plans are in place to amend the Law on Criminal Procedure within three years with a view to aligning it, in particular, with the Directives and with the country's own Law on Justice for Children.

On the right to information in criminal proceedings (Directive 2012/13/EU), the main gaps flagged concern the European Arrest Warrant proceedings and the provision of information on rights in writing.

As regards the right to interpretation and translation (Directive 2010/64/EU), the gaps identified include the lack of an effective mechanism to ascertain whether the suspect or accused person speaks and understands the language of the criminal proceedings and whether they need the assistance of an interpreter, as well as the possibility to complain about the quality of the interpretation.

Further gaps were acknowledged concerning the right of access to a lawyer in criminal proceedings and in European Arrest Warrant proceedings (Directive 2013/48/EU) for which North Macedonia envisages the adoption of a specific law to regulate judicial cooperation in criminal matters with the Member States.

Concerning the presumption of innocence, (Directive (EU) 2016/343), North Macedonia considers its legal framework to be fully aligned with the EU standards. With regards to legal aid (Directive (EU) 2016/1919), North Macedonia presented plans to extend the scope of entitlements to persons subject to European Arrest Warrant proceedings, as well as to establish more defined criteria for the application of a means test (in particular in relation to income).

According to North Macedonia, its Law on Justice for Children complies with EU standards on procedural safeguards for children (Directive (EU) 2016/800), including key principles such as effective participation. It was, however, indicated that a new Law on Justice for Children would be adopted within the next year, including to enhance capacities within the child justice system and to ensure that the safeguards enshrined in Directive (EU) 2016/800 are fully implemented.

b. Commission assessment

The country's legal framework is **partially aligned** with the EU *acquis*. A number of gaps in the alignment still have to be remedied to comply with EU standards. For instance, the provision of information about procedural rights (Directive 2012/13/EU) in writing (Letter of Rights) does not appear to be ensured yet.

The right of access to a lawyer (Directive 2013/48/EU) is provided for and in case citizens cannot afford to hire an attorney, free legal aid (Directive (EU) 2016/1919) is accessible, subject to established criteria. The provision of legal aid is performed by regional branch offices of the Ministry of Justice, civic associations authorised to give legal aid, legal clinics within the faculties of law and lawyers certified to give secondary legal aid. Nevertheless, the system of legal aid in criminal proceedings needs to be reformed to improve access to justice, mainly with regards to revising the criteria for accessing legal aid in criminal proceedings (in cases of mandatory defence, defence of indigent persons and cases of representation of the interests of victims of crime).

An effective mechanism to ascertain whether the suspect or accused person speaks and understands the language of the criminal proceedings and whether the suspect needs the assistance of an interpreter, as well as the possibility to complain about the quality of the interpretation, needs to be introduced.

The authorities should also take concrete further steps to adopt the draft Law on justice for children in alignment with the Directive (EU) 2016/800 on procedural safeguards for children who are suspects or accused persons in criminal proceedings and promote the effective implementation of the standards enshrined therein. Strengthening capacities within the child justice system to fully implement the procedural safeguards for children, will be an important step in this process

III.Q RIGHTS OF VICTIMS OF CRIMES

a. Country presentation

North Macedonia presented its legal framework in relation to 'the Victims' Rights Directive 2012/29/EU, Compensation Directive 2004/80/EC and the Directive on the European Protection Order 2011/99/EU. North Macedonia considers its legal framework to be **partially aligned** with the first two directives and to not be in line with the European Protection Order Directive. In the existing Law on Criminal Procedure, a victim of a crime is any person who has suffered damage, including physical or mental injury, emotional suffering, material loss or other injury or threat to their rights and interests as a result of a committed act of crime (Article 21 Paragraph 4). In order to improve alignment with the Victims' Rights Directive, North Macedonia plans to adopt amendments to the Law on Criminal Procedure, notably to align the definition of a victim and individual assessment.

With regard to compensation, North Macedonia adopted the Law on Compensation of Victims of criminal offences in November 2022. According to the authorities, the law is aligned with the Victim Compensation Directive. The implementation of the Law started in May 2023. North Macedonia indicates it considers adoption of specific law for cooperation in criminal matters with EU countries which would include the issue of the European Protection Order.

With regard to accelerated integration, North Macedonia requested to join the European Network on Victims' Rights (ENVR).

b. Commission assessment

The legal framework on Victims' rights is only **partially aligned** with the EU *acquis* and efforts need to be made to align in this area to ensure protection and support for victims of crime at the earliest time.

Parliament adopted the Law on Payment of Monetary Compensation to Victims of criminal offences. The law defines the responsibility of the state, establishment of a Commission to carry oversight for its functioning within the system (its composition, responsibilities, competences, schedule of sessions), the type of compensation, information and assistance provided to applicants, decision for compensation etc. North Macedonia needs to ensure effective redress for victims of crime in line with the EU *acquis*.

The Commission sees positively North Macedonia's request for participation in the European Network on Victims' Rights (ENVR).

III.R RIGHTS OF PERSONS BELONGING TO MINORITIES AND CULTURAL RIGHTS

a. Country presentation

North Macedonia is a party to the Council of Europe Framework Convention on National Minorities. The Constitution provides for "*full equality of its citizens Macedonian people, as well as the citizens living in its borders which are part of Albanian people, Turkish people, Vlach people, Serb people, Roma people, Bosniak people and others*". North Macedonia intends to launch and achieve as a matter of priority the relevant constitutional changes, with a view to including in the Constitution citizens who live within the borders of the state and who are part of other people, such as Bulgarians. The Ministry of Justice was tasked by the Government to establish a working group for the preparation of a proposed initiative for amendments to the Constitution. The initiative is in the Government procedure. The strategic framework includes the Strategy for One Society and Interculturalism 2020–2022.

The Strategy was adopted by the government in 2018, following a large public debate with the CSOs and in close cooperation with the OSCE. This strategy has several pillars such as education, local self-government, culture, youth, media and social cohesion.

Under the statement “Building one society for all” the Government of North Macedonia has committed to establishing North Macedonia as civic state of all of its citizens, including smaller communities, and works to build “*a multicultural society based on the principles of greater intercultural communication and the spirit of respect of differences and cultural pluralism*”. Furthermore, the authorities commit to reduce ethnic, social and economic differences between communities and implement integrative practices.

The authorities reported that draft text of the new Strategy for the development of the concept of “one society and interculturalism”, for the period 2023-2025, has been prepared.

The Agency for Communities Rights Realisation (mandated to protect non-majority communities) coordinates the implementation of the strategic framework and provides funds to finance projects run by civil society organisations working to promote and protection of the rights of non-majority communities.

The Strategy for Roma inclusion for 2022-2030 covers anti-gypsyism, education, employment, social care and healthcare, housing, civic registration and culture. North Macedonia considers this Strategy to be implementing the Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process - Poznan Declaration, the EU Roma equality, inclusion and participation and the EU Council Recommendation on Roma Equality and Inclusion and the EU Anti-racism Action Plan 2020-2025. National action plans are still to be prepared/finalised for the following priority areas: employment, education, health, housing, civil registration, anti-gypsyism and culture. In addition, North Macedonia has adopted an action plan for the protection, promotion and fulfilment of the human rights of Roma women and girls 2022-2024.

The National Coordinating Body for the Implementation of the Strategy brings together the governmental bodies responsible and is supported by a unit within the Ministry of Labour and Social Policy.

b. Commission assessment

Regarding the rights of communities, the authorities are encouraged to implement the recommendations of the Advisory Committee of the Framework Convention on National Minorities and the relevant resolutions of the Committee of Ministers of the Council of Europe, including the need to further promote an integrated society and One society for all Strategy, increase efforts to prevent human rights violations; improve the implementation of the Law on the use of Languages.

The national strategy “One Society for All and Interculturalism” is partially implemented by the authorities in order to promote a multi-ethnic society. The authorities need to adopt timely the new Strategy for the development of the concept of “one society and interculturalism”, for the period 2023-2025. The final text of the Strategy has to take into consideration the results of the public consultation that would precede the adoption.

Further efforts are needed to ensure sufficient political support, adequate funding, in order to promote equal opportunities and to improve social cohesion in the country. Special attention should be given to the protection of rights and non-discriminatory treatment of citizens belonging to minorities or communities.

Ensuring the realisation of the rights of persons belonging to smaller non-majority communities and proper implementation of the One Society strategy, require improved coordination between competent authorities, such as the Ministry for Political Systems and Inter-Community Relations and the Ministry of Labour and Social Policy.

The financial independence of the Agency for Communities Rights Realisation, and the Language Implementation Agency needs to be improved, in order to enhance their resilience to attempts of political influence. There is a shortage of translators, interpreters and bilingual staff in state institutions. Representation of non-majority communities at local level, including municipalities, is low. Furthermore, there is some discrepancy in the implementation of the law in different municipalities. Limited funds for cultural projects for non-majority communities results in “competition” between them, which affects the smaller non-majority communities.

Regarding Roma, the adoption of the strategy is a positive step to align with the EU Roma framework but the document does not systematically address participation, empowerment, capacity building, fighting digital exclusion and improve mainstreaming of Roma inclusion in the relevant national policies. The pending action plans have not all been adopted yet which hampers implementation. Improvement measures should tackle multiple and structural discrimination, hate crime and hate speech, promoting participation, capacity-building for Roma civil society, mainstreaming Roma equality at regional and local level, as well as use of EU and national funds. It is necessary to reinforce the capacity and coordination role of the national Roma contact point. There are no systematic measures to address the issue of street children and segregation in and drop out from school remains high. Roma women and girls remain particularly vulnerable, often due to unemployment. The implementation of the Poznan Declaration priorities is limited. Better understanding of its content and implementation of commitments taken is required. Civil registration is very slow. A new Law on Civil Registry has been adopted by the Parliament in June 2023. The implementation of the Law can address the cases of statelessness and promote safeguards to prevent future reoccurrence.

III.S. SUMMARY OF FINDINGS – FUNDAMENTAL RIGHTS

North Macedonia's legal and institutional framework is **partially aligned** with EU *acquis* and European standards on fundamental rights. The legal framework, including the rights of people belonging to minorities, is largely in place but implementation needs to be strengthened to guarantee the full enjoyment of human rights in practice, notably with regard to consistently address the recommendations of international human rights monitoring bodies; strengthen the capacities of national bodies with competences in promoting and defending human rights; improve the conditions of the persons in detention/ incarcerated; increase the protection of the freedom of expression; promote gender equality and non-discrimination; increase effectiveness in addressing hate crime and hate speech; protect the rights of children and people with disabilities; strengthen capacity and independence of institutions in charge of the protection of rights of persons belonging to minorities or communities. North Macedonia committed to launch and achieve as a matter of priority the relevant constitutional changes, with a view to including in the Constitution citizens who live within the borders of the state and who are part of other people.

IV. EU CITIZENSHIP RIGHTS

a. Country presentation

North Macedonia stated that it is not aligned with the EU *acquis* on the *right to vote and stand as a candidate in elections to the European Parliament* and *the right to vote and to stand as a candidate in municipal elections* and that amendments to provide for this will be adopted prior to accession.

Concerning the *right to move and reside freely within the European Union*, North Macedonia presented its domestic legal framework consisting of the Law on Foreigners and its by-laws. Regarding the *Regulation 2019/1157 on strengthening the security of identity cards of Union citizens and of residence documents issued to Union citizens and their family members exercising their right of free movement*, North Macedonia stated that its identity cards and residence permits are produced according to ISO standards. However, it also underlined that the identity card is not fully compliant with EU standards. North Macedonia indicated that it will require further national analysis, and expertise and support from EU experts regarding the implementation of relevant requirements that arise from *Directive 2004/38/EC on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States*.

Concerning *diplomatic and consular protection*, North Macedonia indicated a need for support by the European Union to determine which further steps are needed to implement *Directive (EU) 2019/997 of 18 June 2019 establishing an EU Emergency Travel Document*.

North Macedonia has an investor citizenship scheme under which a person may acquire citizenship if they represent a special economic interest for the country. The administrative decision is drafted by the Ministry of the Interior; the Ministry of Finance and the Ministry of Economy are consulted to evaluate the economic interest, and the national security agency performs security checks. The law requires submission of evidence to check the criminal record of the applicant. The final decision is made by the Government. Between 2005 and 2022, 121 people acquired citizenship for economic reason (against 40 negative decisions).

b. Commission assessment

To ensure 'U citizens' rights to vote and stand as a candidate in elections to the European Parliament and the right to vote and to stand as a candidate in municipal elections, North Macedonia will need to harmonise its national legal framework with the EU *acquis*. Similarly, it will also need to ensure its legal framework allowing for the right to move and reside freely within the European Union and for diplomatic and consular protection is in line with the EU *acquis* upon the day of accession.

In December 2012, North Macedonia amended the law allowing the acquisition of citizenship for special economic interest. The migratory and security risks this scheme could pose to the EU are being closely monitored, especially keeping in mind inconsistencies in the criteria for granting citizenship. As a candidate country, North Macedonia should refrain from enabling systematic acquisition of citizenship based on special economic interest, as this would be incompatible with the EU *acquis* on EU citizenship (Article 20 TFEU) and the principle of sincere cooperation (Article 4(3) TEU).

c. SUMMARY OF FINDINGS – EU CITIZENSHIP RIGHTS

The **legal and institutional framework** is not aligned with EU *acquis* on the rights of EU citizens. North Macedonia needs to ensure full alignment of its legislative framework with the EU *acquis* to ensure full enjoyment of all EU citizenship rights upon accession. North Macedonia should refrain from enabling systematic acquisition of citizenship based on special economic interest.

E) CHAPTER 24 – JUSTICE, FREEDOM AND SECURITY

EU policies aim to maintain and further develop the Union as an area of freedom, security and justice. On issues such as border control, visas, external migration, asylum, police cooperation, the fight against organised crime and against terrorism, cooperation in the field of drugs, and judicial cooperation in criminal and civil matters, Member States need to be properly equipped to adequately implement the growing framework of common rules. Above all, this requires a strong and well-integrated administrative capacity within the law enforcement agencies and other relevant bodies, which must attain the necessary standards.

In order to tackle **organised crime** and its dynamic nature efficiently, the entire law enforcement and judicial chains need to have a strategic, integrated approach, as well as adequate resources and specialisation. A professional, reliable and efficient police organisation is of paramount importance to ensure the rule of law within the country and to be a reliable partner for other Member States, EU agencies, third countries and international partners in relevant investigations and criminal cases, as well as other judicial proceedings with a transnational aspect. **Efficient cooperation in civil and criminal matters** between Member States is key to the proper functioning of the EU.

Migration is a core element of Chapter 24, which requires Member States to apply a common set of rules and standards on legal and irregular migration. Member States also apply common standards in **asylum** matters and are required to have the ability to process asylum requests effectively and in a timely manner, an adequate hosting capacity in their reception centres and to be prepared to react in case of a sudden significant increase in the migrant influx. Member States also have a common **visa policy** for short-stays visas, including on the list of third countries whose nationals must be in possession of a visa when crossing the external borders of the Schengen area..

The most detailed part of the EU's policies on justice, freedom and security is the Schengen *acquis*, which entails the lifting of internal border controls in the EU. However, for the new Member States substantial parts of the Schengen *acquis* are implemented following a separate Council decision to be taken after accession.

North Macedonia is **moderately prepared** to implement the EU *acquis* in this field.

I. FIGHT AGAINST ORGANISED CRIME

I.A STRATEGIC AND LEGAL FRAMEWORK

a. Country presentation

North Macedonia presented that its legal framework for the **fight against organised crime** is primarily based on the Criminal Code and the Criminal Procedure Code, as well as other criminal legislation, which North Macedonia indicated are aligned with most of the EU *acquis*. A few amendments are necessary to finalise alignment, notably with regards to definitions²³. A second National Serious and Organised Crime Threat Assessment was adopted in 2021, replacing the one adopted in 2016. North Macedonia implements a Strategy for Further Development of the Forensic Capacities at Regional and Local Level (2020-2025). North Macedonia indicated that it is party to all relevant UN and Council of Europe conventions and protocols related to the fight against diverse forms of crime, and to the Police Cooperation Convention for Southeast Europe.

b. Commission assessment

The **legal framework** of North Macedonia is **partially aligned** with the EU *acquis*. North Macedonia has identified gaps in its legislation and should amend its legislation to fully comply with all relevant EU instruments in this field, notably with regard to definitions in the field of organised crime, cybercrime and trafficking in human beings.

²³ Decision 2008/841/JHA on the fight against organised crime.

I.B INSTITUTIONAL FRAMEWORK

a. Country presentation

Key institutions in the fight against organised crime include specialised police units within the Ministry of Interior, which deal with different types of organised crime and financial investigation. In addition, a Financial Intelligence Office under the Ministry of Finance collects information and helps identify suspicious transactions. Financial investigation units operate within the Customs Administration, the Financial Police and within the Ministry of Interior. The Police Training Centre within the Ministry of the Interior provides both initial and vocational training.

b. Commission assessment

See below under implementation capacity.

I.C IMPLEMENTATION CAPACITY AND TRACK RECORD

a. Country presentation

North Macedonia indicated that there are 18 Public Prosecutor positions within the Basic Public Prosecutor's Office for the Prosecution of Organised Crime and Corruption (12 are filled); 19 positions within the Investigation Centre at the Basic Public Prosecutor's Office for the Prosecution of Organised Crime and Corruption; 474 positions within the Judicial Police within the Department for Suppression of Organised and Serious Crime (308 positions filled). The country has 330 police officers per 100 000 inhabitants, compared to an EU average of 333 (Eurostat, 2018-2020).

In terms of implementation capacity in the fight against organised crime, North Macedonia underlines the need to strengthen capacities at all levels – police, prosecution and courts – through increasing the budget and technical equipment and quantitative and qualitative increase of human resources.

The **track record** of investigations, prosecutions and convictions in the fight against organised crime and money laundering needs to be further improved, notably the quality of the investigations, especially in high level crimes, and the confiscation of proceeds of crime. The way evidence is built up needs serious improvement to strengthen the track record of final convictions. Over the past five years, the number of judgments vis-à-vis organised crime groups have been steadily increasing and efforts should continue.

b. Commission assessment

The police of North Macedonia is generally well-equipped and trained. In 2022, the country has 347.6 police officers per 100 000 inhabitants, compared with an EU average of 335.3 (Eurostat, 2019-2021).

Increased operational capacity and cooperation in the fight against organised crime, notably by reinforcing the financial and human resources, is needed across the board. The **National Coordination Centre for the Fight against Organised Crime** is operational but needs to improve its effective capacity. Its activity yields positive results. All participating authorities have access to their respective databases, and all have nominated their representatives. The **Basic Public Prosecutor's Office for Organised Crime and Corruption** has insufficient human resources and lacks financial resources for expert services; its investigative centres need to be strengthened to achieve their objectives of increasing the efficiency of the investigations and improving the coordination between prosecutors, the police and the other relevant bodies. Specialisation within the Office is needed, as well as a pro-active approach in pursuing cases. The **Special Department for investigation and prosecution of crimes** committed by persons with police powers and members of the prison police in the State Public Prosecutor's Office has only two investigators.

I.D FINANCIAL INVESTIGATIONS

a. Country presentation

With regard to **financial investigations and law enforcement access to financial information**, North Macedonia indicated that its legal framework was **partially aligned** with the EU acquis²⁴ and the country implements a National Strategy for capacity building for financial investigations and confiscation of property (2021-2023), and a corresponding Action Plan.

With regard to **financial investigations and law enforcement access to financial information**, a beneficial ownership register is in place. A centralised bank account register is expected to be set up in 2024. Gaps such as lack of staff, insufficient infrastructure capacities, lack of material and technical conditions, and the need for further specialised training were underlined.

b. Commission assessment

Financial investigations are not systematically accompanying criminal proceedings from the start, and their effectiveness remains limited. North Macedonia needs to strengthen its capacity to run complex financial investigations in parallel to criminal investigations and notably to improve the financial investigation techniques of police and prosecutors. The lack of direct access of law enforcement agencies to various existing databases results in slowness in acquiring relevant information and presents risks for the confidentiality of investigations.

²⁴ Directive (EU) 2019/1153 of the European Parliament and the Council of 20 June 2019 laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Decision 2000/642/JHA.

I.E CRIMINALISATION AND INVESTIGATION OF MONEY LAUNDERING

a. Country presentation

With regard to the **criminalisation and investigation of money laundering**, North Macedonia indicated that its legislation was aligned to a great extent with the EU *acquis* and standards as well as the Financial Action Task Force (FATF) recommendations. Legislation on the fight against money laundering and the financing of terrorism that aims to align with the 5th Anti Money Laundering Directive, including crypto-assets, and to address the recommendations of the Financial Action Task Force, has been adopted in 2022. A beneficial ownership register is in place. North Macedonia implements a National Strategy for the prevention of money laundering and financing terrorism (2021-2025). Amendments to the Criminal Code are necessary to decrease the threshold of evidence needed and facilitate stand-alone money laundering cases.

With regard to the **criminalisation and investigation of money laundering**, North Macedonia has established a Financial Intelligence Office as a financial intelligence unit (FIU) and is a member of the EGMONT Group of FIUs and of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). The FIU has access to a wide range of databases²⁵. North Macedonia also signed 62 memoranda of understanding related to the exchange of financial intelligence data with third countries, 18 of which are with EU Member States.

b. Commission assessment

North Macedonia is partially aligned with the EU *acquis* in this area. In May 2023, the MONEYVAL Plenary discussed and approved the fifth-round mutual evaluation report of North Macedonia.

²⁵ Central Register, Employment Agency, Cadastre Agency, Clearing House of Transaction Accounts, National coordination centre (Ministry of Interior, Custom, Financial Police Office, PRO).

North Macedonia should clarify its legislation on predicate offences, in order to facilitate prosecution of stand-alone money laundering cases. North Macedonia should develop adequate IT tools to monitor suspicious transactions related to virtual currencies, and increase access to databases for investigators.

I.F CONFISCATION, FREEZING OF PROPERTY AND FINANCIAL PENALTIES

a. Country presentation

With regard to **confiscation, freezing of property and financial penalties**, North Macedonia indicated that its legislation was **partially aligned** with the EU *acquis* – amendments to the Criminal Code are necessary to reach full alignment. The confiscation, seizure of property and financial penalties is the responsibility of the Public Prosecutor's Office, State Attorney's Office, competent courts, the Asset Recovery Office and the Agency for Seized Property Management.

With regard to **confiscation, freezing of property and financial penalties**, North Macedonia underlined the need to further strengthen the systematic approach in using confiscation as a tool in the fight against organised crime and money laundering. The Asset Recovery Office (ARO) set up within the State Public Prosecution Office is understaffed, employing only one public prosecutor out of five foreseen.

b. Commission assessment

North Macedonia should adopt the new legislation on the asset recovery office. Confiscation of criminal assets is not sufficiently used in criminal proceedings. There is no strategic or systematic approach to identifying and confiscating criminal assets located abroad or not reachable. The confiscation of criminal assets should become a strategic priority in the fight against organised crime, terrorism and high-level corruption in the country.

I.G CYBERCRIME

a. Country presentation

With regard to **cybercrime**, North Macedonia is party to the Council of Europe ‘Budapest’ Convention on cybercrime and signed its Second Additional Protocol on enhanced co-operation and disclosure of electronic evidence. The legal framework is broadly aligned with EU *acquis*²⁶. Amendments to the Criminal Code are necessary notably as regards some definitions/terminology. North Macedonia is preparing a Strategy for the Prevention and Fight Against Computer Crime 2022-2026, which notably focuses on IT security and addresses relevant challenges to detect and prevent more serious forms of cybercrime, especially targeting the basic IT infrastructure of the country.

With regard to **cybercrime**, a National Council for Computer Security is in place²⁷. The Cyber incident response unit and Ministry of Interior (Cybercrime unit) are obliged to exchange cyber incident and cybercrime data in accordance with the Criminal Code. Cybercrime statistics (criminal justice statistics) are published by Ministry of Interior on an annual basis. The development of standard operating procedures for investigations in the field of computer crime is needed.

b. Commission assess

North Macedonia needs to equip itself to better prevent and address cyberattacks (notably ransomwares). A coordinated and unified system should be set up through adequate standard operating procedures.

²⁶ Directive (EU) 2019/713 of the European Parliament and of the Council of 17 April 2019 and fully aligned with Directive 2013/40/EU of the European Parliament and of the Council of 12 August 2013 on attacks against information systems

²⁷ Composed of Minister for Defense, the Minister for Interior and the Minister for Information Society and Administration.

I.H CHILD SEXUAL ABUSE, INCLUDING ONLINE

a. Country presentation

North Macedonia indicated that its legal framework was **partially aligned** with the EU *acquis*²⁸. North Macedonia implements a National Strategy (2020-2025) and an Action Plan (2020-2022) on the Prevention and Protection of Children from Violence. North Macedonia has ratified relevant international and Council of Europe's conventions, including the one on the protection of the child against sexual exploitation and sexual abuse.

North Macedonia indicated that it needed to strengthen the capacities of the authorities in charge of investigating and prosecuting of online sexual exploitation and abuse of children and that it faced some challenges in ensuring the child victim's rights throughout the procedure.

b. Commission assessment

All forms of **online child sexual abuse** need to be criminalised. Adequate staffing is needed to focus more proactively on **child sexual abuse**, including online. Particular attention should be placed on protection and prevention (including prevention of re-victimisation) of child sexual abuse online and offline.

²⁸

Council Decision 2000/375/JHA to combat child pornography on the Internet; Directive 2011/93/EU of the European Parliament and of the Council of 13 December 2011 on combating the sexual abuse and sexual exploitation of children and child pornography and Regulation (EU) 2021/1232 of the European Parliament and of the Council of 14 July 2021 on a temporary derogation from certain provisions of Directive 2002/58/EC as regards the use of technologies by providers of number-independent interpersonal communications services for the processing of personal and other data for the purpose of combating online child sexual abuse.

I.I TRAFFICKING IN FIREARMS (INCLUDING CONTROL OF FIREARMS, ESSENTIAL COMPONENTS AND AMMUNITION)

a. Country presentation

With regard to **trafficking in firearms (including control of firearms, essential components and ammunition)**, North Macedonia indicated that it had a comprehensive legal framework for the control of firearms and explosives, which is **partially aligned** with the EU *acquis*²⁹. Amendments are necessary notably on the definition, categorisation and criminalisation of certain acts in the field of firearms trafficking. North Macedonia ratified the Arms Trade Treaty and the Protocol against the Illicit Manufacturing and Trafficking in Firearms. It implements a national small arms and light weapons control strategy and national action plan 2022-2024.

With regard to **trafficking in firearms**, North Macedonia indicated that a machine for the marking of deactivated weapons was needed, and the Software for Registration and Tracking of Weapons was not yet fully functional.

b. Commission assessment

North Macedonia is actively engaged in the implementation of the 2018 Regional Roadmap for a sustainable solution to the illegal possession, misuse and trafficking of Small Arms and Light Weapons (SALW). This is reflected at strategic level by the implementation of a national strategy on small arms and light weapons (SALW) and the correct development of the strategy by Action Plans, the last one approved in 2022.

²⁹

Main legal instruments on firearms, essential components and ammunition: Directive (EU) 2021/555 of 24 March 2021 on control of the acquisition and possession of weapons, Regulation 258/2012 of the European Parliament and of the Council of 14 March 2012 implementing Article 10 of the United Nations' Protocol against the illicit manufacturing of and trafficking in FA and establishing export authorisation, and import and transit measures for firearms, their parts and components and ammunition, Commission Implementing Regulation (EU) 2018/337 of 5 March 2018 amending Implementing Regulation (EU) 2015/2403 establishing common guidelines on deactivation standards and techniques for ensuring that deactivated firearms are rendered irreversibly inoperable, Commission Implementing Directive (EU) 2019/69 of 16 January 2019 laying down technical specifications for alarm and signal weapons under Council Directive 91/477/EEC on control of the acquisition and possession of weapons, Commission Implementing Directive (EU) 2019/68 of 16 January 2019 establishing technical specifications for the marking of firearms and their essential components under Council Directive 91/477/EEC on control of the acquisition and possession of weapons.

In line with the goals of the Regional Roadmap, North Macedonia needs to increase its efforts on awareness raising, outreach and education on the dangers and risks related to the misuse, illicit possession, and trafficking of firearms/SALW, as well as reduction of illicit firearms through legalisation, voluntary surrender and deactivation. The national commission on SALW and the Firearm Focal Point play a very important role in the implementation of the changes at all levels.

Regarding the legal framework, we welcome the work of North Macedonia re international treaties and conventions, especially the transposition of the provisions of the UN Firearms protocol at national level.

Further alignment of the legislation on definition, categorisation and criminalisation of certain acts is needed.

A significant number of small arms and light weapons have been seized. North Macedonia is participating to various EMPACT activities related to illegal smuggling or trade of arms. More efforts are needed to reduce the high number of illicit firearms in the country. There is still no permanent staff working as firearms focal points. Efforts are needed in key areas of the implementation of activities within the goals related to Western Balkans in the EU Action Plan on firearms trafficking³⁰, which include harmonisation of legislation with the EU *acquis*, drafting of a new Small Arms and Light Weapons strategy and action plan, defining new rules of procedure for the SALW Commission, as well as in improving the investigation and record keeping capacities.

³⁰ Aligned with the goals and key performance indicators of the 2018 Regional Roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons and their ammunition in the Western Balkans.

I.J TRAFFICKING IN HUMAN BEINGS

a. Country presentation

North Macedonia indicated that its legislation was **partially aligned** with the EU *acquis*³¹. Amendments are necessary, notably to the Criminal Code, in order to align with penalties of certain offences concerning trafficking in human beings. The legislation on residence permit issued to foreign victims of trafficking in human beings who cooperate with competent authorities³² is mostly aligned. However, amendments are needed notably to ensure that victims are immediately referred to the Centre for Victims of Trafficking in Human Beings.

North Macedonia is a party to the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, and to the Council of Europe Convention on Action against Trafficking in Human Beings. . It is implementing a National Strategy for Combating Trafficking in Human Beings and Illegal Migration in the Republic of North Macedonia 2021-2025 with a National Action Plan for Combatting Trafficking in Human Beings and Illegal Migration and a National Action Plan for Combating Trafficking in Children 2021-2025. The Strategy and action plans are monitored by a National Commission for Combating Trafficking in Human Beings and Illegal Migration and by an independent National Rapporteur on Human Trafficking. The decentralisation of the National Commission, through the creation of local commissions at the municipal level, still needs to be operationalised.

North Macedonia has mobile teams for the identification of vulnerable categories, including victims of human trafficking, in five cities. These teams are composed of police officers, social workers and associations of citizens. It also has an operational team for coordination, monitoring and management of human trafficking cases, formal identification of victims and their status, composed of a public prosecutor, a police officer, the national referral mechanism, and association of citizens.

³¹ Directive 2011/36/EU on preventing and combating trafficking in human beings and protecting its victims

³² Council Directive 2004/81/EC of 29 April 2004 on the residence permit issued to third-country nationals who are victims of trafficking in human beings or who have been the subject of an action to facilitate illegal immigration, who cooperate with the competent authorities

b. Commission assessment

Amendments to the legislative framework necessary to further align with EU acquis should be adopted, including on the referral to foreign victims of trafficking in human beings who cooperate with the authorities to the Centre for Victims of Trafficking in Human Beings. Adequate avenues for compensation for victims should be provided..

The standard operating procedures put in place by North Macedonia are broadly satisfactory, however better capacities are needed to detect and prevent this form of crime.

I.K LAW ENFORCEMENT COOPERATION

a. Country presentation

North Macedonia is party to the UN convention against transnational organised crime and its protocols, the convention for police cooperation in Southeast Europe and the SELEC convention. It is a member of Interpol and it has an agreement on operational and strategic cooperation with Europol.

North Macedonia participates in international police cooperation activities through the main cooperation channels. Cooperation with Europol is well established following the conclusion of a strategic agreement in 2007 and an operational agreement in 2011. North Macedonia has a liaison officer in Europol Headquarters. There is operational cooperation in the fight against trafficking of human beings, weapons, and drugs. A secure communication link for information exchange (SIENA) is established.

The National Security Agency (NSA) is located in the premises of Ministry of Interior. The Operational Technical Agency steadily provides connection in the system for the interception of communications.

North Macedonia is an observer at the European Network of Fugitive Active Search Teams (ENFAST) and actively participates in EMPACT, including in Joint Action Days. It has appointed a National EMPACT Coordinator.

Cooperation between the country and the EU Agency for Law Enforcement Training (CEPOL) is well established and based on a working arrangement. A dedicated contact point is in place. North Macedonia has full access to the CEPOL Exchange Programme.

North Macedonia has been a member of Interpol since 1993 and has a direct access to the global Interpol databases. It implements the fixed Interpol database (FIND) at the border crossing points.

North Macedonia has 12 international police cooperation agreements with third countries, among which 15 with EU Member States. Currently, North Macedonia has police liaison officers detached to three countries or international organisations, including Europol.

IT systems used for automatic processing of the data in the central registry of the Forensic Examination Department are not connected with networks for direct checks from/to other countries. The country does not have a system for automatic exchange of DNA data³³ nor for biometric identification through papillary lines and photos³⁴.

North Macedonia requested accelerated integration to collaborate with the Europol Internet Referral Unit (IRU). North Macedonia also requested accelerated integration with regard to CEPOL, notably in relation to trainings for the fight against corruption, and with regard to the European Network for Protection of Public Figures (ENPPF).

b. Commission assessment

North Macedonia needs to increase its pro-active participation in the international police cooperation in order to tackle more successfully international organised crime. It needs to further strengthen its cooperation with EU Agencies, such as Europol, Eurojust and EPPO, and its international cooperation to locate criminal money and property abroad.

Operational cooperation with international partners is good, but more needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes.

³³ North Macedonia indicated that it will receive CODIS (Combined DNA Index System) in 2024 as a donation from ICITAP, DCAF.

³⁴ North Macedonia indicated that it will acquire ABIS (Automated Biometric Identification System) in 2024 (investment of MoI).

With regard to North Macedonia's accelerated integration requests, there is already a fruitful cooperation with Europol and North Macedonia has access to all available contents on CEPOL's electronic platform. North Macedonia is invited to better specify its requests in this regard.

With regard to ENPPF the request has been transmitted to the general coordination group of the Network, and will be evaluated.

I.L SUMMARY OF FINDINGS – FIGHT AGAINST ORGANISED CRIME

North Macedonia has some level of preparation in the fight against organised crime. North Macedonia is active in EMPACT and operational cooperation with international partners is good. More needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes. Further efforts are needed to consolidate the track record of investigations, prosecutions, final convictions and seizure and confiscation of assets related to organised crime.

II. COOPERATION IN THE FIELD OF DRUGS

II.A STRATEGIC AND LEGISLATIVE FRAMEWORK

a. Country presentation

North Macedonia indicated that its legal framework in the field of drugs was **partially aligned** with the EU *acquis*. North Macedonia is party to the main international conventions in this field³⁵ and implements a National Drugs Strategy 2021-2025 and its Action Plan 2021-2023. A new law on Control of Narcotic Drugs and Psychotropic Substances is under adoption procedure.

³⁵ UN Single Convention on Narcotic Drugs of 1961, the UN Single Convention on Psychotropic Substances of 1971, the UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the Palermo Convention and its protocols.

b. Commission assessment

The legislation of North Macedonia in the field of drugs is **partially aligned** with the EU *acquis*³⁶. Amendments to align the national legislation on New Psychoactive Substances should be adopted swiftly.

North Macedonia has adopted a balanced approach of demand and supply reduction, including public health actions on prevention and evidence-based programmes for prevention of drug use, which is in line with EU standards.

II.B INSTITUTIONAL FRAMEWORK

a. Country presentation

The lead services in relation to drugs are located within the Ministry of Health (unit of controlled substance), the Institute of Public Health (Department of Drug Testing and Control, and Department of Health Promotion and Disease Monitoring), and the Ministry of Interior (units for illicit drug trafficking). North Macedonia has set up an Interministerial State Commission for Combating Illegal Production, Trafficking and Abuse of Drugs, involving a wide range of Ministries and agencies, but it still needs to be made operational. A National Drugs Observatory is established within the Ministry of Health.

³⁶ Council Decision 2001/419/JHA of 28 May 2001 on the transmission of samples of controlled substances; Framework Decision 2004/757/JHA laying down the minimum provisions on the constituent elements of criminal acts and penalties in the field of illicit drug trafficking; Directive (EU) 2017/2103 of the European Parliament and of the Council of 15 November 2017 amending Council Framework Decision 2004/757/JHA in order to include new psychoactive substances in the definition of drugs and repealing Council Decision 2005/387/JHA; Regulation (EC) 1920/2006 of the European Parliament and of the Council of 12 December 2006 on the European Monitoring Centre for Drugs and Drug Addiction; Regulation (EU) 2017/2101 of the European Parliament and of the Council of 15 November 2017 amending Regulation (EC) 1920/2006 as regards the exchange of information and the early warning and risk assessment system for new psychoactive substance.

b. Commission assessment

The National drug observatory is not fully operational to deal with its daily drug monitoring tasks (e.g., data collection). North Macedonia should increase its capacity in this area, notably by reinforcing the NDO's resources and to set up a regular process of cooperation with relevant stakeholders.

II.C IMPLEMENTATION CAPACITY AND TRACK RECORD

a. Country presentation

The Agency for Management of Confiscated Property is the competent authority for confiscation, storage and destruction of confiscated narcotic drugs, psychotropic substances and precursors³⁷. Confiscated narcotic drugs are handed over to the custody of the Agency. If there are no conditions for storage, they are stored with competent authorities that have storage conditions. The decision to destroy the confiscated drugs is made by the court. The confiscated drugs are destroyed by a commission established by the Minister of Justice, by burning in an incinerator.

There is no national early warning system to liaise with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) on new psychoactive substances and new trends.

The EMCDDA has a technical cooperation project in North Macedonia since 2007. The focal point is located within the Ministry of Health. In addition, North Macedonia cooperates with the United Nations Office on Drugs and Crime (UNODC) for in developing prevention strategies, programs and interventions.

North Macedonia indicated that it needed to strengthen the capacities of the laboratory for forensic analysis in order to determine the purity of seized drugs.

North Macedonia requested accelerated integration with regard to EMCDDA.

³⁷ This is regulated by the Law on the Management of Confiscated Property, Property Benefit and Confiscated Objects in Criminal and Misdemeanour Proceedings.

b. Commission assessment

The control of legal entities holding a License for production of cannabis oil extracts for medical purposes by law enforcement authorities needs to be strengthened.

The law enforcement authorities have a good level of cooperation with their counterparts in EU Member States in tackling the trafficking of narcotics.

North Macedonia should create a national early warning system.

With regard to its accelerated integration request, North Macedonia may consider requesting a working arrangement with the EMCDDA. It should make such working arrangement as useful as possible, notably by taking full advantage of the cooperation with the EMCDDA to increase the capacity of its National Drugs Observatory and set up a national early warning system..

II.D SUMMARY OF FINDINGS – COOPERATION IN THE FIELD OF DRUGS

Law enforcement authorities of North Macedonia have a good level of cooperation with their counterparts in EU Member States in tackling the trafficking of narcotics. A national early warning system on the information exchange about new psychoactive substances needs to be set up and the operational capacity of the National Drugs Observatory must be reinforced.

III. FIGHT AGAINST TERRORISM

III.A. STRATEGIC AND LEGAL FRAMEWORK

a. Country presentation

North Macedonia considered to be partially aligned with the EU *acquis* in this area and described its broad legal framework for preventing and combatting the financing of terrorism, violent extremism and radicalisation. North Macedonia does not have legislation regulating precursors for explosives, nor legislation on critical infrastructure protection and critical entities resilience. North Macedonia is yet to define organisational structure, sectorial/areas of critical infrastructure and division of responsibilities.

North Macedonia implements a National Strategy for Prevention of Money Laundering and Financing of Terrorism (2021-2023) and its action plan. The country's National Strategy for Combating Terrorism (2018-2022) and a National Strategy for the Prevention of Violent Extremism (2018-2022) have expired. Both strategies covering the period 2023 – 2027 and accompanied by corresponding draft action plans have been adopted in May 2023. North Macedonia also implements a National Strategy for Dealing with the Proliferation of Weapons of Mass Destruction and Protection from Chemical, Biological, Radiological, Nuclear (CBRN) Threats adopted in 2018 and an Action Plan 2019-2021. A National Plan for reintegration, resocialisation and rehabilitation of foreign terrorist fighter returnees and members of their families (women and children) is implemented.

North Macedonia is party to all relevant international and Council of Europe conventions on these matters³⁸.

b. Commission assessment

The legislation of North Macedonia on combatting terrorism is **partially aligned** with the EU *acquis*. Further alignment is needed notably on terrorist content online with regard to criminal procedure (pre-trial detention). In addition, legislation related to the protection of critical infrastructure, in line with the most recent EU *acquis*³⁹, and on placing on the market and use of precursors for explosives needs to be adopted.

The national strategy for countering terrorism (2018-2022) and the strategy for countering violent extremism (2018-2022), and related action plans, have expired. New strategies and action plans should be adopted in line with the EU policy and key principles on Preventing and Countering Violent Extremism (P-CVE).

³⁸ International Convention on the Suppression of Terrorist Attacks Using Explosive Devices, International Convention on the Suppression of the Financing of Terrorism, Convention on the Prevention of Acts of Nuclear Terrorism, European Convention on the Suppression of Terrorism (ETS 090), Protocol on Amendments to the European Convention on the Prevention of Terrorism, Convention on Police Cooperation in South-Eastern Europe, Amendment to the Convention on Physical Protection against Nuclear Materials, Convention of the Council of Europe on the prevention of terrorism.

³⁹ Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities and repealing Council Directive 2008/114/EC.

III.B.INSTITUTIONAL FRAMEWORK

a. Country presentation

Responsibility for terrorism-related issues is with the Ministry of Interior's Department for the Suppression of Organised and Serious Crime. The National Security Agency and the Intelligence Agency are involved in the fight against terrorism. North Macedonia has a national coordinator for counterterrorism and countering violent extremism. North Macedonia has a Security Council, chaired by the President of the Government of Republic of North Macedonia,, a Council for Coordination of the Security Intelligence Community, chaired also by the President of the Republic, and a National Committee for the Prevention of Violent Extremism and the Fight Against Terrorism chaired by the national coordinator. These institutions have signed memoranda of cooperation.

b. Commission assessment

Different bodies established at local level should deepen their cooperation and need to be fully operational. Competences, tasks and responsibilities between local and central level on Preventing and **Countering violent extremism** (P/CVE) should be clarified.

III.C. IMPLEMENTATION CAPACITY AND TRACK RECORD

a. Country presentation

North Macedonia has a **bilateral arrangement** with the European Commission implementing the Joint Action Plan on Counter-Terrorism for the Western Balkans.

A secure SIENA channel is established within the Counter-Terrorism Department of the Ministry of Interior.

The **prevention of radicalisation and terrorism** involves a wide range of actors – local self-government, the non-governmental sector, religious communities, media, as well as the academic and business communities.

Local mechanisms for the prevention and countering of violent extremism are in place. Community action teams are set up in four sensitive municipalities (Cair, Gostivar, Kicevo and Kumanovo) and have prepared their own action plans.

Efforts were made to set up structures and mechanisms to deal with reintegration at the local level with a whole-of-society approach and inclusion of civil society. Nine local multidisciplinary teams have been set up in Skopje, Tetovo, Kumanovo, Gostivar, Ohrid, Struga, Kicevo, Plasnica and Makedonski Brod to provide support to returnees and their families and are now starting with their activities.

North Macedonia mentioned challenges in handling terrorism content online. Technical capacities and human resources are lacking. North Macedonia does not have a dedicated body in charge of detection and elimination of online content.

North Macedonia is planning to develop a software module to better monitor explosive precursors (by 2025).

b. Commission assessment

The implementation of the bilateral arrangement with the European Commission implementing the Joint Action Plan on Counter-Terrorism for the Western Balkans is good and a revision to update the arrangement was signed between the Commission and North Macedonia in December 2022. Further efforts are required in order to implement the remaining activities envisaged in the arrangement, including further progress to develop a single and comprehensive approach in dealing with the **reintegration of foreign terrorist fighters** and their families, as well as a focus on prevention of extremism and de-radicalisation in prisons.

Regional cooperation and the exchange of information with Europol and Member States is satisfactory.

Despite the implementation of the strategy on radicalisation in prison, screening and monitoring radicalisation are still pending. Radicalisation in prisons remains a concern and more actions are needed in that respect.

North Macedonia lacks adequate technical capacities and human resources, including dedicated body, to **detect and eliminate terrorist content online**.

Implementation of legislation against money laundering is weak and uneven, and capacities for prevention and repression of this crime need to be strengthened.

As regards **explosive precursors**, awareness raising should be organised to prepare all stakeholders for the adoption of the new legislation.

III.D. SUMMARY OF FINDINGS – FIGHT AGAINST TERRORISM

Regional cooperation and the exchange of information with Europol and the Member States is satisfactory. North Macedonia lacks a strategic framework to counter terrorism and preventing violent extremism. Further work is needed to detect and eliminate terrorist content online.

IV. JUDICIAL COOPERATION IN CRIMINAL, CIVIL AND COMMERCIAL MATTERS

IV.A STRATEGIC, LEGAL AND INSTITUTIONAL FRAMEWORK – GENERAL OVERVIEW

a. Country presentation

North Macedonia indicated that its legal framework for judicial cooperation in civil, commercial and criminal matters was **partially aligned** with the EU *acquis*. The Ministry of Justice is the central authority responsible for international cooperation in civil, commercial and criminal matters.

North Macedonia is a member of the European judicial network and other European and international networks. North Macedonia is an observer in the European Judicial Training Network and the Joint Investigation Teams network.

b. Commission assessment

The legislative framework of North Macedonia is **partially aligned** with the EU *acquis*. Further alignment of the legal framework for cooperation in civil, commercial and criminal matters is needed.

North Macedonia has the basic principles of judicial cooperation in criminal matters enshrined in its legislation and it has acceded to a large number of international conventions. North Macedonia should ratify on the remaining relevant international convention in the field of judicial cooperation, notably the Hague Convention on Choice of Court Agreements (2005) and the Protocol on the Law Applicable to Maintenance Obligations (2007), the Protocol amending the Additional Protocol to the Convention on the Transfer of Sentenced Persons, the Second Additional Protocol to the Convention on Cybercrime on enhanced co-operation and disclosure of electronic evidence, the Protocol amending the European Convention on the Suppression of Terrorism, and the Convention on the Protection of the Environment through Criminal Law (which are signed but not ratified).

(which are signed but not ratified).

IV.B IMPLEMENTATION CAPACITY AND PERFORMANCE – GENERAL OVERVIEW

a. Country presentation

North Macedonia has bilateral cooperation in the field of civil, family, matrimonial, commercial and/or criminal matters with 28 third countries.

Channels of communication with other countries are established mainly through the Ministry of Justice, direct communication, diplomatic channels and via Interpol and Eurojust. North Macedonia designated six contacts points to the European Judicial Network, including a national coordinator in the Ministry of Justice. Within the Ministry of Justice, a dedicated department is dealing exclusively with these matters, but North Macedonia flagged staffing issues. Digitalisation and interoperability is the biggest challenge. Notably, the software ('Luris') needs to be connected between the Ministry of Justice and the Public Prosecutor's Office.

North Macedonia expressed interest to be observer in any future additional judicial cooperation networks.

b. Commission assessment

North Macedonia needs to significantly enhance its administrative capacity by allocating adequate financial, human and technical resources and equipment throughout the judicial cooperation sector. Staff needs to be more specialised. Digitalisation (including interoperability between the IT systems) and coordination between the relevant authorities need to improve. The exchange of information should be timely and secure. Particular attention should be paid to mutual legal assistance, as new instruments are put in place and constant development is needed.

With regard to North Macedonia's accelerated integration request, the Commission underlines that all cooperation elements are already in place, particularly as regards relations with Eurojust (cooperation agreements, secondment of liaison prosecutors, appointment of contact points, invitation to participate in various experts/focus groups). Although North Macedonia's liaison prosecutor was invited to participate in the annual meeting on migrant smuggling organised Eurojust Focus Group on Migrant Smuggling, the prosecutor did not attend in 2021 and 2022. The liaison prosecutor from North Macedonia also did not attend Eurojust Annual Meeting on Counter-Terrorism in 2022. The Commission sees favourably North Macedonia's continued participation in the JITs network and other judicial cooperation networks.

IV.C.COOPERATION IN CIVIL AND COMMERCIAL MATTERS

a. Country presentation

On **judicial cooperation in civil and commercial matters**⁴⁰, North Macedonia is party to the Hague Conference on Private International Law and has ratified 12 conventions⁴¹ in this context, but not yet party to a series of other important conventions⁴². It is also party to seven UN conventions, notably on arbitration and on contracts for the international sales of goods⁴³, as well as to Council of Europe instruments on the information on foreign law, on legal aid, on custody of children and on nationality⁴⁴.

⁴⁰ Main legislation: Constitution, Private International Law Act, Law on Courts, Law on Civil Procedure, Law on Legalization of Foreign Public Documents.

⁴¹ Convention of 5 October 1961 Abolishing the Requirement of Legalization for Foreign Public Documents; Convention of 29 May 1993 on Protection of Children and Co-operation in Respect of Intercountry Adoption; Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters; Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil or Commercial Matters; Convention of 25 October 1980 on International Access to Justice; Convention of 1 March 1954 on Civil Procedure; Convention of 25 October 1980 on the Civil Aspects of International Child Abduction; Convention of 5 October 1961 on the Conflicts of Laws Relating to the Form of Testamentary Dispositions; Convention on the Law Applicable to Traffic Accidents from 4 May 1971; Convention on the Law Applicable to Products Liability from 2 October 1973; Convention on the International Recovery of Child Support and Other Forms of Family Maintenance from 23 November 2007.

⁴² Convention on the Recognition and Enforcement of Decisions Relating to Maintenance Obligations and the Convention on the Law Applicable to Maintenance Obligations (1973), Convention of on the Recognition of Divorces and Legal Separations (1970), to the Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption (1993). North Macedonia has signed but not yet ratified the Hague Convention on private international law on jurisdiction, applicable law, recognition, enforcement and cooperation in respect of parental responsibility and measures for the protection of children (1996), the Hague protocol on the law applicable to maintenance obligations (2007), Convention on Choice of Court Agreements from 30 June 2005 and the Convention on Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (2019).

⁴³ Protocol on Arbitration Clauses from 24 September 1923; Convention on the Execution of Foreign Arbitral Awards from 26 September 1927; Convention on the Recovery Abroad of Maintenance from 20 June 1956; Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) from 10 June 1958; European Convention on International Commercial Arbitration from 21 April 1961; Convention on the settlement of investment disputes between States and nationals of other States from 18 March 1965 United Nations; Convention on Contracts for the International Sale of Goods (CISG) from 11 April 1980.

⁴⁴ European Agreement on the Transmission of Applications for Legal Aid from 1977; European Convention on Information on Foreign Law from 1968 with additional Protocol from 1978; European Convention on Recognition and Enforcement of Decisions concerning Custody of Children and on Restoration of Custody of Children from 1980; European Convention on Nationality from 1997.

With regard to **service of documents**⁴⁵ and **taking of evidence**⁴⁶, North Macedonia indicated that its legislative framework was **partially aligned** with the EU *acquis*. The national courts can communicate directly with foreign courts without including the Ministry of Justice (which does not exclude other types of communication amongst authorities) as foreseen in relevant bilateral agreements. Amendments are necessary notably in relation to the transmission of documents and the use of video conference for taking evidence. With regard to **applicable law**⁴⁷, North Macedonia indicated that its legislative framework was largely aligned with the EU *acquis*. Amendments are required notably as regards insurance contracts, individual employment contracts and overriding mandatory provisions. With regard to **jurisdiction and recognition and enforcement of judgments in civil and commercial matters**⁴⁸, North Macedonia indicated that its legislative framework was largely aligned with the EU *acquis*.

As regards **mediation**⁴⁹, North Macedonia indicated that its legislative framework was largely aligned with the EU *acquis*. Mediation takes place outside the court, either before or during court proceedings, through licenced mediators. **Mediation** in trade disputes remains limited, despite the fact that an attempt for mediation is a mandatory prerequisite for starting court proceedings in trade cases of low value.

⁴⁵ Regulation (EC) No 1393/2007 of the European Parliament and of the Council of 13 November 2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (service of documents).

⁴⁶ Council Regulation (EC) No 1206/2001 of 28 May 2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters.

⁴⁷ Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I); Regulation (EC) No 864/2007 on the law applicable to non-contractual obligation (Rome II).

⁴⁸ Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("Brussels I Regulation"). COUNCIL REGULATION (EU) 2016/1104 of 24 June 2016 implementing enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions in matters of the property consequences of registered partnerships; COUNCIL REGULATION (EU) 2016/1103 of 24 June 2016 implementing enhanced cooperation in the area of jurisdiction, applicable law and the recognition and enforcement of decisions in matters of matrimonial property regimes

⁴⁹ Directive 2008/52/EC of the European Parliament and of the Council of 21 May 2008 on certain aspects of mediation in civil and commercial matters.

Regarding **family law and successions**, North Macedonia indicated that its legislative framework was **partially aligned** with the EU *acquis*⁵⁰. The central authority handling child abduction cases is the Ministry of Labour and Social Policy. Amendments are needed notably to further align measures as regards jurisdiction on parental matters (e.g., choice of court, jurisdiction based on presence of the child). On **insolvency**, North Macedonia states that its legislation was **partially aligned** with the EU *acquis*⁵¹. There is currently no early warning system, but it is planned to be introduced shortly. A working group at the Ministry of Economy finalised the draft Law on Insolvency, which will have to undergo the process of formal adoption. The Ministry of Economy is the competent institution to implement the legislation related to bankruptcy and liquidation.

On **legal aid**, North Macedonia indicated that its legislative framework was largely aligned with the EU *acquis* 52.

As regards **insolvency**, the Ministry of Economy does not have data on the total number of active pre-bankruptcy and bankruptcy procedures nor the number and data for each bankruptcy trustee.

b. Commission assessment

Family law is a very sensitive area and it is essential to ensure adequate continuous training, including on the jurisprudence of the European Court of Justice, in order to adequately prepare the practitioners.

⁵⁰ Council Regulation (EU) 2019/1111 of 25 June 2019 on jurisdiction, the recognition and enforcement of decisions in matrimonial matters and the matters of parental responsibility, and on international child abduction (recast); Council Regulation (EC) No 4/2009 of 18 December 2008 on jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations; Council Regulation No 1259/2010 of 20 December 2010 implementing enhanced cooperation in the area of the law applicable to divorce and legal separation; Regulation (EU) No 650/2012 of the European Parliament and the Council of 4 July 2012 on jurisdiction, applicable law, recognition and enforcement of decisions and acceptance and enforcement of authentic instruments in matters of succession and on the creation of a European Certificate of Succession.

⁵¹ Council Framework Decision 2015/848/JHA On Insolvency Procedure; Directive (EU) 2019/1023 On preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt

⁵² Council Directive 2003/8/EC of 27 January 2003 to improve access to justice in cross border disputes by establishing minimum common rules relating to legal aid for such disputes.

IV.D COOPERATION IN CRIMINAL MATTERS

a. Country presentation

As regards **judicial cooperation in criminal matters**⁵³, North Macedonia is party to the major relevant Council of Europe Conventions⁵⁴, except the second additional protocol to the Budapest Convention on Cybercrime (which it signed, but not ratified). It is also party to relevant United Nations conventions. Four agreements for setting-up **Joint Investigation Teams** (JITs) are in place.

As regards **mutual legal assistance in criminal matters**, North Macedonia indicated that its legislation was **partially aligned** with the EU *acquis*. Notably, there are no provisions allowing interceptions of telecommunications on national territory by the use of service providers and a series of amendments are notably needed to the Criminal Procedure Code. North Macedonia concluded 38 bilateral agreements on mutual legal assistance. With regard to the principle of **mutual recognition of judgments in criminal matters and of freezing and confiscations orders**, North Macedonia indicated that its legislation was **partially aligned** with the EU *acquis*⁵⁵. Notably, the conditions under which a conviction rendered in absentia may be enforced in another State need to be set in the legislation, as well as the conditions for the transmission of freezing and confiscations orders, time limits for their recognition and executions, and grounds for their non-recognition and non-execution. On **detention related instruments**⁵⁶, North Macedonia indicated that its legislation was **partially aligned** with the EU *acquis*. It has a functional probation service with 11 probation officers that received training. However, as it is a new entity, it needs to further develop and improve its knowledge.

⁵³ Constitution, Law on International Cooperation in Criminal Matters, Law on Criminal Procedure, Criminal Code, Law on the Courts

⁵⁴ European Convention on Extradition and three protocols; Convention on the Transfer of Sentenced Persons, and its additional protocol; European Convention on Mutual Assistance in Criminal Matters; European Convention on the Supervision of Conditionally Sentenced or Conditionally Released Offenders; European Convention on the Transfer of Proceedings in Criminal Matters; Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime; Convention on Cybercrime with additional protocol (second protocol signed but not ratified).

⁵⁵ Council Framework Decision 2008/947/JHA on the mutual recognition of judgments in criminal matters; Council Framework Decision 2009/829/JHA on mutual recognition of decisions on supervision measures as an alternative to provisional detention; Council Framework Decision 2009/948/JHA of 30 November 2009 on prevention and settlement of conflicts of exercise of jurisdiction in criminal matters. Regulation (EU) 2018/1805 of the European Parliament and of the Council of 14 November 2018 on the mutual recognition of freezing orders and confiscation orders.

⁵⁶ Council Framework Decision 2008/909/JHA on the application of the principle of mutual recognition to judgments in criminal matters imposing custodial sentences or measures involving deprivation of liberty for the purpose of their enforcement in the European Union; Council Framework Decision 2009/829/JHA of 23 October 2009 on the application, between Member States of the European Union, of the principle of mutual recognition to decisions of supervision measures as an alternative to provisional detention; Council Framework Decision 2008/947/JHA of 27 November 2008 on the application of the principle of mutual recognition to judgments and probation decisions with a view to the supervision of probation measures and alternative sanctions.

Amendments are needed to the Law on Execution of Sanctions and the Law on Probation, and subsequently to the Criminal Code and the Criminal Procedure Code. On **EU arrest warrant and extradition procedures**⁵⁷, North Macedonia indicated that its legal framework was **partially aligned** with the EU *acquis*. Notably, it is not possible to extradite a citizen if he/she has been amnestied in the country, and amendments are needed on the deadline for surrender and for notification of the extradition decision. With regard to **criminal records**, North Macedonia indicated that its legislation was **partially aligned** with the EU *acquis*⁵⁸. Amendments are needed notably with regard to the submission of extracts from criminal records. North Macedonia has no functional system to share criminal records in place yet – the records are kept in the Supreme Court. North Macedonia needs to analyse the technical means, human resources and financial framework in order to be able to implement ECRIS. The country has no experience yet with this instrument.

North Macedonia indicated that its legislation on the **fight against fraud of the Union's financial interests of the Union** was **partially aligned** with the EU *acquis*⁵⁹.

With regard to international cooperation in criminal matters, a cooperation agreement has been in place with **Eurojust** since 2008, and the first liaison prosecutor was appointed in 2018. A working arrangement on the cooperation between the **European Public Prosecutor's Office (EPPO)** and the State Public Prosecutor's Office of North Macedonia (PPO) was signed on 24 October 2022, and a contact point was appointed in the department of international legal aid of the PPO.

b. Commission assessment

The mandate of North Macedonia's liaison prosecutor to Eurojust, expired in November 2022. Meanwhile, the Law on International Legal Cooperation in Criminal Matters, to include the liaison post as a permanent position in The Hague was amended. In accordance with the aforementioned law in December 2022 a call to select a new liaison prosecutor was published.

⁵⁷ Framework Decision 2002/584/JHA on the European arrest warrant and extradition procedures.

⁵⁸ Framework Decision 2009/315/JHA on the organisation and content of the exchange of information extracted from the criminal record between Member States and Decision 2009/316/JHA on the establishment of the European Criminal Records Information System (ECRIS); Directive (EU) 2019/884 of the European Parliament and of the Council of 17 April 2019 amending Council Framework Decision 2009/315/JHA, as regards the exchange of information on third-country nationals and as regards the European Criminal Records Information System (ECRIS), and replacing Council Decision 2009/316/JHA.

⁵⁹ Directive (EU) 2017/1371 of the European Parliament and the Council of 5 July 2017 on the fight against fraud of the Union's financial interests of the Union by means of criminal law.

The **detention conditions** in the prisons in North Macedonia, and notably the one in Skopje, are a matter of concern and represent an obstacle to **extradition** requests by North Macedonia.

North Macedonia should make use of the existing mechanisms, including the cooperation with the European Public Prosecutor's Office (EPPO).

IV.F SUMMARY OF FINDINGS – JUDICIAL COOPERATION IN CRIMINAL, CIVIL AND COMMERCIAL MATTERS

North Macedonia needs to step up its administrative capacity to meet EU requirements on judicial cooperation in criminal, civil and commercial matters. North Macedonia should ratify on the remaining relevant international convention in the field of judicial cooperation.

V. LEGAL AND IRREGULAR MIGRATION

V.A STRATEGIC AND LEGAL FRAMEWORK

a. Country presentation

North Macedonia indicated that its legal framework⁶⁰ is **partially aligned** with the EU *acquis* as regards migration⁶¹. North Macedonia is party to all relevant international conventions in this field⁶².

⁶⁰ Mainly the Law on Foreigners, the Law on International and Temporary Protection and the Law on Employment and Work of Foreigners.

⁶¹ The Law on Foreigners of the Republic of North Macedonia and the by-laws regulate notably the conditions for the entry and exit of foreigners from the country, the types and procedures for issuing visas, legal and illegal stay of foreigners on the territory of North Macedonia, leaving and expulsion from the territory of North Macedonia, regulating the stay of foreigners, travel documents for foreigners and to establish their identity and the rights and duties of foreigners.

⁶² Migration for Employment Convention of the International Labour Organization; United Nations Convention Regarding the Status of Refugees (the so-called Geneva Convention) (1951); Convention on Migrant Workers (Supplementary Provisions) (1975); Convention on the Rights of the Child (1989); Convention against Transnational Organized Crime of 2000 with the three Additional Protocols, including the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, ratified 2004 and the Protocol against Smuggling of Migrants by Land, Sea and Air, Supplement of the United Nations Convention against Transnational Organized Crime (2000).

North Macedonia implements a series of strategic documents in the field of migration: the National Strategy for Integrated Border Management 2021-2025 with the Action Plan for Implementation (2022-2025), the Resolution of the Migration Policy 2021-2025, the Migration Profile (2021) and the National Strategy for Cooperation with the Diaspora (2019-2023). The new strategy for integration of refugees and foreigners is still pending adoption. The contingency plan to manage large migratory flows still needs to be finalised and adopted.

North Macedonia mentioned a proposal for amendments to the Law on Foreigners that aims to provide a sustainable solution (long-term residence) for refugees from Kosovo*, many of which have been living in the country for two decades.

b. Commission assessment

The legal framework of North Macedonia in the field of migration is **partially in line** with the EU *acquis* – with uneven alignment depending on the instruments, some of them mostly aligned, others requiring complex legal but also technical reforms with regard to IT systems. North Macedonia needs to adopt a contingency plan to manage large migratory flows.

For refugees from Kosovo, many of which have been living in the country for two decades, a sustainable solution needs to be found.

V.B INSTITUTIONAL FRAMEWORK

a. Country presentation

The Ministry of Interior is the **main actor in the field of migration**. North Macedonia needs to strengthen its **institutional and administrative capacities** across the sector by increasing the number of employees and providing additional material and technical resources. To this effect, part of the annual budget is allocated to annual procurement plans. In addition, North Macedonia receives donations and is the beneficiary of international organisations, EU or Member States bilateral projects to develop adequate capacity. Police officers receive continuous training through EU funded projects.

b. Commission assessment

North Macedonia needs to increase financial, human and technical resources across the board with regard to migration. In particular, it needs to strengthen capacities for border checks and to deal with irregular migration. The fragmentation of tasks between the various institutions dealing with migration makes management less effective.

V.C IMPLEMENTATION CAPACITY AND PERFORMANCE

a. Country presentation

As regards reception capacities, North Macedonia has a closed reception centre for foreigners with a capacity of 120 people. It also has two temporary transit centres offering short-term accommodation: one in Tabanovce (capacity for 2012 persons), and one in Vinojug (capacity for 798 persons). The persons are identified and registered in these transit centres and informed of their rights upon arrival. Non-governmental organisations provide legal assistance.

As of March 2022, North Macedonia has started hosting persons fleeing Russia's war of aggression against Ukraine, mostly in private accommodation, who have been granted a temporary protection status.

With regard to the implementation of the agreement with the European Border and Coast Guard and Agency (Frontex), North Macedonia underlines staffing and equipment issues.

b. Commission assessment

The implementation of the National Strategy for Cooperation with Diaspora 2019-2023 should be enhanced.

With the support of the national authorities, Frontex developed an in-depth assessment (Masterplan) for North Macedonia, providing a comprehensive, detailed and feasible implementation plan for the development of IT systems and communication infrastructure for the identification and registration of mixed migration flows in line with EU requirements to support future interoperability with EU large-scale IT systems.

Capacities for protection-sensitive migration management need to be further enhanced. North Macedonia is working on strengthening its asylum system with regards to persons with special needs and unaccompanied minors within the framework of the Roadmap for cooperation with the EUAA. However, progress is still needed in systematic registration of migrants and protection-sensitive profiling to be fully in line with EU standards and EU Member States practices.

The two transit centres are not suitable for long-term stays, and their adaptation to regular reception centres is currently not foreseen. The running costs of both centres are covered from non-governmental sources, and due to the legal status of both centres, it is difficult to ensure a full alignment of all practices with legal standards.

V.D LEGAL MIGRATION

a. Country presentation

As regards **legal migration**, according to North Macedonia, the legal framework is **partially aligned** with the EU *acquis*. There is a high degree of alignment on the status of third-country nationals who are long-term residents⁶³. North Macedonia needs to further align its legislation on the right to family reunification⁶⁴. Amendments are necessary, notably to align with family reunification rules in the case of registered partnerships, common law unions, and the age limit of spouses. On highly qualified employment, the legal framework still needs to be aligned with the most recent EU *acquis*⁶⁵. As regards the single permit, North Macedonia indicated that its legislation is **partially aligned**; there is for now no single institution working on this issue. As regards seasonal workers⁶⁶, amendments to the labour code are necessary, notably to further protect their rights. As regards intra-corporate transfers⁶⁷, the legislation is **partially aligned** with the EU *acquis*, but North Macedonia would want Member States to share their experience, especially with regard to exceptions, due to the complexity. With regard to special categories of activities⁶⁸ (research, studies, training, etc.), amendments are notably needed to align the categories provided in EU legislation.

North Macedonia lacks a data storage medium for the **single permit**. An upgrade to the system for personal documents is required to incorporate a data storage medium and introduce new grounds for temporary residence.

⁶³ Council Directive 2003/109/EC of 25 November 2003 concerning the status of third-country nationals who are long term residents.

⁶⁴ Council Directive 2003/86/EC of 22 September 2003 on the right to family reunification.

⁶⁵ Directive (EU) 2021/1883 of the European Parliament and of the Council of 20 October 2021 on the conditions of entry and residence of third-country nationals for the purpose of highly qualified employment, and repealing Council Directive 2009/50/EC.

⁶⁶ Directive 2014/36/EU on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers.

⁶⁷ 2014/66/EU Directive on the conditions of entry and residence of third-country nationals in the framework of an intracorporate transfer.

⁶⁸ Directive EU 2016/801 of 11 May 2016 on the conditions of entry and residence of third-country nationals for the purposes of research, studies, training, voluntary service, pupil exchange schemes or educational projects and au pairing.

With regard to accelerated integration, North Macedonia requested observer's status in the European Migration Network.

b. Commission assessment

In the field of **legal migration**, amendments are necessary, notably to align with family reunification for persons in registered partnerships or common law unions, and with regard to the age limit of spouses. On the most recent EU *acquis* on highly qualified employment, the institutional framework and IT systems on the rules applicable to the single permit, the rights of seasonal workers, and the categories of special activities for residence permit are not aligned with the EU *acquis*.

With regard to the accelerated integration request to join the European Migration Network as an observer, the process is ongoing.

V.E IRREGULAR MIGRATION

a. Country presentation

As regards **irregular migration**, North Macedonia considers its legal framework **partially aligned** with the EU *acquis*. The rules defining the facilitation of unauthorised entry, transit, and residence⁶⁹ and the ones on facilitating the use of financial and other information for the prevention, detection, investigation, or prosecution of certain criminal offences⁷⁰ are considered fully aligned. Amendments are needed to align notably on the rules on employers' sanctions⁷¹ and the provision of free legal aid during return procedures⁷². The EU *acquis* on return of persons with no legal right to stay in the EU, notably the Return Directive, will be integrated upon joining.

⁶⁹ Council Directive 2002/90/EC of 28 November 2002 defining the facilitation of unauthorised entry, transit and residence.

⁷⁰ Directive (EU) 2019/1153 of the European Parliament and of the Council of 20 June 2019 laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Decision 2000/642/JHA.

⁷¹ Directive 2009/52/EC of the European Parliament and of the Council of 18 June 2009 providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals.

⁷² Directive 2008/115/EC of the European Parliament and of the Council of 16 December 2008 on common standards and procedures in Member States for returning illegally staying third-country nationals – further alignment needed on free legal aid.

North Macedonia implements standard operating procedures notably for dealing with vulnerable categories of foreigners, with victims of trafficking in human beings, and with unaccompanied children. There is no contingency plan in case of a mass influx of asylum seekers in North Macedonia. Irregular movements continued at a decreased pace compared with the previous years. The number of irregular arrivals in 2021 was 20 874 persons, compared to 41 257 persons recorded in 2020. There were 20 874 illegal crossing attempts prevented in 2021, compared to 32 100 in 2020.

North Macedonia has a **readmission agreement** with the EU and implementing protocols with 11 Member States (four additional ones are under negotiations⁷³). The readmission agreement is implemented by the Department for Border Affairs and Migration in the Ministry of the Interior and monitored by a joint readmission committee. In addition, North Macedonia has bilateral readmission agreements with eight third countries (six additional ones are under negotiations⁷⁴). The competent authorities are in constant communication with the diplomatic-consular representations of the Ministry of Foreign Affairs abroad, which are responsible for issuing travel documents that are required for return, as well as conducting an interview with the person to be returned.

b. Commission assessment

In the field of **irregular migration**, amendments are necessary to align the legislation notably on employers' sanctions and on the provision of free legal aid for return procedures.

North Macedonia plays an active role in the management of mixed migration flows on one of the main transit routes for irregular mixed movement. However, the number of migrants smuggled remains high and combating smuggling networks must be improved as a priority. People in irregular movement are often engaged with organised criminal people smuggling groups, which frequently extort money from them and abuse them in various ways.

⁷³ Hungary, Latvia, Lithuania, Greece.

⁷⁴ Iran, Azerbaijan, Türkiye, Russia, Egypt, Iceland;

There is no procedure or judicial oversight of the decision for accommodating migrants in Vinojug that became a closed centre, with limited freedom of movement for migrants.

There is a systematic substantial discrepancy between the figures of reported irregular crossings and presence in the transit centres, which are often almost empty.

The readmission agreement with the EU and the implementing protocols are being implemented in a satisfactory manner.

V.F SUMMARY OF FINDINGS – LEGAL AND IRREGULAR MIGRATION

North Macedonia plays an active role in the management of mixed migration flows on one of the main transit routes for irregular mixed movement. However, the number of migrants smuggled remains high and combating smuggling networks must be improved as a priority.

VI. ASYLUM

VI.A STRATEGIC, LEGAL AND INSTITUTIONAL FRAMEWORK

a. Country presentation

North Macedonia indicated that its legal framework in the field of asylum was **partially aligned** with the EU *acquis*⁷⁵. Amendments are needed notably on deadlines regarding family reunification of persons with subsidiary protection status and on unaccompanied minors⁷⁶; on information and counselling in the detention facilities and at the border crossings, personal interview and border procedures⁷⁷; on working rights of applicants for international protection⁷⁸; on the rules for personal identification number and the term of validity of the temporary protection⁷⁹.

North Macedonia is party to the Geneva convention on the status of refugees and the protocol relating to the status of refugees. The main strategic document in the field of asylum is the Resolution on Migration Policy of the Republic of North Macedonia 2021-2025.

The asylum sector in the Ministry of Interior is the authority responsible for asylum procedure; it registers the asylum seekers, conducts the interviews and carries out security checks. Training is provided to staff on the procedure for asylum and how to deal with asylum seekers. The decision of the asylum sector can be challenged in an administrative court. The decision of the administrative court can be reviewed by the higher administrative court.

⁷⁵ In North Macedonia, the right to asylum is guaranteed by the Constitution. It is mainly regulated by the law on international and temporary protection. The law provides the right for family reunification.

⁷⁶ To align with Directive 2011/95/EU of the European Parliament and of the Council on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection, and for the content of the protection granted.

⁷⁷ To align with Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection.

⁷⁸ Directive 2013/33/EU of the European Parliament and of the Council of 26 June 2013 laying down standards for the reception of applicants for international protection.

⁷⁹ Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof

North Macedonia implements standard operating procedures to register asylum seekers and offers procedural guarantees. The Department for border affairs is the authority to which asylum applications are submitted. Asylum application may be submitted at the border crossing points, the nearest police station, the reception centre for foreigners and to the Sector for Asylum in the Ministry of Interior. The Department for registration and the Department for procedural affairs are in charge of attributing a unique personal registry number, taking fingerprints and photographs, and issuing identification documents.

b. Commission assessment

The legal framework in the field of asylum is **partially aligned** with the EU *acquis*. Amendments are required notably on family reunification of persons with subsidiary protection status and on unaccompanied minors; on information and counselling in the detention facilities and at the border crossings, personal interview and border procedures; on access to the labour market for applicants for international protection; on the rules for personal identification number and the term of validity of the temporary protection; on alternative to detentions for people in irregular movement; and on access to services.

The law on foreigners allows for granting long-term residence to people who have enjoyed international protection, thus facilitating their local integration. However, they must still present proof of regular income and a registered place of residence to benefit from this provision. Given the extreme vulnerability of some applicants, effective application of the rights under this provision still needs to be monitored.

VI.B.IMPLEMENTATION CAPACITY AND PERFORMANCE

a. Country presentation

North Macedonia implements standard operating procedures developed with the support of the European Union Agency for Asylum for the registration of asylum seekers, for dealing with requests for recognition of the right to asylum and with regards to persons with special needs and unaccompanied minors.

North Macedonia cooperates with the United Nations High Commissioner for Refugees (UNHCR).

Asylum seekers are currently received in one open reception centre with a capacity of 150 beds. Single women, single men and families have separate blocs within the centre. Minors above 16 and vulnerable persons are hosted in the reception centre, while minors under 16 are hosted by foster care or in foster families. Staff is trained to prevent and react to gender-based violence cases, and standard operating procedures are in place. Non-governmental organisations provide free legal aid and psychological support. North Macedonia never had to host more than 200 asylum seekers at the same time.

Refugee status has not been granted to anyone since 2016. The existing database on foreigners still needs to be upgraded through the development of a new asylum module, which should provide a case-management tool for processing asylum claims. There is no backlog of asylum cases, and the majority of cases are discontinued due to the high rate of claim abandonment.

b. Commission assessment

Access to the asylum procedure is ensured and asylum claims are promptly registered and processed.

However, the **quality and speed of asylum decisions** remains of concern. Most of those granted subsidiary protection are vulnerable persons and unaccompanied minors. There are indications that decisions are made based on the humanitarian needs but without a proper consideration of the merits of the claim. Also, the Administrative Court and the High Administrative Court focuses mainly on procedural aspects rather than on the merit of the asylum claims when taking decisions and cases returned to the administrative authority often remain unchanged. Therefore, the asylum procedure is unnecessary prolonged and the effectiveness of the remedy, undermined. The in-person hearing of attorneys and asylum officials, but not of the asylum-seekers, continued.

Decisions on status determination are usually accompanied by an automatic ruling of expulsion without appropriate quality assessment. *Inter alia*, credibility assessments, the legal reasoning of decisions, the individual assessment of the personal circumstances of the applicants, the correct assessment of relevant and updated country of origin information, and the prioritisation of manifestly founded cases remain to be addressed. Although guaranteed by law, the capacity of the national authorities with regards to persons with special needs is yet to be strengthened. no procedure has been implemented to adequately cater for persons with specific needs. The length of the entire asylum procedure remains of concern and needs to be adequately addressed.

Recognised refugees can benefit from the right to family reunification immediately, but concerns remain regarding **delayed family reunification** for people under subsidiary protection. Delays up to two years following status recognition have been reported. Since subsidiary protection is becoming a prevalent form of protection granted in the country, including for unaccompanied minors, such delays may significantly affect the right to family unity and, in the case of children, contravene the principle of the best interest of the child.

The absence of **personal identification numbers** for asylum-seekers and persons under temporary protection remains unaddressed and is a critical gap in the protection of rights guaranteed by the law as well as in access to the basic services, such as opening a bank account.

There are **no state-funded interpretation services** provided at any stage of the asylum procedure or for any language, which represents a major gap in the asylum procedure. Free legal aid foreseen under the amended Law on Free Legal Assistance remained unavailable.

Although asylum-seeking children are enrolled in **primary education** shortly after their arrival, proper inclusion in the educational process needs to be addressed.

North Macedonia does not deliver **biometric asylum documents** and does not have at this stage biometric databases. Such capacity and infrastructure need to be developed

North Macedonia needs to prepare – including through adequate staff increases – for a situation where the number of asylum claims may further increase.

VI.C SUMMARY OF FINDINGS – ASYLUM

The quality and speed of asylum decisions continues to remain a concern. There are indications that decisions are made based on the humanitarian needs rather than a proper consideration of the merits of the claim. Therefore, the quality and speed of decision making in asylum procedures needs to be increased.

VII. VISA POLICY

VII.A STRATEGIC, LEGAL AND INSTITUTIONAL FRAMEWORK

a. Country presentation

North Macedonia indicated that its visa policy and regime⁸⁰ was **partially aligned** with the EU *acquis*. The technical specifications of the visa stickers are established in line with EU standards⁸¹. North Macedonia does not have a seasonal visa-free regime. The national legislation is not fully in line with the EU list of countries whose nationals are subject to a visa for short stays in the EU. Nationals from Türkiye do not require visas for short stays in North Macedonia, while they do for the EU. Citizens from a series of third countries⁸² require a visa for short stays in North Macedonia, while they do not require such visa to enter the EU.

When a request for a visa is refused, the applicant is informed only orally and not in writing. He/she has a right to challenge the refusal in front of a state appellate committee. If the decision of this committee is negative, the applicant may appeal in front of an administrative court.

The strategic framework includes the Resolution on Migration Policy of the Republic of North Macedonia (2021-2026), and the strategic plan of the Ministry of Foreign Affairs 2022-2024.

⁸⁰ Visas and issues related to visas are regulated by the Law on Foreigners and the Rulebook on the method of issuing visas to foreign citizens, on the renewal, shortening of the validity, revocation and cancellation of visas, on the visa form and on the method of keeping records. Relevant legislation also includes the law on travel documents and its by-laws, as well as the Law on administrative fees.

⁸¹ Council Regulation (EC) no. 1683/1995 of 29 May 1995 laying down a unified format for visa.

⁸² Grenada, Dominica, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Samoa Western, Saint Lucia, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago and Tuvalu

Short stay visas have been unilaterally abolished for nationals of third countries who are national holders of a permanent or temporary residence permit issued by an EU/Schengen Member State, as well as for nationals of third countries who are in possession of valid multiple US, Canadian or UK visa. North Macedonia re-introduced the visa requirement for Russian nationals in March 2022.

North Macedonia has a citizen investor scheme under which a person may acquire citizenship if they represent a special economic interest for the country. The administrative decision is drafted by the Ministry of the Interior; the Ministry of Finance and the Ministry of Economy are consulted to evaluate the economic interest, and the national security agency performs security checks. The law requires submission of evidence to check the criminal record of the applicant. The final decision is made by the Government. Between 2005 and 2022, 121 people acquired citizenship for economic reason (against 40 negative decisions).

In the procedures for issuing visas, several institutions are involved: the Ministry of Foreign Affairs (MFA), the Ministry of Interior (MOI), the Ministry of Labour and Social Policy (MLSP) with the Employment Service Agency of the Republic of North Macedonia (ESA) (consulted in the procedure for issuing visa D with regard to the decision on temporary residence based on work) and the National Security Agency (NSA) (performs security checks in visa procedures).

b. Commission assessment

North Macedonia's legal framework is **partially aligned** with the EU acquis. The Commission's fifth Report under the Visa Suspension Mechanism⁸³ of 2022 concluded that North Macedonia continues to fulfil the country-specific requirements. The legal framework is **partially aligned** with the visa code and is not fully in line with the EU list of countries whose nationals are subject to a visa for short stays in the EU and with the EU visa-free list.

North Macedonia should refrain from enabling systematic acquisition of citizenship for special economic interest.

⁸³ COM/2022/715 final/2

North Macedonia needs to ensure that the competent authorities have the obligation to communicate in writing to the applicant the reasons for refusal of a visa application.

VII.B IMPLEMENTATION CAPACITY AND PERFORMANCE

a. Country presentation

North Macedonia has a national visa register in a database called 'NVIS', which is an internet-based centralised system keeping all the records of visa applicants, including approved and rejected visa applications. It is operated by a central unit in the visa centre within Ministry of Foreign Affairs. The system processes all the data of the visa applicants, i.e. third country nationals that require visas for short term stays. NVIS facilitates the issuance of visas and prevents abuses and fraud. The system can generate statistics. NVIS is mainly used by the Ministry of Foreign Affairs, the Ministry of Interior and the employment agency. All visa authorities are connected. North Macedonia plans to connect NVIS to the integrated database on foreigners in order to make more information on the applicants available.

At border crossing points, visas may only be issued for national interest, for humanitarian reasons or based on an international agreement. In practice, they are very rarely issued.

North Macedonia faces challenges for the NVIS maintenance, upgrades and interoperability, in terms of IT technologies and compliance with EU regulations.

The institutional capacities (employees, equipping with appropriate equipment – computers, printers, scanners, and document readers) are not sufficient.

Procurement and installation of software for processing and storing biometric data require financing and North Macedonia struggles to secure adequate funding.

b. Commission assessment

In the context of the future Schengen accession, the types of visas issued by North Macedonia are not yet aligned with the EU Visa Code.

Complying with the requirements of the Visa Information System will require significant technical adaptations that need to be supported by adequate funding. Ahead of accession, North Macedonia will receive classified technical specifications on uniform formats visa which it needs to take into consideration by the time of accession. North Macedonia needs to strengthen institutional capacities in terms of staff, technical and financial resources (computers, printers, scanners, and document readers) notably for processing and storing biometric data; develop adequate IT structure to be compatible with Eurodac upon accession.

VII.D SUMMARY OF FINDINGS – VISA

The **visa policy** of North Macedonia should be further aligned with that of the EU. North Macedonia needs to improve the visa application process to ensure that the competent authorities have the obligation to communicate in writing to the applicant the reasons for refusal of a visa application.

VIII. SCHENGEN AND EXTERNAL BORDERS

VIII.A. STRATEGIC AND LEGAL FRAMEWORK

a. Country presentation

The control of the borders is regulated by a series of laws and by-laws⁸⁴. According to North Macedonia, the legal framework is **partially aligned** with the EU *acquis*. Amendments are needed notably with regard to EU advance passenger information (API) data⁸⁵. The regulations relating to the Schengen Information System (SIS) will be implemented upon accession, with alignment scheduled to start two years before accession. The alignment with the entry-exit system and ETIAS will also be done upon accession, as will the alignment with the Schengen Borders Code upon integration within the Schengen area.

North Macedonia is party to a number of international conventions in the area, including the Convention on the Harmonisation of Border Control of Goods.

North Macedonia notably implements a National Strategy for Integrated Border Management 2021-2025 with an Action Plan for Implementation, a Strategic Action Plan of the Ministry of Interior 2022-2024 (which includes notably a Police Reform Program and a Strengthening the capacities of the PSB in the area of border management and migration), and a National Strategy for Prevention of Corruption and Conflict of Interest 2020-2024.

⁸⁴ Including: Law on Police; Law on Border Control; Law on Foreigners; Law on International and Temporary Protection; Law on Customs Administration; Law on Sanitary and Health Inspection; Law on the Health Safety of Food Products and Articles for General Use; Law on the Protection of the Population from Infectious Diseases; Law on Plant Health.

⁸⁵ Council Directive 2004/82/EC of 29 April 2004 on the obligation of carriers to communicate passenger data.

b. Commission assessment

The legislative framework for the management of external borders of North Macedonia is **partially aligned** with the EU *acquis*. A significant part of the alignment will be done upon accession (and upon joining the Schengen area). Amendments are necessary notably on the use of passenger name records (PNR) data for the prevention, detection, investigation and prosecution of terrorist offences and serious crime⁸⁶.

VIII.B INSTITUTIONAL FRAMEWORK

a. Country presentation

The Department of Border Affairs and Migration is a specialised unit within the Ministry of Interior. The border police is structured into four regional centres, within which police stations for border surveillance and for border checks operate. North Macedonia has a National Coordination Centre for Border Management.

b. Commission assessment

The National Coordination Centre for cooperation in the field of external border surveillance is partially operational with further efforts required on institutional and operational capacity, IT and technical expertise.

North Macedonia needs to ensure that adequate funding and human resources are allocated to the external border sector, including to develop IT systems in line with EU standards, and for the effectiveness of the National Coordination Centre.

⁸⁶ Directive 2016/681 on the use of passenger name record (PNR) data for the prevention, detection, investigation and prosecution of terrorist offences and serious crime.

VIII.C IMPLEMENTATION CAPACITY AND PERFORMANCE

a. Country presentation

North Macedonia has eight border crossing points. Mixed police patrols are deployed at the southern border involving members of the border police of Austria, Croatia, Czechia, Hungary, Poland, Slovenia, Slovakia and Serbia, to manage migration flows. These are being phased out and replaced by Frontex deployment under the status agreement. Mixed patrols are also deployed with Albania and Kosovo. The joint police contact centres regularly exchange information. Currently, there are two common border-crossing points for local traffic with Serbia and one with Albania.

The national authorities cooperate with the European Border and Coast Guard Agency (Frontex) and participate in joint operations. A working arrangement was signed with the agency in 2009 and is in the process to be updated. In addition, a status agreement with the European Union for operational activities carried out by Frontex in North Macedonia was signed in October 2022 and entered into force on 1st April 2023. North Macedonia is the first Western Balkan country to conclude, sign and implement the revised status agreement. The operational cooperation includes notably the participation in joint operations and joint operational activities led by the agency, situational awareness and monitoring with continuous exchange of information and analytical products and participating in Frontex risk analysis networks. Communication goes through the national contact point.

Citizens of some countries in the region with which North Macedonia has an international agreement can cross the border with their national ID cards.

One of the pillars of the Integrated Border Management is interagency cooperation. North Macedonia needs to establish a secure channel to exchange information.

North Macedonia participates in the Western Balkan Risk-Analysis Network.

North Macedonia uses various information systems for border management: the system for the control of passengers and vehicles (SCPV) is used for the registration of entry and exit of passengers and vehicles and for the registration of persons who entered illegally/illegal migrants; the National Visa Information System (N-VIS), supporting a fully automated workflow regarding visa requests between diplomatic missions, the Visa Centre and the Ministry of Interior; the database for foreigners (BMS), used for data on foreigners (but does not include data on asylum seekers) – identity cards, travel documents, employment data, for permanent or temporary residence; SEED2, which enables the exchange of data electronically between the customs administrations of two countries in real time for the transport of goods and empty trucks to and from the country; the new computerised transit system (NCTS) is used by the Customs Administration and is a modern tool for implementing transit procedures and efficient management and control of transit operations through the exchange of electronic messages between economic operators and customs offices.

North Macedonia underlined the difficulty to build a system compatible with Eurodac without knowing Eurodac technical specifications.

With regard to accelerated integration, North Macedonia requested to exchange more information and to have access to the Eurodac system before accession.

b. Commission assessment

Operational cooperation with Frontex under the working arrangement concluded in 2009 has been good. Frontex's first joint operation in North Macedonia was launched in April 2023, following the entry into force of the status agreement between the European Union and North Macedonia. As regards security of the documents, passports are aligned with EU standards⁸⁷, but residence permit and ID cards are not fully compliant yet⁸⁸. The residence permits are not compliant with the format set for the single residence permit in the EU⁸⁹, notably due to the lack of a chip.

With regard to the accelerated integration, the Eurodac Regulation does not provide for the participation or exchange of information with third countries, such as candidate countries, and no modification on this point is currently being considered. EU data protection rules require a specific legal basis in EU law to collect, store and share personal data of the kind held in Eurodac.

VIII.D. SUMMARY OF FINDINGS – SCHENGEN AND EXTERNAL BORDERS

Operational cooperation with Frontex under the working arrangement concluded in 2009 has been good. Frontex's first joint operation in North Macedonia was launched in April 2023, following the entry into force of the status agreement between the European Union and North Macedonia. . The capacities of the National Coordination Centre for cooperation in the field of external border surveillance should be strengthened.

⁸⁷ Regulation (EU) of the Council no. 2252/2004 of 13 December 2004 on standards for security features and biometrics in passports and travel documents issued by Member States: fully compliant, including biometric data and security features, the chip, etc.

⁸⁸ The travel documents issued by North Macedonia are produced in accordance with the security features of the regulation and ICAO 9303 standards and machine readable zone standards. Identity cards and residence permits of the Republic of North Macedonia are produced in LK-1 format according to ISO 7810; dimensions as well as physical and chemical operational requirements comply with specifications in ISO/IEC standard 7810 part 1-3 and 7816 part 4.

⁸⁹ Council Regulation (EC) No 1030/2002 of 13 June 2002 laying down a uniform format for residence permits for third-country nationals.

IX. COUNTERFEITING OF THE EURO (CRIMINAL ASPECTS)

IX.A. STRATEGIC, LEGAL AND INSTITUTIONAL FRAMEWORK

a. Country presentation

North Macedonia indicated that its legal framework was largely in line with the main requirements of the EU *acquis*⁹⁰ in the field of counterfeiting the euro. The remaining amendments are included in the draft Criminal Code that is expected to be adopted in 2023.

North Macedonia is party to the Geneva Convention for the Suppression of Counterfeiting Currency, signed at Geneva on 20 April 1929.

Institutions involved in the fight against money counterfeiting include notably the National Bank and Coin Analysis Centre (within the National Bank), the Central Office for Investigations in the area of currency counterfeiting (within the Ministry of Interior); the Financial Police Office (within the Ministry of Finances – Customs Administration) and the Public Prosecutor's Office.

A Memorandum of Cooperation in the field of the suppression of money counterfeiting has been signed between the Ministry of Interior, the Ministry of Finance (Customs Administration - Financial Police Office) and the National Bank.

[With regard to accelerated North Macedonia asked for integration on the Pericles IV programme see Chapter 32, Financial Control].

b. Commission assessment

The legal framework of North Macedonia with regard to euro counterfeiting has a high level of alignment with the EU *acquis*, with remaining amendments included in the draft Criminal Code.

⁹⁰ Directive 2014/62/EU on the protection of the euro and other currencies against counterfeiting

IX.B.IMPLEMENTATION CAPACITY AND PERFORMANCE

a. Country presentation

The National Bank concluded a cooperation agreement with the European Central Bank (ECB) in the area of the protection of euro banknotes against counterfeiting. In this context, the National Bank submits regular reports for all registered counterfeit euro banknotes on the territory of North Macedonia and receives technical and administrative assistance and trainings for the detection and classification of counterfeit euro banknotes.

In the framework of its agreement on operational and strategic cooperation with Europol, North Macedonia submits regular annual reports related to the performed technical analyses and investigations related to money counterfeiting.

b. Commission assessment

North Macedonia should consolidate its human and technical capacity to fight against euro counterfeiting.

IX.C.SUMMARY OF FINDINGS – COUNTERFEITING OF THE EURO (CRIMINAL ASPECTS)

North Macedonia should consolidate its human and technical capacity to fight against euro counterfeiting. North Macedonia needs to adopt the remaining amendments included in the draft Criminal Code to be fully aligned with the counterfeiting of the euro legislation.

X. MEASURES TO FIGHT CORRUPTION IN THE FIELD OF JUSTICE AND HOME AFFAIRS

X.A. STRATEGIC, LEGAL AND INSTITUTIONAL FRAMEWORK

a. Country presentation

North Macedonia implements the anti-corruption program of the Ministry of Interior for 2022, in accordance with its National Strategy for Prevention of Corruption and Conflict of Interest 2021-2025 by the State Commission for Prevention of Corruption and the GRECO's report on "Preventing corruption and promoting integrity in the central government and law enforcement agencies, the established priorities and commitments for dealing with corruption at the state level, but also within its own ranks". A series of actions are implemented to improve the prevention and detection of corruption within the Ministry of Interior.

Within the Ministry of Interior, the Department of Internal Control, Criminal Investigations and Professional Standards is competent to detect and react to violation of standard actions and procedures, abuse of official duty or overstepping police authority. It reports suspected crimes committed by police officers to the Department of Prosecution of Crimes Committed by Police Officers, under the Primary Public Prosecutor's Office for Prosecuting Organised Crime and Corruption.

In the field of judicial cooperation, the Ministry of Justice is the central authority and needs to be notified of any direct communication between courts. In addition, all requests of international cooperation are registered in an IT tool (LURIS). In this area, North Macedonia evaluates the corruption risk as low.

b. Commission assessment

Fighting corruption in the field of Justice and Home Affairs should be strengthened. North Macedonia has an adequate legal and an ethics framework in place to prevent corruption in the field of justice and home affairs, but its implementation should be stepped up. Additional rules could be useful with regard to establishing a systematic approach in tackling corruption in order to address the common denominators of the risk factors. *See general anti-corruption measures under Chapter 23 - Judiciary and Fundamental Rights.*

X.B. IMPLEMENTATION CAPACITY AND PERFORMANCE

a. Country presentation

North Macedonia uses digitalisation as a tool to prevent and detect corruption. This includes notably the digitalisation of the civil registry records and issuance of electronic extracts from the civil registry records and the deployment of a national platform (“Interoperability”) for secure exchange of databases and registers across relevant institutions in a single secure digital environment managed by the Ministry of Information Society and Administration.

b. Commission assessment

North Macedonia needs to improve the capacity of the external oversight mechanism that guarantees independent investigation to address police impunity. In the field of justice and home affairs, corruption risks with regard to law enforcement officers, including at the borders and during criminal investigations, should be adequately assessed and addressed. The Special Department for investigation and prosecution of crimes committed by persons with police powers and members of the prison police in the Public Prosecutor's Office needs to receive appropriate allocation of staff, especially investigators, in order to fulfil its role effectively. Furthermore, measures to strengthen integrity across the law enforcement sector and the judiciary should be further pursued, including to protect the systems from attempts of undue interferences in ongoing investigation of criminal cases and leaks of information. Finally, North Macedonia should address the GRECO recommendations to establish pertinent mechanisms within the police in order to manage risks of corruption.

X.C SUMMARY OF FINDINGS – MEASURES TO FIGHT CORRUPTION IN THE FIELD OF JUSTICE AND HOME AFFAIRS

Fighting corruption in the field of Justice and Home Affairs should be strengthened. Measures to strengthen integrity across the law enforcement sector and the judiciary should be further pursued.

F) ECONOMIC CRITERIA

In line with the conclusions of the European Council in Copenhagen in June 1993, accession to the EU requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union. Being a functioning market economy requires a broad consensus about essentials of economic policy and macro-economic stability, also reflected in sustainable public finances and external accounts. It is further characterised by limited state influence on competitiveness and a free interplay of market forces through price and trade liberalisation, the absence of any significant barriers to market entry and exit and by a well-developed financial sector. An adequate legal system has to be in place, which includes a system of property rights and enables market participants to enforce contracts and laws.

The capacity to cope with competitive pressure and market forces within the Union requires sufficient human and physical capital, adequate sectoral and enterprise structures capable of innovation and an infrastructure, which facilitates the integration of the national market, connects it to other countries at competitive costs and enables sufficient trade and investment integration within its region and with the EU. Overall, the more an economy is integrated with the Union before accession, the better will it be able to take on the obligations of membership.

I. FUNCTIONING MARKET ECONOMY

I.A MACROECONOMIC STABILITY

a. Country presentation

The economy demonstrated its resilience vis-a-vis external shocks, such as the Global Financial Crisis in 2008 and 2009 and the COVID-19 crisis in 2020-2021. In 2022, the economic fallout from Russia's war of aggression against Ukraine and the surge in cost-of-living was mitigated by large-scale fiscal support, as well as monetary tightening. Economic stability was maintained. With the exception of the latest price increases, which are primarily due to COVID-19 related supply disruptions and rising commodity prices on account of the Russian war of aggression, inflation remained subdued during the last 15 years, averaging 1.8% annually. Core inflation (when excluding food and energy, which in 2022 accounted for about $\frac{3}{4}$ of the observed prices increases) stood at 1.4% on average, i.e. lower average headline inflation than the ECB's inflation threshold of 2% and below core inflation in most EU countries. As the domestic currency is in a de-facto peg to the euro, the Central Bank's possibilities to pursue its own monetary policies are limited. However, in order to contain the largely imported inflationary pressures in 2022, the Central Bank responded (in line with EU recommendations) by a gradual monetary tightening, by withdrawing some liquidity from the market, by gradually increasing the main policy rate, as well as by adjusting the currency reserves requirements ratios by currency (in favour of domestic liabilities).

The current account deficit has gradually narrowed over the past 20 years, from some 6% of GDP at the beginning of this millennium to around 2% in recent years. The main period of higher current account deficits were the years of the global financial crisis in 2007-2009. In parallel, trade deficits were also on a declining trend, from 23% of GDP before 2014 to around 18% of GDP afterwards. An important driver for this improvement is of structural nature, reflecting a more advanced and diverse product mix of exports, which to a large extent is the result of a successful government policy of attracting foreign investors. For example, the share of machinery and transport equipment rose from 6% of total exports in 2010 to 30% in 2021, while the share of iron and steel products dropped from some 25% of total exports to some 10%. The inflow of foreign investment has also been very stable at some 3.6% of GDP on average per year for the past 10 years, contributing to the country's capital stock and facilitating access to international export markets. A significant share of FDI inflows goes into the tradeable sector, in particular the automotive components industry; its share has increased to 40.6% in the period 2016-2021, compared to 34.2% in 2003-2008. This shift helps improve the country's production structure and supports its international competitiveness.

External debt registered an upward trend during the last 10 years, accelerating at a more rapid pace in 2020 and 2021, largely due to COVID-19-related effects. However, in the first three quarters of 2022, external debt declined as a percentage of GDP, from a peak of 80.5% in 2021 to 74.1%, mainly as a result of a stark drop in public debt. Approximately 40% of the country's private external debt is intercompany debt and trade credits, which is a more flexible and less risky type of debt. Foreign reserves increased during the last 10 years, covering on average more than 4 months' worth of projected imports of goods and services, and more than short-term debt at residual maturities. Also with respect to the IMF's aggregate adequacy indicator, North Macedonia is covering the recommended benchmark by more than 100%. Also, the ECB approved for the first time during the pandemic a repo line in Euro for the Central Bank in 2020 that has been prolonged several times.

Chapter 17 - Economic and Monetary Policy, is dealt with under cluster 3.

b. Commission assessment

Economic growth is driven by domestic demand in North Macedonia. The contribution of net exports to GDP growth has been negative in most years. The economy's industrial production structure, including manufacturing destined for exports, is highly import-extensive. Private consumption is bolstered by stable disposable incomes, sustained by government measures such as income support, and indexed and ad hoc increases in minimum wages and pensions, temporary support to employers, such as reductions in statutory contributions, preferential tax regimes, and public employment programmes. External vulnerabilities are moderate. The current account deficit has remained contained over the past 10 years, with a (temporary) surge in the deficit in 2022, in response to the global rise in energy prices. FDI inflows, bolstered by proactive government measures to attract foreign investors are usually in excess of the current account deficit. FDI has also driven a gradual change in the production and the export structure of the economy towards higher value-added products, in particular in the machinery and transport sectors.

Public finances have a sound track record, with improvements in fiscal governance over past years and ongoing reforms to increase public revenue, better target current expenditure, and increase the share and the implementation of capital expenditure. The general government deficit had narrowed gradually since 2014, to remain below 3% of GDP in most years until 2020, when the government took wide-ranging measures to mitigate the negative effects of the COVID-19 pandemic on the economy. In 2022, even though the government provided sizeable support from the budget to the energy sector, the deficit, at 4.5% of GDP, remained below the government's projections. In September 2022 the parliament passed the new Organic Budget Law, which includes provisions for fiscal rules, a fiscal council, and a proper medium-term budget framework, aligning key elements of the country's fiscal framework with the relevant EU provisions. The structure of public finances remains tilted towards current expenditure, with gradual progress in moving towards better targeted and temporary, rather than general and unlimited income support measures. Realisation of the government's plans to step up capital expenditure and public investment has been hampered by deficiencies in the management of public investment – which the government is addressing by implementing an Action Plan of targeted measures, based on recommendations from the IMF - as well as by regular mid-year spending constraints necessitating a reallocation of funds towards current expenditure. Revenue, as a share of GDP, has been hovering around 30% since 2014, which, by regional comparison is low. The government is addressing the need to increase revenue and, in 2022, has adopted a number of tax base-broadening changes to the laws on personal and profit taxation and on VAT, as part of its fiscal consolidation plans.

However, government debt, in terms of GDP, has risen significantly since 2008, on account of sustained primary deficits, but, at around 50%, remains contained, and below the threshold set in the new Organic Budget Law. The structure of general government debt implies moderate risks. At the end of 2022, external debt accounted for some 60% of the total. The share of fixed interest rate debt has been increasing gradually, to some 75% at end-2022 (comfortably above the 60% threshold set in the government's Public Debt Management Strategy). Foreign-currency debt accounted for 76% of total debt, and the share of euro-denominated debt in total general government debt rose to some 92% in 2022. The government is extending the maturities of domestic issues, which would allow it to gradually refinance more of the maturing external debt by domestic issuance. Since 2005, the government has issued 9 Eurobonds, at competitive rates, testifying to its consistently good standing in capital markets.

Macroeconomic stability was also maintained during the 2022 economic crisis provoked by the global rise in energy prices, in response to Russia's war of aggression against Ukraine. Following a partial recovery from the pandemic-induced recession, North Macedonia had been severely hit by the fallout from the war. Annual GDP growth dropped to 2.1% in 2022, from 3.9% in 2021, as external demand weakened, disruptions in global supply chains persisted, and global food and energy prices rose rapidly. Headline inflation surged to 19.8% in October 2022, reflecting the high pass-through of the global energy and food price shock, before abating somewhat in November and December. The authorities' policy response to the recent external shocks was appropriate and well-coordinated among the various institutions, relying on significant fiscal support and monetary tightening. In 2022, the government requested IMF support as well as macro-financial assistance from the EU.

I.B FUNCTIONING OF PRODUCT MARKETS

a. Country presentation

With respect to **state aid**, the authorities referred to the Law on state aid which is in line with EU regulations. Overall, the level of state aid is rather low. In 2019, state aid according to the EU definition accounted for about 0.42% of GDP, slightly rising during the pandemic, to 0.47% of GDP in 2020 and to 0.52% in 2021. The authorities also reported about the ongoing development of a registry of state aid, and an improved state aid notification system.

Concerning the **informal economy**, according to estimates of international institutions (IMF, UNDP, GIZ), the share of the informal economy dropped from 37.6% of GDP in 2016 to about 21%-29% of GDP in the period 2019-2021. The government is implementing its *Strategy and Action Plan to combat the informal economy*. In October 2021, the government adopted a report assessing the implementation of this Plan, as well as a new Action Plan 2021-2022. In this context, the Ministry of Labour and Social Policy aims to reduce the number of informally employed persons and the share of unregistered business entities and informal activities within the formal economy. At the same time, the Employment Service Agency is using its active employment measures to support the formalisation of businesses, for example through promoting self-employment. The authorities informed that the implemented measures helped to reduce the share of the informally employed persons in total employment from 18.6% in 2018 to 12.1% in 2021.

[NB: Chapter 1, the Free Movement of Goods, Chapter 3, Right of Establishment and Freedom to Provide Services, Chapter 8, Competition Policy, and Chapter 9, Financial Services, are dealt with under cluster 2, while Chapter 20, Enterprise and Industrial Policy, is dealt with under cluster 3].

b. Commission assessment

The public sector's stake in the economy remains low. The total value of state ownership in enterprises amounted to some 10 % of GDP in 2021. The number of companies in full-state ownership went up by one that year, to 17, compared to the three preceding years. The number of companies in partial ownership decreased by one, to 39, most of these with a state ownership share of below 1 % of issued capital. State aid was stepped up in 2020 (7.9 % of GDP) and 2021 (6.8 %), compared to the pre-COVID-19 period (average 2017-2019: 5.3 %), but the transparency and efficiency of state aid remains negatively affected by the high number of state aid providers, the lack of an updated registry, and the still marginal competences of the Commission for the Protection of Competition (CPC) in state aid supervision. With regard to COVID-19 support measures, there is little ex-ante analysis of potential impact nor ex-post efficiency evaluation, as the April 2022 report from the State Audit Office found. As a precondition for the establishment of a state aid registry, the government is setting up a management information system connecting different institutions (SAMIS, see above under II), but the process is delayed.

The informal economy poses an important obstacle to business operations for regulated firms. Yet, the implementation of the government's Strategy and Action Plan to combat the informal economy remains sluggish, in particular regarding the formalisation of undeclared workers. The country's informal sector takes various forms, of which the most prominent are unregistered labour, partially undeclared wages and other irregularities in the enforcement of the Labour Relations Act. While the country made swift progress early on in deregulating the business environment, most notably by facilitating the setting up of a new company, the implementation of some key measures has been protracted in recent years. This includes the streamlining of the multitude of para-fiscal fees in force, and the adoption of a new bankruptcy law, intended to facilitate market exit by reducing the cost and time of procedures. The scope of digital services available on the national e-service portal with full electronic interaction has not much increased in past years, with implementation suffering from low institutional capacity. The energy market was fully liberalised in 2019. The 2022 energy crisis, in particular the need to import large amounts of electricity, put into focus the urgency of reforms improving energy efficiency and enhancing the use of renewable energy sources.

I.C FUNCTIONING OF THE FINANCIAL MARKET

a. Country presentation

The macro-prudential framework has been reinforced, based on the new **Law on Financial Stability**, in force since 9 August 2022, which strengthens the legal base for the financial stability infrastructure, by formalising the **Financial Stability Committee**. The Committee, which among its 13 members includes the Central Bank governor and the Minister of Finance, and disposes of two subcommittee and a secretariat, adopted a strategy for macro-prudential policy in April 2023, based on recommendations of the European Systemic Risk Board (ESRB). Furthermore, it will monitor and assess the conditions of the financial system, provide warnings and recommendations to prevent systemic risks, and coordinate the cooperation among the various competent authorities, among others. The two subcommittees will focus on monitoring systemic risks, proposing macro-prudential measures and assess the regulator's preparedness with respect to financial crisis management.

The importance of the financial sector and financial intermediation for the economy has gradually increased. Financial sector assets remain overwhelmingly concentrated in the banking sector. The number of active banks and insurance companies has remained stable. Banks also account for over 99% of the countries' total deposits. Interdependencies among the various segments of the financial sector are limited and there almost no financial instruments, hence the risk of spill-overs between the segments is limited. During the last 10 years, the development of credit and deposits, as well as the quality of banks' assets and their credit risk management have been solid. Furthermore, the banking sector also reported sound liquidity and solvency ratios, confirmed during the regular stress test exercises, and it regularly posts solid profits. Over the past 10 years, the currency structure of loans and deposits has shifted increasingly towards use of the country's local currency, which reduces the exchange rate risk. This trend has been supported by a Denarisation Strategy, which the Central Bank has been implementing since 2019.

Finally, the degree of **financial literacy** of the households is in line with the peer countries of the region. Additionally, there is an increasing trend in financial inclusion indicators, including the ownership of bank account (one of the highest in the region), credit and debit cards and the use of internet and mobile phones for shopping. However, in order to improve the situation, the authorities, under the lead of the Central Bank, have adopted the *Strategy for Financial Education and Financial Inclusion 2021-25*, which includes activities to promote financial education and inclusion, such as strengthening the consumer protection system. Furthermore, there is ongoing work on a draft Law for a financial Ombudsperson and the financial inclusion of SMEs will be strengthened.

[NB: Chapter 9, Financial Services, is dealt with under cluster 2].

b. Commission assessment

Banks remain by far the dominant segment of the country's financial sector, as financial diversification is progressing only slowly. Banks account for some 80 % of financial sector assets in 2022, only slightly lower than 5 years earlier. The share of foreign equity in total bank equity has been consistently high, at about 75 %, but domestic banks' funding relies largely on domestic deposits, hence dependence on funding from their parents in the EU remains low. Banks are well-capitalised, liquid and profitable. Demand for foreign currency deposits remains strong. There was increased demand by savers for euro-denominated deposits during the recent crisis, interrupting the overall trend to local currency deposits, which is supported by the central bank's Denarisation Strategy. The ratio of non-performing loans (NPL) in total loans to the non-financial sector has been decreasing continuously since the end of 2013, also after temporary moratoria on loan repayments, in force during the COVID-19 crisis, ran out in 2021. Loan-loss provisioning has much improved in the past 5 years. With a view to improving financial literacy, the financial regulators, led by the central bank, adopted the first national Strategy for Financial Education and Financial Inclusion in 2021. On this basis, the central bank adopted a Code of Good Practices for Financial Education, establishing the principles to be respected by institutions offering financial education programmes. The institutional framework for ensuring financial stability was bolstered in recent years, most recently by the passing of the Financial Stability Law in the parliament in July 2022, which reinforces the key macroprudential role of the central bank and formally establishes the Financial Stability Committee, an interinstitutional body monitoring the financial system. A number of other key legislative acts in the financial sector are planned for adoption by the government in 2023. However, the issue of independence of the national bank has not been resolved – while an amendment to the National Bank Law excluding national bank staff from the status of administrative servants is awaiting adoption by the parliament, other legal acts, including the December 2022 draft Payroll Law, impinge directly or indirectly on the independence of the national bank.

I.D FUNCTIONING OF THE LABOUR MARKET

a. Country presentation

In 2020 and 2021, there has been a significant downward trend in unemployment rates, both, for the 15+ age group, but also in particular in the case of youth unemployment (age group 15-29). However, structural weaknesses of the labour market persist, aggravated by rising emigration and a high inactivity rate. Low labour market participation rate among women; the relatively high unemployment rate of young people; the low rate of participation of unskilled persons; and the high rate of informal employment are among the key challenges. In order to address those challenges, the authorities have adopted a series of strategies and action plans, such as the *National Employment Strategy 2021–2027*.

The *Operational Plan for Active Employment Programmes and Measures and Labour Market Services* had a budget of over 55 million EUR (0.4% of GDP) provided in the period 2021–2022 and covered about 31 thousand unemployed (more than 20% of total unemployed), in particular from vulnerable categories (women, Roma, youth aged 15–29 years). Almost 50% of the total number of persons covered with the active employment measures are women, while more than 60% of the total number of persons covered with the active employment measures are young people aged 15–29 years. Since 2018, more than 85 thousand young people have participated in the Youth Guarantee Implementation Plans. Nearly 40% of the participants successfully completed this project. In the framework of the government's programme of the activation of guaranteed minimum assistance beneficiaries, counselling and motivation services, as well as trainings for the activation of guaranteed minimum assistance beneficiaries, have been introduced in 2020–2022.

[NB: Chapter 19, *Social Policy and Employment*, is dealt with under cluster 3].

b. Commission assessment

The economic recovery after the pandemic and government support measures have bolstered the labour market, but structural problems remain. Wage subsidies and liquidity support from the government bolstered labour market resilience also in 2021 and beyond. According to data for the second quarter of 2022 from the Labour Force Survey, which has been based on the results of the 2021 population census since the first quarter of 2022, the labour force (15-64) dropped by 14.2 % year-over-year (end of second quarter 2022), while the activity rate rose by 0.9 pps in this period, to 66.4 %, implying a large drop in the working age population. The number of unemployed decreased even more sharply than the labour force, bringing the unemployment rate down to 14.7 % (-1.3pps. year-over-year). Labour market participation rates rose for both, men and women. Yet the gender gap widened for the second year in a row, after narrowing consistently between 2014 and 2019, as the participation rate for men rose by more during the pandemic than the rate for women. The gap widened by 2.5pps, to 25.8pps. by the end of second quarter 2022, compared to the same period in 2021. Youth unemployment remains high, at 30.9 %, but is declining steadily (-6.9pps. year-over-year). Compared to the first quarter of 2022, the unemployment rate for the age group 15-24 years declined by 3.9pps, with the labour force in this cohort lower by 7.9 %. Youth unemployment has declined significantly since the government's Youth Guarantee scheme entered into force in 2018. Around 80 % of unemployed are so long-term, largely reflecting an entrenched skills mismatch. Given limited human and financial resources in employment agencies, the government faces the challenge of better targeting the vulnerable unemployed, with a view to their participation in active labour market policies. The share of informal workers in total employees remained high, at some 14 % in 2019, according to government data, even though declining persistently since 2015. The average tax wedge is regressive in North Macedonia at the bottom of the income distribution: the average contribution rate therefore takes a much higher share of the total income of low-wage earners.

I.E SUMMARY OF FINDINGS – FUNCTIONING MARKET ECONOMY

North Macedonia is at a good level of preparation in developing a functioning market economy. In 2022, the economy was badly hit by the fallout from Russia's war of aggression against Ukraine, slowing down significantly its post-COVID recovery. The government supported households and businesses by large-scale energy subsidies, tax reductions and targeted direct income support. On account of an inflation-driven boost to tax income and of under-execution of several expenditure categories, the general government deficit remained below the revised target. The public debt ratio dropped, but remains significantly above pre-COVID-19 levels. The central bank tightened its policy stance further in view of still elevated inflationary pressures, which began to subside gradually towards the end of 2022 and beyond. The current account deficit rose substantially as energy import prices surged, but external financing needs were met with the help of market-based and IMF borrowing. A new Organic Budget Law (OBL) provides for the introduction of fiscal rules and a fiscal council, considerably strengthening fiscal sustainability. However, wider-ranging measures to improve the management of public investment, which are vital for underpinning the government's plans for a sizeable increase in capital expenditure, have progressed only slowly. The banking sector remained resilient throughout the crises, and financial stability was bolstered by progress on some key legislation. The labour market showed some improvement, but structural problems, including high youth and long-term unemployment rates and a large gender gap, persist. The business environment continues to be impeded by the large size of the informal economy, slow progress in streamlining para-fiscal charges and an intransparent and inefficient state aid regime. North Macedonia should step up the implementation of policy guidance jointly agreed at the annual Economic and Financial Dialogue between the EU with the Western Balkans and Türkiye, based on the Commission's assessment of its Economic Reform Programmes.

II. THE CAPACITY TO COPE WITH COMPETITIVE PRESSURE & MARKET FORCES WITHIN THE UNION

II.A EDUCATION AND INNOVATION

a. Country presentation

The government's "*Education Strategy for 2018-2025*" focusses on key pillars of pre-school education; primary education; secondary education; professional education and training; higher education and research; and adult learning and education. So far, the Ministry of Education and Science prepared reports on the implementation of this strategy for the years 2018-2021, taking stock of achievements, but also identifying weaknesses to improve the monitoring and evaluation of this process.

Furthermore, the authorities are implementing the "*Adult Education Strategy 2019-2023*", as well as concepts for the establishment of regional centres for vocational education and training, and for adults' secondary education. The country is also providing support for students with disabilities, for example by financing education assistants (720 in the school year 2022-23), and professional support and supportive technologies in accordance with individual education plans. Work is currently ongoing on three new laws on education, namely the *Law on Vocational Education and Training*, the *Law on secondary education* and the *Adult Education Act*, which are scheduled for adoption by the end of 2023. The authorities are also preparing legal measures to improve inclusive education, the democratic participation of students, the work of the regional centres for Vocational Education and Training, as well as learning for sustainable development. The government is preparing three important strategic documents: the *National Strategy for Youth 2023-2027*, the *National Strategy for rights of the persons with disabilities 2023 - 2027* and the *20-year National Development Strategy*, which are also planned for adoption by the end of 2023. These are covering education, the labour market, health care and health care infrastructure, social policy and the pension system, good governance, social inclusion, gender equality, disaster risk reduction and crisis resilience, as well as digitalisation, green transition and innovation.

[NB: chapter 25, science and research and chapter 26, education and culture, are dealt with under cluster 3].

b. Commission assessment

While North Macedonia has progressed very well in terms of the number of people with higher educational attainment, curricula are not well suited to equip graduates with necessary skills to match labour demand. State financial support for education is insufficient and coordination between the education sector and businesses is weak. Public spending on education and training has decreased in recent years, amounting to some 3.3 % of GDP (2021), compared to an average of 3.7 % of GDP in the previous five years, and much below the EU level (5%), and also below peer-country averages. A lack of funding and of capacity hinders progress with implementing the 2018-2025 education strategy. There was substantial improvement in the 2018 PISA ranking, compared to 2015, but the country still ranks in the lowest quartile. Vocational training (VET) curricula have been under revision since 2019, so as to adjust them to labour market needs. However, the modernisation of the country's three VET centres is hampered by slow parliamentary adoption of necessary legislation. Innovation activity remains, overall, low. At 0.4 % of GDP, including a small share from the private sector, the economy's expenditure on research and innovation has not increased over recent years, and remains significantly below the EU average. According to the EU innovation scoreboard, the country remains an emerging innovator.

II.B PHYSICAL CAPITAL AND QUALITY OF INFRASTRUCTURE

a. Country presentation

The authorities provided an overview of the country's advanced alignment with the EU *acquis* on **electricity and gas**, as well as on the current state of the physical interconnection of the country's electricity and gas network with neighbouring countries. They then presented their plans for further improving the energy network's interconnectivity and the alignment with the respective EU *acquis*. Concerning **transport infrastructure**, the authorities informed about the country's current transport infrastructure (aviation, rail and road) and ongoing projects, such the cooperation with the Transport community, and efforts to improve road traffic safety and to promote intelligent transport systems, which should lead to a significant reduction in travel time and traffic accidents. With respect to **digitalisation**, the authorities presented the current legal framework and the ongoing alignment with the European Interoperability Framework. Furthermore, the authorities presented the country's participation in regional cooperation networks, both at EU and at Western Balkan level. In the area of **energy production and consumption**, the authorities provided an overview of the current situation and the alignment with the relevant EU *acquis*. In addition, current projects are being implemented to improve the efficiency of energy production, transmission and consumption and further plans to improve the country's alignment with various elements of the EU *acquis* related to energy.

[NB: Chapter 14, Transport, Chapter 15, Energy, and Chapter 21, Trans-European Networks are dealt with under cluster 4].

b. Commission assessment

Investment spending remains moderate in light of major needs to increase physical capital. Gross capital formation (GCF, including inventories) rose to 35 % of GDP in 2022 (+1.8pps year-on-year), exceeding its pre-COVID level (2019: 34.5%). Investment in fixed assets (gross fixed capital formation) rose steadily in the five years to 2021 (latest data), when it reached 22.5% of GDP. This is above the average of 21.9% in the preceding 5 years, and close to the EU-27 average of 22.8% (2022). In terms of ownership, the share of private sector investment in total remained steady in the five years up to 2021, at around 75%. In the face of the current energy crisis, as well as the protracted works on a number of major road and rail projects, the need to modernise the country's capital stock, in particular the transport and energy networks, appears ever more pressing. Regional transport connectivity progresses slowly. There has been some progress on upgrading major road sections to highway level, but the works on Rail Corridor VIII to Bulgaria are still stalled. After the second deadline to complete the construction of the Kicevo-Ohrid motorway was missed in June 2021, the period for completion was extended by another two years. Regarding Rail Corridor X, the joint agreement with Greece for facilitation of the rail border procedures is still pending. Maintenance and service of regional and local roads and rail systems need to be improved.

Energy diversification needs are pressing, while the adoption of energy efficiency legislation is protracted. The economy is characterised by high-energy intensity with low efficiency in energy production and use. Electricity generation is highly dependent on coal, and, with domestic coal reserves declining, on imports. The government plans to increase the share of renewable energy sources to 35-45 % of energy consumption by 2040. The distribution of natural gas, as an intermediate step in the decarbonisation process, is advancing, with efforts made to increase the transmission and distribution network. The total distributed quantity in 2021 was around 426 million m³ (+26.13 % compared with 2020). Gas accounts for some 11 % of electricity production, and 100 % of the country's gas is imported from Russia through a single connection. The connection to regional gas pipelines progresses only slowly. Works on the gas interconnection with Greece have not yet started. This project would support diversification of natural gas sources and facilitate access to transit pipelines. Further improving energy efficiency, including in residential and public buildings, is important to lower the economy's dependence on energy imports and to allow for the reduction of fiscal subsidies for energy. Yet, partly on account of limited technical capacity, the government has not progressed with the adoption of the needed by-laws to implement the 2020 Law on Energy Efficiency. The legal and regulatory framework for the establishment of the Energy Efficiency Fund is also not yet adopted. The government is providing a range of financial initiatives to support the private sector in its greening efforts, including the recently adopted Plan for Accelerated Growth (2022-2026), which foresees two funds to finance green economy projects. However, overall, government plans to attract more private funds to finance public capital projects, as set out in the October 2021 Fiscal Sustainability and Economic Growth Support Plan, have made little progress, including the new legal framework for public-private partnerships (PPP), adopted by the government in 2022, which addresses the issue of fragmented terms and conditions and the lack of central oversight of fiscal risks related to PPPs and concessions.

II.C SECTORAL AND ENTERPRISE STRUCTURE

a. Country presentation

The largest share of companies overall is active in the services sector (77.5 % in 2021). Between 2017 and 2020, the share of services sector companies in total value added and in employment increased. In 2020, 98.7% of all companies were SMEs, up from 97.6 % in 2017. Between 2017 and 2020, the number of micro enterprises increased by 4 %, to 90.4 % of all SME, with micros' share in total SME employment increasing by 17ppts to 31.8%. In 2021, most companies were active in trade distribution (31.9 %), followed by manufacturing (16.6 %). The authorities' policy framework to improve the sectoral industry structure includes recent initiatives such as the Industrial Strategy, the Plan for Economic Growth, the Growth Acceleration Plan 2022-2026, the strategy for smart specialization, as well as general export promotion and FDI schemes. In terms of content, the authorities put their key focus on growth & competitiveness, green/energy and digital transition, VC integration and skills development. They target productivity growth by supporting R&D and innovation, technology intensification, diversification towards higher-value added products and more skills-intensive jobs.

[NB: Chapter 20, enterprise and industrial policy, is dealt with under cluster 3, and Chapter 11, agriculture, is dealt with under cluster 5].

b. Commission assessment

The economy's output structure has gradually diversified towards a higher share of services, including trade, as well as higher value-added manufacturing. Service industries accounted for 66 % of total value added in 2021 (compared to 60.4 % in 2016 and 64 % in 2020). The share of manufacturing stood at 14.8 % of value added in 2021. The construction sector has lost some ground in the output structure in recent years (5.8 % of value added, compared to 6.2 % in 2020 and an average of 7.2 % in the period 2016-2020), partly reflecting weak investment dynamics during the pandemic. The share of agriculture, too, has gradually declined. (2021: 9 %). Although services were badly hit by pandemic-related containment measures, they still accounted for over half of total employment in 2021 (57.6 %), which is a stark increase compared to 5 years earlier (2016: 52.3 %), and higher than in 2020 (57 %), when lockdown rules were even stricter. In spite of the weak performance of the manufacturing sector in 2021, its share in total employment remained almost unchanged from the preceding year, possibly owing to government support schemes such as wage subsidies and reduced working hours. It is significantly above its level of five years earlier (19 %). The agricultural sector is gradually becoming less significant for overall employment. Its share in total employment dropped further in 2021 (11.5 %, down from 12 % in 2020 and 16.6 % in 2016). Overall, it is likely that financial support from the government's anti-crisis measures, which prioritised certain sectors of the economy, to some extent impacted on sectoral employment trends over the past 2 years.

II.D. ECONOMIC INTEGRATION IN THE EU AND PRICE COMPETITIVENESS

a. Country presentation

While the share of exports from North Macedonia to the EU-27 in total exports was slightly higher in 2021 than in 2013, the share of imports had declined. Exports and imports from CEFTA countries have remained relatively steady at some 10% each of total trade. In terms of sectors, the share of chemicals has increased in the past years, while the share of machinery and transport equipment, which had been rising steadily since 2013, dropped during the COVID-19 period, as the automotive industry faced supply chain disruptions. The share of direct investment from EU countries in total stock decreased between 2013 and 2018, by some 20 ppts, and has since increased again, but only slightly (2.2 ppts). The authorities pointed out that different degrees among CEFTA countries regarding the harmonisation of standards with the EU *acquis*, as well as deficiencies in the one-stop-shop procedures at selected crossing points remain obstacles to further increase in CEFTA trade. With regard to trade with EU countries, recent obstacles identified by the representatives of North Macedonia are the price increases in primary components based on the world stock markets and the disruption of supply chains hindering production in key export sectors in North Macedonia.

b. Commission assessment

The country's trade openness (exports and imports in goods and services as a share of GDP) is high (2022:171%, compared to 138% in 2019 pre-COVID-19) and has been increasing gradually over the past 15 years. The share of higher value-added products in the export structure has been rising consistently, including chemicals (now about one fourth of the export value) and machinery and transport equipment (some 30 %), at the expense of traditional exports such as iron and textile (below 20 %). In recent years, the share of total exports destined to CEFTA countries increased, while the share of exports to the EU (which have been obstructed in recent years by significant disruptions in the automotive supply chains) remained the same, at some 77 % of total exports. The EU's share of imports has also remained steady over past years at 46 % of total. EU countries remain the most important investors in North Macedonia, accounting for some 56 % of total FDI inflows in 2021, but the EU-27 share in the total stock of direct investment has been declining since 2015 (66.1%), and amounted to 61.9 % in 2020 (EU-27). Concerns over external competitiveness have increased as wage growth accelerated, fuelled by the recent 18.5 % hike in minimum wages, coupled with compensating wage subsidies to employers, and by increases in public sector wages. The real effective exchange rate (REER) deflated by the consumer price index (CPI), appreciated in 2022, on account of a rise in the nominal effective exchange rate, with relative prices remaining stable. Nominal unit labour cost rose by 7% in 2022, reflecting the stark increase in nominal wages amidst subdued productivity growth.

II.E SUMMARY OF FINDINGS – THE CAPACITY TO COPE WITH COMPETITIVE PRESSURE & MARKET FORCES WITHIN THE UNION

North Macedonia is moderately prepared in its capacity to cope with competitive pressure and market forces within the Union. Integration with the EU in trade and investment remains at a high level. The share of high-value products in exports increased further and trade openness surged to a record high. There was further progress towards improving vocational educational training (VET), but major skills shortages persist with regard to labour market needs, entailing long school-to-work transition. These, as well as large gaps in transport and energy infrastructure, coupled with low investment and innovation funding are restricting potential growth. The digitalisation of the economy is advancing, but the competitiveness of domestic businesses could be improved through a wider offering of public e-services. North Macedonia should step up the implementation of policy guidance jointly agreed at the annual Economic and Financial Dialogue between the EU with the Western Balkans and Türkiye, based on the Commission's assessment of its Economic Reform Programmes.

G) CHAPTER 5 – PUBLIC PROCUREMENT

The three key requirements under Chapter 5 are: First, Public Procurement is regulated by duly enforced policies and procedures that reflect the principles of the Treaty on the Functioning of the European Union and the European Union *acquis* and are supported by suitably competent and adequately resourced institutions. Second, contracting authorities are adequately staffed and resourced and carry out their work in accordance with applicable regulations and recognised good practice, interacting with an open and competitive supply market. Third, in case of alleged breaches of procurement rules, aggrieved parties have access to justice through an independent, transparent, effective and efficient remedies system.

In addition, the European Commission examines measures taken to promote integrity, prevent and fight corruption under all three dimensions.

I. GENERAL FRAMEWORK FOR PUBLIC PROCUREMENT

I.A STRATEGIC, LEGAL AND INSTITUTIONAL FRAMEWORK

a. Country presentation

North Macedonia indicates that its **legal framework** on public procurement, including utilities and the defence and security procurement is largely aligned with the *acquis*.

A Strategy for Improvement of the Public Procurement System in the Republic of North Macedonia for the period 2022-2026 and an Action Plan for 2023 are in place. Public Procurement reform priorities are also incorporated under Pillar IV of the Public Finance Management Reform Programme 2022-2025.

North Macedonia indicates that the “*Public Procurement Law*” (PPL, Official Gazette No. 24/2019 and 87/2021) together with 18 bylaws are aligned with the *acquis* regarding classic and utilities directives. The PPL regulates the award of contracts both above and below the EU thresholds.

North Macedonia explains that the *Law on strategic investments in the Republic of North Macedonia*, adopted in January 2020 defines in article 4 strategic investment projects, which also include projects that are “implemented on the basis of agreements between countries” and are considered as strategic projects. According to the information provided by North Macedonia, the status of strategic investment project was granted to 10 projects with a total value of EUR 1.7 bn (out of 24 requests received), since the Law was adopted. Eight of these projects with a total value of EUR 1.3 billion are in the energy sector. No information has been provided on the procurement procedures used for the implementation of these projects.

North Macedonia also reports on two infrastructure projects that do not fall under the remit of the PPL: First, the construction project on the infrastructure corridor 8 (section: –Tetovo - Gostivar - Bukojcani and the highway project Trbenista - Struga - Kafasan) and corridor 10 e (section of the highway–Prilep - Bitola) in North Macedonia which is considered an ‘investment project of strategic national importance’. The *Law on determination of public interest and nomination of strategic partner for implementation of the construction project on the infrastructure corridor 8 (section:–Tetovo - –ostivar - Bukojcani and the highway project Tr–benista –Sstruga - Kafasan) and corridor 10 e (section of the highway–Prilep - Bitola) in the Republic of North Macedonia of July 2021* provides in its article 4 that the “provisions on Public Procurement shall not apply to the award of agreements related to the preparation and implementation of the Project”.

Second, predating the *2020 Law on strategic investments*, the Public Enterprise for State Roads concluded two contracts for the construction of two highway sections (for a total of EUR 824.7 million, 90% of which are covered by loans from Exim Bank) under the *Law on the implementation of infrastructure projects for the construction of the Mil–dinovci - Shtip road section and the–Kichevo - Ohrid road section* (Official Gazette No. 149/2013, 134/2017, 64/2018, 168/2018, 194/2018, 198/2018 and 208/2018 and Official Gazette No. 22/2020 and 285/2021).

North Macedonia states that further alignment with the EU *acquis* and improvements in the legal framework aiming at streamlining the procurement process are planned to be completed within 3 years from the adoption of the screening report. The authorities report on the need to review provisions on negative references, the lack of a “self-cleaning” mechanism, automatic exclusion, as well as the possibility of awarding a contract to second-best bidder in case the contract is terminated. North Macedonia agreed that the provision on procurement rules provided under intergovernmental agreements concluded by North Macedonia needs to be further aligned with the EU *acquis*. The same applies to the provision on the exemption from the utilities public procurement rules of activities that are directly exposed to competition.

North Macedonia reports that 2019 *Defence and Security Procurement Law* is aligned with the Directive 2009/81/EC (EU Defence and Security Directive). The eight by-laws supporting the Defence and Security Procurement Law were prepared and published between November 2019 and October 2020.

Regarding concessions, the 2012 *Law on Concessions and Public-Private Partnerships* (Concessions and PPP Law) and its seven bylaws are not fully harmonised with the 2014 EU Concessions Directive, which it preceded, but it respects the general EU principles. It lacks clear definitions and demarcations regarding the rules and procedure for awarding a public-private partnership as a public works or service contract or a concession. North Macedonia indicates that it has prepared two draft Laws to replace the current PPP legislation with a view to aligning to the EU *acquis*: (1) Law on Public-Private Partnerships and (2) Law on concessions of goods of general interest. The authorities are planning to submit these two draft Laws to parliament following the ongoing internal consultation, and to ensure full alignment to the EU *acquis* within two years after the adoption of the screening report.

North Macedonia presents the **responsible institutions** in the field of public procurement. The *Ministry of Finance (MoF)* has primary competence for defining public procurement policy and drafting legislation. The *Public Procurement Bureau (PPB)* is established as a state administration body within the MoF, with capacity as a legal entity and funded from the budget of North Macedonia. The PPB has four departments with 37 employees. There are 1,466 contracting authorities. The *Ministry of Economy (MoE)* is responsible for concessions, together with the Council for Public-Private Partnerships as an advisory body of the Government. The MoE's tasks include monitoring, analysis, provision of expert assistance, education and training related to concessions. The PPP unit within the MoE is understaffed.

b. Commission assessment

The **public procurement system** of North Macedonia is moderately prepared for accession. **The implementation of the new PPL needs to be ensured through adequate staffing at the PPB and the State Appeals Commission (SAC) as a matter of priority.** The PPB is significantly understaffed with less than half of their allocated staff positions filled at the time of the bilateral screening meeting. This situation hinders in practice the effective roll-out of the changes and flexibilities introduced in the 2019 PPL. The institutional set-up for overseeing concessions and PPPs needs to be strengthened. Also, the understaffing of the SAC limits its capacity.

North Macedonia needs to further align its legislation to the EU *acquis* before the EU accession. The 2019 PPL has a high level of alignment with the 2014 EU classic and utilities Procurement Directives. However, before the EU accession, North Macedonia needs to amend its legislation, including with respect to negative references, removing the automatic exclusion of economic operators without a right to demonstrate “self-cleaning” prior to exclusion, inter-governmental agreements.

North Macedonia needs to ensure transparency and compliance with EU public procurement *acquis* in the implementation of the *Law on strategic investments*, as well as under inter-governmental agreements. North Macedonia should provide timely, comprehensive and clear responses to the Commission's questions on the procurement procedures followed in the case of projects falling under the *Law on strategic investments*.

The 2019 *Defence and Security Procurement Law* has a high level of alignment with Directive 2009/81/EC.

Regarding **concessions**, the current law has a low level of alignment to the EU *acquis*. As presented at the bilateral screening meeting, the draft *Law on Public Private Partnership* covers the award of public procurement contracts as per the Public Procurement Directive and of concessions as per the Concessions Directive. It was agreed that North Macedonia will share the draft law and the correspondence table after the government consultations with a view to analysing the level of alignment with the *acquis*. The draft *Law on concessions of goods of general interest* does not seem to be relevant for Chapter 5 as it does not deal with concessions in the sense of the EU Directives but rather with the rights of use of public assets and natural wealth.

Meanwhile, North Macedonia should urgently strengthen the relevant capacities at the MoE, including appointing appropriately qualified staff to oversee the drafting of necessary by-laws, guidelines, brochures and standard documents for PPPs/concessions.

I.B IMPLEMENTATION CAPACITY

a. Country presentation

North Macedonia indicates that its public procurement market represents approximately 11% of GDP in 2021 as compared to 8% in 2020. In 2021, works contracts for the value of EUR 344.7 million, service contracts for the value of EUR 283.9 million and goods contracts for the value of EUR 644.8 million were awarded.

In terms of **monitoring of contract award and implementation**, North Macedonia describes efforts to strengthen transparency and capacities across the procurement system to reduce cancellation rates and increase competition. The PPB completed 244 administrative controls in 2021 detecting irregularities that affect the outcome of the procedure in 20.6% of all procedures subject to administrative control in 2021. North Macedonia has an advanced integrated **Electronic System for Public Procurement (ESPP)**. ESPP covers e-planning, e-publication, e-submissions, e-award and e-appeals and its use is obligatory for all contracting authorities and entities at central and local level. Also, the publication of information on contract management is obligatory. In 2021, the electronic marketplace for small value procurement was launched.

In terms of the *level of competition* in the procurement market, North Macedonia indicates that 62.2% of economic operators registered in the ESPP are SMEs (2021) and that 53% of the overall value of awarded public procurement contracts was awarded to SMEs in 2021, as compared to 63% in 2020 (61.5% in 2019). North Macedonia indicates that the most applied procedure is the small value procurement procedure. In terms of contract value, the open procedure with 64% is by far the most important. The use of negotiated procedures without publication increased to 8.3% in terms of value in 2021 as compared to 4.35% in 2020 (4.16% in 2019). In 2021 the average number of bidders per tender was 3.31.

North Macedonia explains that its system is decentralised. There is no central purchasing body. Contracting authorities sometimes use framework contracts (6.75% of the total number of concluded contracts in 2021) and joint procurement. The use of electronic catalogues is only just starting. An assessment of the use of framework agreements and centralized procurement was conducted, and the findings will be reviewed. At this moment, the authorities are cautious about further centralisation in terms of efficiency and considering the size of the market.

North Macedonia explains that the rather high *share of cancelled procedures* in the total number of published procedures - 23% in January-September 2022, increased from 20% in 2021 – can be attributed to several factors. The authorities have tried to reduce the use of electronic auctions which used to be obligatory until 2019 and it has been difficult for some contracting authorities to adapt to the new way of working leading to errors. The level of competition and interest from economic operators remain insufficient in some sectors.

In terms of the *share of foreign bidders*, North Macedonia reports that in 2021 bidders from EU were awarded 48 contracts to the value of EUR 24.2 million, representing around 1.9% of all awarded contracts in terms of value, and bidders from other countries were awarded 48 contracts to the value of EUR 7.89 million.

North Macedonia indicates that in practice e-auctions and the award based on the lowest price remain the predominant approach. The *use of most economically advantageous tender (MEAT)* criterion in line with the PPL and the EU directives is at 6.34% of all contracts in 2021 and at 6.04% in 2022.

Regarding **concessions** and PPPs, five new PPP agreements were concluded in 2021 and 16 in 2020. North Macedonia maintains that the institutional structures need to be strengthened at central and local level. The MoE's activities concerning the development, support and delivery of PPPs are very limited. All the members of the PPP Council have been appointed, but the body has not shown any tangible activities.

Regarding the **capacity to manage public procurement and professionalisation**, North Macedonia highlights its commitment and plans to strengthen implementation capacities by reforming the certification programme within two years after the adoption of the screening report. It also plans to promote the status of the procurement function in the country.

North Macedonia notes that as the Public Procurement Bureau monitors the implementation of the procurement strategy, the use of the ESPP facilitates gathering of procurement data and the compilation of statistics. It has published updated guidelines, and some standard procurement documents have been prepared to assist contracting authorities in implementing the 2019 PPL.

North Macedonia presents its certification scheme that has been implemented by the PPB for ten years, consisting of a five-day training followed by an exam, and a 1-day refresher followed by a recertification exam every 3 years. The country plans to change the recertification curriculum.

Two *coordination* bodies have been put in place. A group to oversee the implementation of the procurement strategy which includes the PPB, the MoE, the SAC, the State Commission for the Prevention of Corruption, the Commission for the Protection of Competition and the State Audit Office. An advisory body to ensure compliance and uniform application of the procurement legislation was established recently, which includes the above institutions except for the MoE.

As regards the accelerated integration, North Macedonia expressed interest in participating in certain Communities of Practice under the “Public Buyers Community”.

b. Commission assessment

Further efforts are needed to improve the effective implementation of the 2019 PPL. The *level of competition* remains limited, as well as the use of MEAT award criterion and the use of centralised procurement. Contract management remains a significant area for improvement.

Regarding the **capacity to manage public procurement and professionalisation**, the PPB’s ability to assist contracting authorities and economic operators through advisory and training activities is limited due to lack of resources.

Support to contracting authorities on implementing the PPL, in particular on the use of the MEAT criterion, **and training for contracting authorities and entities needs to be improved and expanded** under a reviewed certification programme. The quality of tender documentation remains a challenge for smaller contracting authorities. The high cancellation rate and the poor use of the e-market system for low value contracts demonstrates the need to further strengthen the capacities and build the confidence of the contracting authorities. Support to contracting authorities needs to be strengthened. The PPB needs to ensure that –guidance - including manuals, model tender documents and contract– models - is comprehensive, up to date, aligned with the PPL, as well as pedagogical and practical. Continuous training of staff at the contracting authorities and entities and economic operators must be ensured. The training curriculum should also address practical aspects of the application of the Law.

Coordination between government stakeholders needs to be strengthened further to improve compliance with and uniform application of the law. In this context, the recently established advisory body should include the MoE, which is responsible for PPPs.

Currently, on average only 80% of the contracting authorities (1,518) can count on a certified procurement officer (1,221). North Macedonia needs to prioritise increasing the number of trainings, as well as improving the quality. A review of the recertification curriculum should focus on enabling procurement officers to manage the practical issues and challenges at all stages in the procurement cycle.

The Commission considers favourably North Macedonia's interest in certain Communities of Practice under the "Public Buyers Community".

I. C SUMMARY OF FINDINGS – GENERAL FRAMEWORK FOR PUBLIC PROCUREMENT

The legal framework in the classic and utilities sectors has a high level of alignment with the EU *acquis*. In this regard, North Macedonia needs to amend its legislation, including with respect to negative references, removing the automatic exclusion of economic operators without a right to demonstrate "self-cleaning" prior to exclusion and inter-governmental agreements. In the area of concessions, the current law has a low level of alignment to the EU *acquis*. The Defence and Security Procurement Law has a high level of alignment with the EU *acquis* in the field of defence procurement.

North Macedonia is moderately prepared in terms of implementation and enforcement capacity. The level of competition remains limited. Contract management remains a significant area for improvement. Contracting authorities need support and training on implementing the PPL, in particular on the use of the MEAT criterion.

II. EFFICIENT REMEDY SYSTEM

a. Country presentation

The **right to legal remedy** is defined in the PPL. North Macedonia considers its legislation in this area as fully aligned with the EU *acquis*.

The **State Appeals Commission (SAC)** is the competent review body for all sectors of public procurement and concessions. It is an independent state body of an administrative nature. It is composed of 4 members and a chairperson, all of which are appointed by the Parliament with 5-year terms of office. The SAC expert service has 2 departments with 16 employees and is headed by a Secretary General.

A review procedure can be initiated by an economic operator who has a legal interest, by the PPB and the state attorney. The SAC is required to act ex officio regarding major infringements, including major infringements listed in the PPL. Decisions of the SAC may be appealed to the Administrative Court. The judgments of the Administrative Court can be appealed to the High Court of Appeals.

North Macedonia reports that the **e-appeals** function of the ESPP became fully operational on 1 April 2019. It covers the full appeals process, including submission of the appeal and supporting documents, payment of the relevant fees, submission of supplementary information and publication of both the notification of the appeal and the decision of the SAC.

North Macedonia highlights the **functioning of the remedy system** despite serious challenges. The number of appeals had grown around 20% year-on-year in 2019 and 2020, and at a slower rate since then, reaching 1,109 cases in 2021. 95% of all cases refer to classic procurement. The resolution rates are very high and have been increasing over the years, from 94% in 2019 to 98% in 2021. Although the number of complaints submitted to the SAC has been growing over the years, the number of lawsuits filed against the SAC decisions is almost the same as in the past years. This translates into a decreasing share of lawsuits (13% in 2018 to 11% in 2021), pointing towards improved compliance. 100 lawsuits were filed against the SAC decisions and submitted to the Administrative Court for revision in 2021.

In terms of **administrative capacity**, the SAC is extremely understaffed with four out of 5 Commission members appointed and only 12 of 43 expert posts filled. This results in an unsustainably high case load per person. North Macedonia indicates that a functional analysis is planned that should deliver concrete measures to improve institutional efficiency through internal restructuring. In January 2023, a new regulation for internal organisation and a new regulation for the systematisation of jobs were adopted, with which a new Department for EU integration and monitoring of European norms was opened.

As regards the accelerated integration North Macedonia expressed interest in participating in the Expert Group “Network of first instance review bodies on public procurement”.

b. Commission assessment

The legislation on the **right to legal remedy** has a **high level of alignment** with the EU *acquis*. The SAC is an independent review institution which continues promptly to resolve the growing number of appeals. The system has significantly benefited from the introduction of the **e-appeals system**. It provides for an efficient and transparent system for the submission and conduct of appeals.

The **implementation capacity** of the SAC remains insufficient. Given the annual increase in number of appeals, **there is a need for additional qualified staff** to ensure timely processing of the appeals. There is no considerable backlog of decisions. However, most of them cover exclusively legal and administrative matters rather than issues related to the technical substance of the appeals.

As regards accelerated integration, the Commission considers favourably North Macedonia observer status in the Expert Group “Network of first instance review bodies on public procurement”.

c. Summary of Findings Efficient Remedy System

North Macedonia has a high level of alignment with the Remedies Directive. The State Appeals Commission (SAC) is an independent review institution, however, it needs additional qualified staff to ensure timely processing of the growing number of appeals. The introduction of the e-appeals system provided for an efficient and transparent system for the submission and conduct of appeals.

III. THE FIGHT AGAINST CORRUPTION IN PUBLIC PROCUREMENT

a. Country presentation

Regarding the **legal and strategic framework**, North Macedonia presents the system of *ex-ante administrative control* (PPL, art 181 and 182). The control exercised by the PPB concerns selected high-value procurements (goods and services exceeding EUR 500 000 and works exceeding EUR 2 million), high-risk procedures as flagged by the risk assessment system, and other randomly selected procedures.

North Macedonia describes the respective provisions under the *PPL*, aimed at detection of irregularities through administrative control and at imposing fines for ‘misdemeanour provisions for the contracting authority’ (art. 181 and 182).

The *Criminal Code* includes a provision on the ‘Abuse of the procedure for public invitation, awarding of a contract for public procurement or public-private partnership’, punishable with fines or imprisonment of up to five years (art 275c).

In addition, the *Law on Prevention of Corruption and Conflict of Interest* (Official Gazette no. 12/19) includes a specific provision on public procurement (Article 57 (1)), prohibiting illicit influence. Amendments to this law are envisaged to improve the proceedings of the *State Commission for Prevention of Corruption* and to prevent contract award to elected and appointed officials.

The *National Strategy for prevention of Corruption and Conflict of interest 2021-2025* defines public procurement as one of two horizontal areas vulnerable to corruption. Measures aim at addressing weak capacity (which is considered to be often the reason for poorly defined technical specifications or tailoring them for a specific economic operator) and tackling undue influence by responsible persons in the contracting authority on the procurement process.

Regarding **the implementation and enforcement of the anti-corruption framework**, the authorities report that the PPB has not initiated any misdemeanour procedure under articles 181 and 182 of PPL since 2019. A new department with a Unit for Legal Affairs and Misdemeanour Proceedings was established to strengthen the monitoring of public procurement procedures and to initiate misdemeanour proceedings in front of competent court. The unit is yet to be staffed and made fully operational. Under criminal law (art. 275c and v), two procurement-specific cases were processed in the period 2019-2021. The procedure for one case was suspended. The second case resulted in two prison sentences, one of which was suspended after a successful appeal.

North Macedonia has implemented two integrity measures recently: (1) signing of a declaration of confidentiality and (2) mentioning the name of an authorised person to receive whistle blower reports on the tender documents. North Macedonia maintains that the regulatory and institutional mechanisms regarding integrity and conflict of interest are still insufficient and describes efforts to reinforce inter-institutional cooperation in the fight against corruption, including through alignment of strategic documents, use of the red flags tool and implementation of other control functions. The State Commission for the Prevention of Corruption plans to develop a special software to support and connect these efforts by 2024, including a register of elected and appointed persons, system for electronic submission of assets declarations and an electronic portal to connect with 20 other institutions to download necessary data.

b. Commission assessment

North Macedonia put in place a **legal and strategic framework** for fighting corruption in public procurement as described above under *country presentation* with specific provisions on corruption in public procurement, notably under the PPL, the Criminal Code and the Anti-Corruption Law. Note that the public procurement related provision in the Criminal Code only targets economic operators and not public officials (art. 275.c). *See general anti-corruption measures under Chapter 23, Judiciary and Fundamental Rights.*

In terms of **developing an effective system for the prevention of corruption** in public procurement North Macedonia has achieved a high level of transparency through its comprehensive electronic procurement and e-appeals system. The ESPP includes a “red flag” system to facilitate detection of high-risk tenders. Notably, the ESPP allows tracking contract award notices linked to the COVID-19 crisis using markers and feeds the financial transparency webpage with data on COVID-19 related public procurement contracts. North Macedonia provides access to redress to participants through developing its remedy system, within the limitations of inadequate administrative capacity of the SAC. The role and the capacity of the SAO in performing audits of public procurements have been enhanced through the implementation of the new public procurement audit programme providing updated guidance and methodological tools to auditors. One regularity audit was carried out for emergency public procurements linked to the COVID-19 crisis. *See Chapter 32, financial control.*

North Macedonia needs to **increase efforts to prevent corruption, by improving the functioning of the overall system to increase competition, compliance and professionalisation**. It should focus on **increasing staffing and training** at the PPB, the SAC and the contracting authorities and on strengthening the **institutional set-up for overseeing concessions and PPPs**.

The **internal control systems within contracting authorities need to be strengthened** as the first line of defence in terms of control procedures (see measures under Chapter 32), allowing the PPB to focus on its core tasks of policy guidance, support and monitoring of the functioning of the full PP system. The PPB is advised to assess the relevance and effectiveness of the ex-ante administrative control. It needs to minimize the administrative burden and avoid causing delays in the procurement process, while strengthening the aspect of learning, guidance, and support from administrative control.

North Macedonia should continue to develop its red flag system within the ESPP to detect high risk procedures and strengthen the data analysis in support of evidence-based reporting on possible corruption or bid-rigging. It should continue to implement the integrity measures foreseen under the Public Procurement and Anti-Corruption Strategies.

North Macedonia needs to build a track record on *prosecution and adjudication* of corruption cases in public procurement. This track record is currently insignificant. North Macedonia should reinforce monitoring systems of corruption cases related to public procurement and reinforce the capacity of law reinforcement institutions to investigate and prosecute these cases. The PPB should develop further and fully implement existing cooperation agreements with other institutions, especially with the SAO, financial police and public prosecution, in order to strengthen and speed up the follow-up of reported cases, including by pooling scarce expertise related to tender specifications or procurement technicalities.

C. SUMMARY OF FINDINGS – THE FIGHT AGAINST CORRUPTION IN PUBLIC PROCUREMENT

North Macedonia has in place a legal and strategic framework for fighting corruption in public procurement. The country needs to increase efforts to prevent corruption, in particular by improving the functioning of the overall system to increase competition, compliance and professionalisation. The internal control systems within contracting authorities need to be strengthened as the first line of defence in terms of control procedures, allowing the PPB to focus on its core tasks of policy guidance, support and monitoring of the functioning of the full PP system. A transparent and effective public procurement system is crucial to mitigate corruption risks in this area.

H) CHAPTER 18 – STATISTICS

The EU *acquis* in statistics is almost exclusively legislation that is directly applicable in Member States, i.e. European Parliament and Council Regulations and Commission Regulations. EU rules require that Member States are able to produce good quality statistics in line with the principles of the European statistics Code of Practice and based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information. The statistical *acquis* therefore also contains a wide range of methodological handbooks, classifications and manuals in the various statistical domains such as agriculture, economic and monetary policy, demographic and social statistics and research.

I. STATISTICAL INFRASTRUCTURE

a. Country presentation

The State Statistical Office (SSO) is the main producer and the overall co-ordinator of official statistics in North Macedonia. In addition to the SSO, the country's statistical system consists of the National Bank and seven other producers of official statistics. North Macedonia also has a Statistical Council and a Coordination Committee. The framework for statistics is set by the Law on state statistics and the Law on the organisation and operation of state administration bodies. The Strategy of the SSO sets the priorities for the next three years. The SSO determines the methodological bases of statistical surveys. The five-year Programme of statistical surveys completes the regulatory framework. The majority of memoranda of understanding with other producers of official statistics are in place.

North Macedonia reached a high level of compliance with Regulation (EC) No 223/2009 on **metadata**. North Macedonia uses SDMX-based architecture for data transmission to Eurostat; work is underway to further harmonise and extend the SDMX database to other statistical domains. Although the SSO staff has a good level of SDMX capabilities, North Macedonia pointed to the lack of well-trained human resources as risk factor. The work on extending the SDMX system with new statistical domains is currently ongoing. In March 2023 new statistical node on economic statistics is added to the system and consequently the transport and structural business statistics domains are included. SDMX data sets are extracted from the system and sent to the single entry point in Eurostat.

The Government adopted the Commitment on confidence in official statistics in 2019, which states that the statistical system of North Macedonia should be developed in accordance with the European statistical system as laid down in Regulation (EC) No 223/2009. Data is to be produced on the basis of professional independence, impartiality, objectivity, reliability, statistical confidentiality and cost effectiveness.

The SSO currently has a workforce of 266 persons⁹¹ out of the allocated 436 positions⁹². The SSO is working to substantially increase human resources to improve its administrative capacities.

b. Commission assessment

The statistical infrastructure has reached high level of alignment with the EU *acquis* and international standards. Certain aspects related to the quality of statistical activities and statistical confidentiality need further regulation. The Law on state statistics needs to be aligned with the new Law on the protection of personal data. Important parts of the statistical *acquis* are implemented by the National Bank, the Ministry of Finance and other government agencies. The national statistical system should be properly defined so it contains producers of official statistics, but not agencies that are solely data providers. Whereas legal alignment is high, the level of human resources at the SSO pose a challenge for efficient implementation. The allocation of adequate resources is therefore crucial to achieve full compliance in key statistical across the board.

⁹¹ 231 employees and 35 contractual staff.

⁹² 1.7.2023

c. Summary Of Findings – Statistical Infrastructure

North Macedonia has a high level of alignment with the EU *acquis* on statistical infrastructure. The allocation of adequate resources is needed to achieve full alignment with the EU *acquis*.

II. CLASSIFICATION AND REGISTERS

a. Country presentation

The major European statistical classifications are implemented. North Macedonia assesses to have achieved full compliance with NACE (Statistical classification of economic activities in the European Community) Rev. 2, CPA (Classification of products by activity), ISCO-08 (International standard classification of occupations), ISCED 2011 (International standard classification of education) and PRODCOM (List of products of the European Community). The NUTS (Nomenclature of territorial units for statistics) is highly compliant, but there is no compliance as regards the territorial typologies (Regulation (EU) 2017/2390). The GEONOM (Country Nomenclature of External Trade statistics and statistics of Trade between Member States) requires further work.

b. Commission assessment

The main classifications (NACE Rev. 2, CPA, ISCO and ISCO-08, ISCED, PRODCOM) are in place and are in line with the EU *acquis*. NUTS are also highly compliant, but there is no compliance as regards the territorial typologies (Regulation (EU) 2017/2390). The statistical business register has high level of alignment, but the coverage of mandatory data and timeliness will need to be improved. The farm register needs further fine-tuning. In all areas North Macedonia will need to increase well-trained human resources and improve IT expertise.

c. Summary of Findings – Classification and registers

The main statistical classifications are in place and in line with the *acquis*, but some further work is needed regarding territorial typologies and on the farm register.

III. SECTORAL STATISTICS

III.A MACROECONOMIC STATISTICS

a. Country presentation

Statistics on national accounts (European system of accounts 2010 – Council Regulation (EU) 549/2013) are partly aligned with the requirements of the EU *acquis*, both in terms of the legislation and transmission of data to Eurostat. The majority of aggregates is compiled annually. North Macedonia assesses to have achieved partial compliance with the EU *acquis* on regional accounts and on annual sector accounts, whereas the level of compliance of quarterly sector accounts is low. The supply and use tables at current prices are fully integrated into the national accounts compilation process and transmitted to Eurostat. North Macedonia plans to reach full alignment in most areas, including the compilation and transmission of not-yet-prepared data, by 2028. The compilation of the pension entitlements table is planned by 2029. The National Bank is responsible to compile the annual and quarterly financial accounts and has broadly adequate administrative capacity. The alignment with the EU regulations regarding data coverage is planned by 2025. Gross Domestic Product (GDP) and Gross National Income (GNI) are compiled at annual level, by production, expenditure and income approach, meanwhile at quarterly level by production and expenditure. North Macedonia plans to finalise introducing the income approach by June 2023 and to align the sector, including the transition from GDP to GNI methodology, by 2030.

The State Statistical Office is compiling the **excessive deficit procedure statistics** (EDP) and the **government finance statistics** (GFS), in close cooperation with the National Bank and the Ministry of Finance. These statistics are partly aligned with the EU *acquis*. Regular transmission of the required tables is expected by 2026.

The **balance of payments** is produced by the National Bank. Its production is based on the IMF balance of payments (BOP) manual 6th edition. North Macedonia assesses to have reached partial alignment with the relevant EU regulations and in particular Regulation (EC) 184/2005. Methodological improvements are planned, including to improve timeliness. North Macedonia is assessing whether to replace international trade in services statistics with direct reporting. **Foreign direct investment** statistics (FDI) are highly compliant with the EU legal framework and North Macedonia is planning to separate the identification of resident special purpose entities.

The **international trade in goods statistics** (ITGS) are partly aligned with Regulation (EU) 2019/2152 and the related implementing legislation relevant for ITGS. The new (digital) customs declarations and excise document system (CDEPS) was launched in 2019. North Macedonia sends detailed data to Eurostat, on time. All tables, both mandatory and optional ones, are produced for international trade by enterprise characteristics. Data regarding international trade in goods by invoicing currency are transmitted to Eurostat both through (mandatory) bi-annual and (optional) yearly transmission.

Price statistics are produced by the SSO. The harmonised indices of consumer prices (**HICP**) is fully aligned on deadlines and highly compliant on data quality, while the house price index (HPI) and the owner-occupied housing price index (OOHPI) is at low level of alignment. **Purchasing power parities (PPP)** as laid down by Regulation (EC) 1445/2007 are fully aligned. Although the legal framework is not harmonised with Regulations 31 (EEC) and 11 (EAEC), North Macedonia is collecting some of the data necessary for the calculation of remunerations and pensions of EU Staff is being collected and transmitted to Eurostat.

b. Commission assessment

Statistics on **national accounts** (European system of accounts 2010 – Council Regulation (EU) 549/2013) are partly aligned with the EU *acquis*; the majority of aggregates is compiled annually. North Macedonia reports annual national accounts data for most output and expenditure variables and main income variables. Its alignment level on quarterly national accounts still needs improvement. A clear roadmap is necessary to guide the process towards full alignment in a comprehensive way. **Regional accounts** and **annual sector accounts** are partly aligned, meanwhile the level of alignment of quarterly sector accounts is low. The supply and use tables at current prices are fully integrated into the national accounts compilation process and transmitted to Eurostat. Further work is necessary to reach full alignment with the EU *acquis*, preferably earlier than 2028, as planned. The National Bank is responsible to compile the **annual and quarterly financial accounts**, with a broadly adequate administrative capacity. Alignment with the EU regulations regarding data coverage is planned by 2025. Gross Domestic Product and Gross National Income are compiled at the annual level, by production, expenditure and income approach, meanwhile at quarterly level by production and expenditure. Further work is underway to introduce the income approach by June 2023. GNI data is not yet disseminated. Full alignment of the sector, including the transition from GDP to GNI methodology and ensuring consistency with balance of payments data, should be reached faster than by 2029.

In cooperation with the Ministry of Finance and the National Bank, the SSO is compiling the **excessive deficit procedure statistics** and the **government finance statistics**. The alignment is at a low level. Substantial further work is necessary to reach the full compliance with the EU *acquis* (in terms of adherence to ESA 2010) notably by including a large entity with a substantial impact on deficit and debt in the government sector. It is also needed to solve basic technical consistency issues and to reach a timely regular transmission of the required completed set of GFS and EDP tables – currently the set of GFS and EDP tables has major gaps and the pace of closing them is insufficient – as well as other relevant statistical information for the needs of the data quality assessment. The full set of GFS and EDP data must be fully completed for recent years and aligned with ESA 2010 methodology well before the entry to the EU. The Commission (Eurostat) should assess that the quality of data is of sufficient quality to be used within the context of the excessive deficit procedure well prior to accession. In order to achieve this goal, the cooperation with the relevant institutions should be improved, the lack of qualified personnel in the SSO should be solved and the pace of work stepped up significantly. Eurostat is strongly concerned by the lack of transparency expressed by prioritising for publication GFS data not aligned with ESA 2010 standards while preventing the publication of data better aligned with ESA 2010 standards.

Balance of Payments statistics are produced by the National Bank, based on the IMF BOP manual 6th edition. North Macedonia provides monthly and quarterly balance of payments data. Further methodological improvements are underway, including to improve timeliness. The Commission is waiting to hear the assessment of North Macedonia whether to change the source for International Trade in Services Statistics to direct reporting. Foreign direct investment statistics (FDI) are highly compliant with the EU legal framework, further work is planned to separate identification of resident special purpose entities.

International trade in goods statistics are partly aligned with Regulation (EU) 2019/2152 and the related implementing legislation relevant for ITGS. The new (digital) customs declarations and excise document system (CDEPS) was launched in 2019. North Macedonia sends detailed data to Eurostat, on time. As of May 2021, North Macedonia moved from the old to the new required data transmission format.

Price statistics, such as the harmonised index of consumer prices (**HICP**) and purchasing power parities (**PPP**) have high level of alignment, meanwhile the house price index (HPI) and the owner-occupied housing price index (OOHPI) are not yet produced. Regarding the calculation of remunerations and pensions of EU Staff, North Macedonia is encouraged to transmit data, which it has already been collecting on a voluntary basis to Eurostat.

III.B BUSINESS STATISTICS

a. Country presentation

Regarding the **statistical business register**, North Macedonia has reached a high level of alignment with the new European business statistics Regulation (EU) 2019/2152, but further efforts are needed concerning the implementation of kind-of-activity units and complex enterprises, the completeness of mandatory variables and the timeliness of data transmission to Eurostat. The alignment level of **short-term business statistics** varies between partial and full alignment, depending on the sector, while the tables on service producer prices and hours worked are not yet produced. The situation is similar regarding **structural business statistics**. To achieve full compliance North Macedonia is working to solve the methodological issues and execute technical adjustments by 2025. North Macedonia assessed **business demography** has a high level of alignment and it plan to achieve full alignment by 2026. **PRODCOM** statistics have reached full or high level of alignment with the various elements of the EU *acquis*. In all the above areas North Macedonia pointed to the lack of well-trained human resources.

North Macedonia is compiling, though not yet transmitting to Eurostat, inward **foreign affiliates statistics** (FATS) based on Regulation (EC) 716/2007. Outward FATS are not compiled yet. Work is on-going to increase IFATS/OFATS production capacity and to provide the missing IFATS variables.

Science, technology and innovation statistics are partly aligned. The ICT (information & communication technologies) usage statistics have high level of alignment. North Macedonia plans to implement the 2023 survey in accordance with the new regulations regarding the enterprise survey and the household survey. It will also begin shortening the deadlines for data collection and processing.

Research and development statistics are partly aligned. Statistics on research and development are produced and published regularly with annual periodicity and in accordance with EU regulations. In 2016, a new questionnaire was created to provide data on government budget allocations for research and development (GBARD), but it is not yet transmitted to Eurostat, neither R&D expenditure and R&D personnel and researchers (in headcount and in full-time equivalent) by region. The methodological basis and instruments for the survey on innovative business are considered as highly aligned with the EU *acquis*. North Macedonia plans to achieve timeliness in data transmission by 2024.

Tourism statistics are fully aligned with Regulation (EU) 692/2011. Statistics are compiled for both the supply and demand side.

b. Commission assessment

North Macedonia has reached high level alignment with the old European business statistics regulation (EU) 177/2008 on **statistical business register**. Further efforts are needed to implement kind-of-activity units and complex enterprises and to improve the coverage of mandatory variables and the timeliness of data transmission to Eurostat. **Short-term business statistics** are partly or fully aligned, depending on the sector (North Macedonia is fully aligned with 5, partly aligned with 7 and non-aligned with 2 out of the 14 STS datasets). Tables on service producer prices and on business registrations and bankruptcies are not yet produced. Regarding **structural business statistics**, compliance on the old short-term business statistics requirements is good, but the new requirements need to be addressed. Work on methodological issues and technical adjustments is underway to achieve full alignment by 2025. **Business demography** is at high level of alignment, **PRODCOM** statistics are of full or high level of alignment. In all the above areas North Macedonia will need to increase well-trained human resources.

Foreign affiliates statistics (FATS) are partly aligned with the EU *acquis*. North Macedonia is compiling inward FATS based on Regulation (EC) No 716/2007, but that is not yet transmitted to Eurostat. Outward FATS are not yet compiled. Eurostat will be able to confirm the level of compliance only after transmission of the statistics.

Science, technology and innovation statistics are partly aligned. ICT (Information & Communication Technologies) usage statistics have high level of alignment. North Macedonia will need to shorten the deadlines for data collection and processing. **Statistics on research and development** are produced and published regularly with annual periodicity and up to 2020 have been in line with EU regulations (data for 2021 under Regulation 2020/1197 have not been received yet). Data on government budget allocations for research and development (GBARD) is not yet transmitted to Eurostat, neither R&D expenditure and R&D personnel and researchers (in headcount and in full-time equivalent) by region. The methodological basis and instruments for the survey on innovative business has high level of alignment with the EU *acquis*. Work is ongoing to achieve timeliness in data transmission by 2024.

Tourism statistics are fully aligned with Regulation (EU) 692/2011 and have high level of alignment with the relevant Commission implementing regulations. Statistics are compiled for both the supply and demand side. Further work is needed to adjust sample sizes for some datasets and provide missing metadata.

III.C SOCIAL STATISTICS

a. Country presentation

A dedicated law and methodology covers the **census of population and housing**, and its legislation is fully aligned with the relevant EU *acquis*. The census was conducted in 2021; the results of the census were published in 2022 in several instalments.

Demographic statistics are highly compliant, three out of four data collections per year are regularly provided to Eurostat. The Ministry of Interior is responsible for statistics on **migration and asylum**. Statistical records are partly aligned for asylum and not harmonised for residence permits and refused entry. Statistics for the Dublin regulation will be harmonised upon entry to the EU.

North Macedonia is implementing the **labour market statistics**. The labour force survey (LFS) is conducted on a quarterly basis. It is harmonised with the EU regulations and methodology up to 2020. The LFS and job vacancy statistics are conducted quarterly, labour cost survey and the structural earnings statistics on a 4-year interval. The labour cost index was initially calculated in 2008; the calculation of the index will follow the establishment of the statistical register of employees. Monthly unemployment rate statistics are not calculated. Some of the referred statistics are transmitted to Eurostat.

Regarding **public health and health & safety at work statistics**, the European health interview survey (EHIS) is planned to be conducted from 2027. Preparation of healthcare expenditure accounts is at an early stage. North Macedonia underlined that further work is required in this area, including on methodology.

North Macedonia has low level of alignment with the European social protection statistics (**ESSPROS**). By the end of 2019 data for 2015, 2016 and 2017 were submitted to and published by Eurostat, but the activities since then have been stopped due to the lack of qualified human resources.

North Macedonia has reached full alignment with the **survey of income and living conditions** (SILC) following the methodology applicable before 2021. In the future, the SSO plans to implement the requirements for timeliness of data transmission to Eurostat in order to comply with Regulation (EU) 2019/1700. A quality report for the 2020 operation was submitted to Eurostat in February 2023. North Macedonia is conducting the household budget surveys (HBS) and harmonised European time use surveys. These voluntary surveys have high level of compliance with Regulation (EU) 2019/1700. The SSO transmits the HBS every five years to Eurostat.

Education statistics are based on the UNESCO-OECD-Eurostat (UOE) data collection. Data sets on formal education are submitted to Eurostat, with all required indicators, except for the data on education expenditure. The adult education survey (AES) and the continuing vocational training survey (CVTS) are fully aligned with the EU *acquis*. The CVTS-6 was conducted in 2021 and the AES in 2022. The data of the CVTS-6 has been processed, submitted to Eurostat, and validated by Eurostat.

b. Commission assessment

Demographic statistics have high level of alignment with the EU *acquis*, three out of four data collections per year are regularly provided to Eurostat. North Macedonia organised an *acquis* conform census of population and housing in 2021, the results have been published fully by end-2022. The methodology for calculating estimates of population by marital status and educational attainment needs to be developed. A revision of inter-census estimates of demographic and other social statistics for the whole period since the previous census year could be envisaged.

Regarding statistics on **migration and asylum** substantial work is required to improve alignment. Statistical records are partly aligned for asylum and not harmonised for residence permits and refused entry. Statistics for the Dublin regulation can only be harmonised upon entry to the EU, which North Macedonia committed to do.

Public health and health & safety at work statistics are not yet aligned with the EU *acquis*. The European health interview survey (EHIS) is planned to be conducted from 2027, but should ideally be done in 2025, the common reference year. Preparation of healthcare expenditure accounts is at the early stage. Further work is required in this area, including on the methodology. Alignment regarding data on accidents at work (ESAW) and on causes of death (COD) is at a low level and data are not transmitted for these two areas. Further work is required for these areas.

Alignment with the **European social protection statistics (ESSPROS)** is at a low level. The initial data transmission to Eurostat stopped in 2019 due to lack of qualified personnel. A solution is to be found that would allow for continuing the survey already before the planned 2027 date.

Labour market statistics are partly aligned and further improvements are needed, including solving some IT issues. The labour force survey (LFS) is harmonised with the EU regulations and methodology up to 2020. The LFS and job vacancy statistics are conducted quarterly, labour cost survey and the structural earnings statistics on a 4-year interval. The labour cost index was initially calculated in 2008; the calculation of the index will follow the establishment of the statistical register of employees. Monthly unemployment rate statistics remain to be calculated. Some of the referred statistics are transmitted to Eurostat.

The **survey of income and living conditions** (SILC) has high level of alignment and work is underway to implement the requirements for timeliness of data transmission to Eurostat. North Macedonia is conducting the voluntary household budget surveys (HBS) and harmonised European time use surveys, which have high level of compliance. The SSO transmits the HBS every five years to Eurostat.

Education statistics are based on the UNESCO-OECD-Eurostat (UOE) data collection. Data sets on formal education are submitted to Eurostat, with almost all required indicators, except for the data on education expenditure and age. North Macedonia stated that **the Adult Education Survey (AES)** and the **Continuing Vocational Training Survey (CVTS)** are in full compliance with the EU *acquis*. The CVTS-6 was conducted in 2021 and the AES in 2022.

III.D AGRICULTURAL STATISTICS

a. Country presentation

As regards structural **agricultural statistics**, the integrated farm statistics are partly aligned with Regulation (EU) 2018/1091 and other implementing regulations; data sets will be transmitted to Eurostat. The situation is similar for agricultural accounts and prices. North Macedonia conducted a pilot agricultural census in June 2022; the agricultural census is planned for 2024. Crop statistics, livestock, meat and eggs statistics and milk and milk product statistics are partly aligned or have low level of alignment with the relevant EU regulations. Some of the data sets are delivered to Eurostat. The SSO plans full alignment for 2026. Statistics on organic production and farming have high level of alignment and most of the required data sets (according to the ESS Agreement, which is in force starting with reference year 2021). Agri-environmental indicators are at a low level of alignment and new surveys for collection of data on agricultural use of pesticides need to be defined.

Due to the geographical position of the country **fishery statistics** refer entirely to aquaculture and only freshwater fishing is monitored annually. The statistical survey on aquaculture was completely revised and adjusted to EU regulations (Regulation (EC) No 762/2008). The data set was transmitted to Eurostat (2021).

b. Commission assessment

Integrated farm statistics are partly aligned with the *acquis*; North Macedonia conducted a pilot agricultural census in June 2022; the **agricultural census** is planned for 2024. The data sets will be transmitted to Eurostat. The situation is similar for agricultural accounts and prices: they are partly aligned with the EU *acquis*. **Crop statistics, livestock, meat and eggs statistics** have partial or low level of alignment with the relevant EU regulations, while **milk and milk product statistics** are partly aligned. Some of the data sets are delivered to Eurostat. The planned full alignment needs efforts but 2026 is a realistic target. **Statistics on organic production and farming** have high level of alignment for most of the required data sets (according to the ESS Agreement, which is in force starting with reference year 2021). The plan to complete alignment in 2023 is realistic. Substantial work is needed to improve alignment for **agri-environmental indicators** and new surveys for collection of data on agricultural use of pesticides need to be defined. The EU *acquis* is evolving with the recently adopted Regulation (EU) No 2022/ 2379 on statistics on agricultural input and output, which places new requirements for agricultural statistics.

Given to the geographical situation of the country, **fisheries statistics** cover aquaculture and only freshwater fishing is monitored annually. The statistical survey on aquaculture was completely revised and adjusted to EU regulations (Regulation (EC) No 762/2008). Data sets are transmitted to Eurostat (2021).

III.E ENVIRONMENT, ENERGY AND TRANSPORT STATISTICS

a. Country presentation

Environment and sustainable development indicators are partly aligned. Monetary environmental accounts are compiled and partly aligned. Physical environmental accounts (air emission accounts, material flow accounts) either partly aligned or have low level of alignment (physical energy flow accounts). The waste statistics survey has high level of alignment with Regulation (EU) 2150/2002 and the data is submitted to Eurostat. Both water statistics and forestry statistics and accounts are partly aligned, with data transmitted to Eurostat.

North Macedonia has reached high level of alignment with Regulation (EC) No 1099/2008 on **energy statistics**, Regulation (EU) 2016/1952 on natural gas and electricity prices and other legal acts regarding renewables, energy efficiency and oil stocks. North Macedonia produces and transmits to Eurostat annual energy statistics and also monthly and short-term energy statistics. North Macedonia prepared a timetable for the transmission of not-yet transmitted data sets. The methodology used for energy statistics has high level of alignment with Commission implementing regulation (EU) 2019/803. Quality reports on energy prices and natural gas prices are transmitted to Eurostat, the quality report on energy statistics is currently in the process of validation.

As regards **transport statistics**, road freight, railway and air transport statistics are fully aligned with the EU *acquis*. The EU *acquis* on maritime statistics is not applicable, neither on inland waterways as those are not used to transport goods. North Macedonia transmits road freight data to Eurostat, except some supplementary tables. It transmits all data on rail. Given it has no national airline company, for air transport statistics only data on airports is transmitted. As of 2023, North Macedonia will transmit data also for Ohrid Airport as transport volume for this airport has reached the reporting threshold. Regarding the Eurostat/ITF/UNECE common questionnaire on inland transport statistics, North Macedonia has reached high level of alignment and transmitted data to Eurostat for 2020 and revised data for 2013-19 for a number of indicators. Regional transport statistics are not applicable as NUTS level 2 is identical to the country level in the regional classification.

b. Commission assessment

Environment and sustainable development indicators are partly aligned with the EU *acquis*. Monetary environmental accounts and physical environmental accounts (air emission accounts, material flow accounts) are partly aligned while alignment of physical energy flow accounts is low. The waste statistics survey is highly aligned with the EU *acquis* and the data is submitted to Eurostat. Both water statistics and forestry statistics and accounts are partly aligned, with data transmitted to Eurostat.

Energy statistics have high level of alignment with Regulation (EC) 1099/2008 on energy statistics, Regulation (EU) 2016/1952 on natural gas and electricity prices and other legal acts regarding renewables, energy efficiency and oil stocks. North Macedonia produces and transmits to Eurostat annual energy statistics and also monthly and short-term energy statistics. Work is underway to transmit the not-yet transmitted data sets and to improve timeliness. The methodology used for energy statistics is highly compliant. Quality reports on energy prices and natural gas prices are transmitted to Eurostat.

As regards **transport statistics**, road freight, railway and air statistics are fully aligned with the EU *acquis*. The *acquis* on maritime statistics is not applicable, neither on inland waterways. All data on rail statistics and most road freight data (one dataset missing) is transmitted to Eurostat. For air transport statistics, only data on airports is transmitted. North Macedonia could improve timeliness of their rail and road data transmissions and provide national metadata for air, rail and road statistics. Compliance with Eurostat/ITF/UNECE common questionnaire on inland transport statistics is high and data has been transmitted to Eurostat for 2020 as well as revised data for 2013-19 for a number of indicators. Regional transport statistics are not applicable as NUTS level 2 is identical to the country level.

III.F. SUMMARY OF FINDINGS – SECTORAL STATISTICS

North Macedonia has a high level of alignment with the EU *acquis* on sectoral statistics. Further progress is needed in all statistical areas in order to reach full alignment.

IV. FIGHT AGAINST CORRUPTION

a. Country presentation

The State Statistical Office has an annual plan for the prevention of corruption for 2022, a risk management strategy for 2022 and has established the rules for regulating the lobbying procedure. These documents are available on the SSO website. Data on the budget of the SSO, the final accounts, as well as data on official expenses are also available as additional documents to the public.

b. Commission assessment

The State Statistical Office has an annual plan for the prevention of corruption for 2022, a risk management strategy for 2022 and established the rules for regulating the lobbying procedure. *See general anti-corruption measures under Chapter 23 - Judiciary and Fundamental Rights.*

c. SUMMARY OF FINDINGS– FIGHT AGAINST CORRUPTION

The State Statistical Office has structures in place to prevent corruption.

I) CHAPTER 32 – FINANCIAL CONTROL

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the Euro against counterfeiting.

- The EU *acquis* under this chapter relates to the adoption internationally recognised frameworks and standards, as well as EU good practice, on **public internal financial control (PIFC)**, based upon the principle of decentralised managerial accountability. PIFC should apply across the entire public sector and include the internal control of financial management of both national and EU funds. In particular, the EU *acquis* requires the existence of effective and transparent management systems, including accountability arrangements for the achievement of objectives; a functionally independent internal audit; and relevant organisational structures, including central co-ordination of PIFC development across the public sector.
- This chapter also requires an institutionally, operationally and financially independent **external audit** institution that implements its audit mandate in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) and reports to the parliament on the use of public sector resources.
- In addition, this chapter also covers the **protection of the EU's financial interests** against fraud in the management of EU funds and the **protection of the euro against counterfeiting**.

I. PUBLIC INTERNAL FINANCIAL CONTROL (PIFC)

I.A INTERNAL CONTROL AND MANAGERIAL ACCOUNTABILITY

a. Country presentation

The *Law on Public Internal Financial Control* (PIFC Law) describes the processes and requirements related to the **internal control** system in public units. The country indicated that the PIFC Law is compliant with the requirements of the International Professional Practices Framework (IPPF). The country further informed that the PIFC Law is currently being revised and should be adopted shortly by the Parliament. The draft Law will establish a new system of managerial accountability. The procedures to apply this new system will be regulated by secondary legislation and new methodological tools.

The *Law on Financial Inspection in the Public Sector* was adopted in January 2023. The country indicated that the law took account of the EU regulation on electronic identification and trust services for electronic transactions in the internal market.

A set of by-laws completes the regulatory framework for financial management and control and internal audit. Some of the by-laws are under revision and should be adopted within 18 months from the entry into force of the revised PIFC Law. In addition to legislation, manuals for financial management and control and internal audit have been adopted.

Public Internal Financial Control is part of the 2022 – 2025 Public Financial Management Reform Programme (Pillar VI). This pillar covers three areas: Financial Management and Control, Internal Audit and Financial Inspection.

As regards the **institutional set-up**, the Central Harmonisation Unit (CHU) monitors the implementation of the internal control system across public institutions. It provides analysis of the individual annual financial reports submitted by the budget users, prepares the Annual Report on the Functioning of the Public Internal Financial Control System and publishes conclusions to improve the system, which are then adopted by the Government. The CHU plans to continue the process of advancing and strengthening managerial accountability. The country also indicated that the implementation of the new PIFC Law, once adopted, would contribute to improving the quality of internal controls. The new Rulebook on Organisation and Work of the Ministry of Finance and the Rulebook on Job Systematisation in the Ministry of Finance were adopted in December 2022. Further to the adoption of these acts, a Unit for checking the quality of financial management and control and internal audit was established within the Central Harmonisation Unit. Cooperation with the EU in this area, through EU-funded twinning projects in 2023, would help the country train the CHU staff and implement quality checks.

Regarding **financial inspection**, the Department for Public Sector Financial Inspection and Coordination for Combating Fraud against EU Funds is part of the Ministry of Finance. It carries out inspections for protecting the financial interests of public sector entities from serious financial mismanagement, fraud and corruption. The country plans to strengthen the capacities of the Department through the employment of new inspectors and their continuous professional development, most notably through an EU-funded twinning projects in 2023.

b. Commission assessment

North Macedonia needs to adopt and implement the new Law on Public Internal Financial Control (PIFC) and approve all the bylaws, manuals and operational instructions accompanying the implementation of the Law. The existing legal framework on **internal control** is broadly harmonised with international standards. The draft of the new PIFC Law contains improvements for the internal control system. It has been in parliamentary procedure for two years and the calendar for its adoption is not clear. This draft Law defines **managerial accountability** as the manager's obligation for the achievement of results in a legal, ethical and regular manner, in line with the principles of economy, efficiency and effectiveness. It foresees that budget users will be accountable to parent budget users and public companies will be accountable to the managerial board and should also report to the parent budget users about its goals in the strategic plan.

The new draft **Law on Financial Inspection** was adopted in January 2023. The new Law further defines the grounds for starting a financial inspection, the requirements for the position of financial inspector and establishes a process of certification.

Despite this being envisaged in the Organic Budget Law, there is no available indication about the timeline to review the administrative budget classification, establish parent ministries and to significantly reduce the large number of primary budget users.

North Macedonia needs to increase the capacity of the Central Harmonization Unit (CHU). The capacities of CHU to monitor and report on the functioning of the overall **internal control** system remain to be strengthened. The operational framework of PIFC is established and strategic objectives of the country to improve the overall internal control system are incorporated as Pillar VI of the 2022-2025 Public Financial Management Reform Programme, including future plans to strengthen the quality control function of the CHU and to increase the capacity of the Internal Audit and Inspection.

North Macedonia needs to strengthen managerial accountability and to foster delegation of decision-making authority. This includes addressing the fragmentation of public sector structures by reducing the number of primary budget users and establish systems to reinforce managerial accountability and delegation of tasks in all budget organizations.

The capacity of **financial inspection** remains to be strengthened further. The new *Law on Financial Inspection* envisages carrying out a certification programme to obtain a licence of Financial Inspector and defines rights and obligations of Financial Inspectors. However, the expected timeframe for the certification of all Internal Auditors and Financial Inspectors still has to be defined.

I.B INTERNAL AUDIT

a. Country presentation

The legal requirements for **internal audit** are set out in the PIFC Law. Currently all institutions are required to have internal audit units (IAUs), which leads to inefficiency and fragmentation (many IAUs comprising only one or two auditors). The draft of the new PIFC Law prescribes criteria for the establishment of IAUs to improve the overall quality of this activity.

The obligations related to the follow-up of audit reports by auditees are also presented in the PIFC Law, as well as in the Rulebook on the Method of Performing Internal Audits and the Method of Audit Reporting. The draft of the new PIFC Law establishes the responsibility for implementing and monitoring the implementation of internal audit recommendations.

As for **institutional set-up**, the Ministry of Finance is in charge of harmonising and coordinating the set-up and system development for internal financial control in the public sector. The CHU provides methodological guidance and coordinates the development of financial management, control and internal audit. Several law enforcement institutions (State Audit Office, General Secretariat, Secretariat for European Affairs, State Commission for Prevention of Corruption, ministries) cooperate through joint meetings, regular communication and the application of shared guidelines. Within the administration, 92 IAUs and 73 units at local level are currently established.

Concerning **risk assessment**, the country indicated that most institutions have a risk management process and that IAUs work on the basis of an annual assessment planning.

b. Commission assessment

North Macedonia should adopt the new Public Internal Financial Controls (PIFC) Law. The draft Law contains improvements to strengthen the internal audit function and establishes the responsibility for implementing and monitoring the implementation of internal audit recommendations.

North Macedonia needs to review the structure of Internal Audit Units (IAUs) in line with the Law to avoid fragmentation and scattered capacity of these units. The fragmentation and the small size of IAUs remain a challenge to carry out efficiently internal audit functions. The country should reduce the number of IAUs and increase their capacity to carry out their mandate, including carrying out performance and IT audits. The quality of work of the IAUs at the Ministries needs to be strengthened for the purpose of supporting the performance of their new tasks and duties as parent budget users.

North Macedonia needs to develop a system for certification of Internal Auditors and improve the ability to carry out performance and IT audits. A national certification system for internal auditors is foreseen in the draft PIFC Law (still in parliamentary procedure).

It is also recommended to establish a network of institutions' IAUs in coordination with CHU, to exchange experience and good practices. Under this activity, IAUs should be access to the newly established web platform "Network of Institutions' Financial Affairs Units" in coordination with CHU.

With regard to **anti-corruption, PIFC institutions and the SAO should strengthen cooperation with Anti-Corruption/Law enforcement institutions.** The system to monitor the number of cases investigated, prosecuted and subject to court resolutions because of cases reported by internal audits units or inspection is only partially effective. Coordination between internal control bodies (Internal Audit and Financial Inspection) and the State Audit Office and anti-corruption bodies is lacking. The mechanism to report suspected cases to the State Commission for Prevention of Corruption or Public Prosecution is not clear.

I.C SUMMARY OF FINDINGS – PUBLIC INTERNAL FINANCIAL CONTROL (PIFC)

North Macedonia is **partially aligned** with the EU *acquis* in this area. The legislative framework for **public financial internal control** (PIFC) is mostly adequate, but a new PIFC law need to be adopted to better define and strengthen managerial accountability. To ensure proper implementation, the capacities of the Central Harmonisation Unit need improvement, and the organisation of **internal audit** units rationalisation.

II. EXTERNAL AUDIT

a. Country presentation

The **State Audit Office** (SAO) is established by the *State Audit Law* that regulates the independence of the institution and defines SAO's competences and mandate for carrying out financial, compliance and performance state audit, in line with the International Standards of Supreme Audit Institutions (ISSAI). It is completed by a set of by-laws that regulate the requirements related to the external audit function.

The Law was revised in 2022 to enhance the SAO's organisational and financial independence and ensure full compliance with ISSAI requirements, the Lima Declaration and the Mexico Declaration, as well as with EU good practices. The country indicated that the new version will be adopted shortly. The country also plans to enshrine the independence of the SAO in the Constitution.

The strengthening of the **external audit** legal framework by achieving constitutional independence of SAO and strengthening its financial and operational independence in line with INTOSAI principles, standards and guidelines is one of the objectives under Pillar VII - External Control and Parliamentary Oversight, priority 1: External audit of the 2021-2025 PFM Reform Programme.

The development of the **SAO's capacity** was addressed in the 2023-2027 Development Strategy, the 2022-2025 Public Finance Management Reform Programme "Smart Finances" and the 2021-2023 Strategic Audit Plan.

For **prevention of corruption**, the SAO operates according to its integrity policy as well as its own and INTOSAI codes of ethics. The SAO plans to further improve the knowledge and skills of its employees, with a special emphasis on prevention of corruption.

In 2021, the SAO performed 68 audits, mostly regularity audits (82% of performed audits), and also performance and IT audits (13%) and compliance audits (5%). During this period, the SAO issued 109 final audit reports, which were sent to the parliament for deliberation and published on the SAO's website.

On **institutional capacity**, external audit is carried out by *authorised state auditors* and regular *state auditors*. *Authorised state auditors* are professionals that hold a specific certificate meeting the State Audit Law requirements, whereas *state auditors* are professionals employed by the SAO to perform tasks related to state audit under the supervision of an authorised state auditor. In conducting state audit, the SAO may also recruit external professionals and experts in the field of audit, if deemed necessary. The country indicated that the professional capacities of authorized state auditors and state auditors are continuously upgraded in line with the Human Resources Management Strategy and the Annual Plan for Continuous Professional Development.

As for **audit impact**, the legal representative of the auditee is obliged by the *State Audit Law* to notify the SAO and the authority responsible for supervision and control of the measures taken in relation to the findings and recommendations in the audit reports within 90 days from the receipt of the final report. In 2021, auditees implemented actions corresponding to 88% of audit recommendations. Data from audit reports, findings and recommendations are monitored through an IT software (SAPRI).

Regarding **institutional cooperation**, in line with the *State Audit Law*, the SAO submits key documents to the Assembly for review, including the final audit report on the Budget of the Republic of North Macedonia, the SAO Annual Report on conducted audits, as well as final audit reports on conducted audits. The SAO plans to strengthen its cooperation with the Parliament. The SAO also cooperates with authorities responsible for taking measures upon audit reports, namely the Public Prosecutor's Office, the State Commission for Prevention of Corruption, the Ministry of the Interior and the Financial Police Directorate. In 2022, a Memorandum for Cooperation was signed between the SAO and the Public Prosecutor's Office.

b. Commission assessment

North Macedonia needs to implement the constitutional amendments to recognise the State Audit Office (SAO) as an independent institution. The legal framework is broadly harmonised with international standards. The independence of SAO is recognized in the legislation, but it is not yet guaranteed by the Constitution.

North Macedonia should adopt and implement the new draft State Audit Law to further strengthen managerial and financial independence of the SAO. The State Audit law shall reinforce operational and financial independence of the SAO.

The capacity of SAO should be further strengthened. There are 115 filled posts, out of 183 estimated systematised positions. The new State Audit Law is expected to improve the financial independence of SAO to manage human resources.

North Macedonia needs to improve the quality of external audit. The SAO has not carried out a peer review to assess the alignment with the International Standards of Supreme Audit Institutions and made it publicly available.

About **audit impact**, North Macedonia should strengthen parliamentary oversight of **individual audit reports and cooperation with anti-corruption and law enforcement institutions**. Although the cooperation between the SAO and the Parliament continued to improve, including through the signature of a Memorandum of Understanding, the parliamentary oversight of individual audit reports remains weak. Audit reports are not used by the Parliament, and there is no formal mechanism for handling the SAO reports in the Assembly. Only the annual report of the SAO is being considered by the Parliamentary Committee for Finance and Budget, followed by deliberation in the plenary session of the Parliament. No independent decisions (other than the SAO's recommendations) are made by the Committee or the plenary. The implementation of audit recommendations should be promoted by active use of the audit reports by the Parliament. In addition, parliamentary scrutiny over budget preparation and implementation needs to be further enhanced. Transparency and accountability of public funds management needs strengthening based on efficient monitoring mechanisms by the executive and by the Parliament. This includes an effective follow-up of the SAO's audit recommendations *See general anti-corruption measures under Chapter 23 - Judiciary and Fundamental Rights*.

c. SUMMARY OF FINDINGS – EXTERNAL AUDIT

When it comes to **external audit**, the transparency and accountability of public funds management should be strengthened, as well as the human and financial capacities of the State Audit Office (SAO). The independence of the SAO remains to be enshrined in the Constitution.

III. PROTECTION OF EU'S FINANCIAL INTERESTS

a. Country presentation

The national legislation has been broadly harmonised with the EU Directive 2017/1371 on the **fight against fraud to the Union's financial interests** by means of criminal law. The amendments of the Criminal Code to better align with the relevant EU *acquis* were approved by the Parliament in February 2023.

The **Anti-Fraud Coordination Service (AFCOS)** was established within the Department for Financial Inspection in the Public Sector and Anti-Fraud Coordination of EU Funds with the Organisation and Systematisation Act of the Ministry of Finance in December 2018.

Further harmonisation has been achieved with the adoption of the Decree on determining the structure of the system for the protection of the financial interests of the EU in North Macedonia and the Decision on the establishment of the AFCOS network by the Government. The implementation of these legal acts is expected in the short term.

Regarding **investigations**, draft amendments to the Law on Financial Police have been prepared and are in parliamentary procedure. The amendments stipulate the competence of the Financial Police to conduct a criminal investigation in cases of fraud to the detriment of the funds of the European Union, in accordance with the provisions of the Criminal Code.

The country operates within the framework of the 2022-2025 National Strategy for Combating Fraud and Protection of the EU Financial Interests and the related Action Plan for the period 2022-2023. The Ministry of Finance, together with the other relevant institutions, is in charge of implementing the Strategy.

Since the establishment of an Anti-Fraud Coordination Service (AFCOS) unit in 2018 until October 2022, the national authorities have reported a total of 78 irregularity cases through the irregularity management system. The country plans to intensify work on the fight against irregularities and better protection of the Union's financial interests with the implementation of Financial Framework Partnership Agreement (FFPA) IPA 3. Competent authorities are updating the existing procedures related to irregularities and management in accordance with IPA III requirements.

As regards investigations, the Financial Police Office and the Public Prosecutor's Office have cooperated with the European Anti-Fraud Office (OLAF) in investigating several cases. This cooperation resulted in two ongoing criminal proceedings before a competent court.

A memorandum of understanding between the Ministry of Finance and key institutions in the area of protection of the EU's financial interests, the Public Prosecutor's Office, the Audit Authority and the Financial Police Office was signed in order to strengthen the independence of judicial authority.

b. Commission assessment

The existing legislative framework is partially aligned with the EU *acquis*. North Macedonia should implement the recently adopted Decree on determining the structure of the system for the protection of the financial interests of the EU, as well as the Decision on the establishment of the Anti-Fraud Coordination Service (AFCOS) network.

North Macedonia should continue strengthening the capacity of the Anti-Fraud Coordination Service (AFCOS). The 2022-2025 National Strategy for Combating Fraud and Protection of the EU Financial Interests in the Republic of North Macedonia and the corresponding Action Plan should be properly implemented.

The national authorities should continue their good cooperation with the European Commission on investigations. In view of strengthening the mandate of the national authorities in cooperating on investigations, the revised version of the *Law on Financial Police* should be adopted. In particular, the independence of the judicial authorities from any public pressure should be ensured and the authorities should be provided with adequate modern equipment allowing them the proper discharge of their duties. North Macedonia should also continue developing a solid track record on reporting of irregularities.

c. SUMMARY OF FINDINGS – PROTECTION OF THE EU'S FINANCIAL INTERESTS

North Macedonia needs to implement its most recent legislation for the **protection of EU financial interests**. Cooperation with the European Commission on investigations is good, but the mandate of the national authorities for cooperating on investigations needs to be revised.

IV. PROTECTION OF THE EURO AGAINST COUNTERFEITING

a. Country presentation

North Macedonia stated that the national legislation is partly aligned with the Council Regulation 1338/2001 of 28 June 2001 and Regulation 1210/2010 of 15 December 2010. The Council Regulation 2182/2004 of 6 December 2004 has not yet been aligned.

As the **institutional set-up**, the National Bank, the Public Prosecutor's Office, the Ministry of the Interior and the Ministry of Finance are the main competent authorities. The Ministry of the Interior, the Ministry of Finance (Customs Administration and Financial Police Office) and the National Bank signed a memorandum of cooperation in the field of suppression of money counterfeiting.

Over the 2018-2022 period, 43 cases of counterfeiting have been identified and 32 of them have been subject to court decisions.

As regards the **cooperation with the EU**, the National Bank concluded cooperation agreements with the Directorate-General for Economic and Financial Affairs (DG ECFIN) in 2019 for protection of euro coins against counterfeiting and with the European Central Bank (ECB) in 2020 for the protection of euro banknotes against counterfeiting.

The country plans to upgrade the **institutional capacities** of the National Bank. In the short-term (2023-2025), it intends to increase the participation of the Bank staff in trainings and programmes offering exchanges of best practices and to take part in the Pericles IV Programme of the European Commission, this was a request under the accelerated integration. In the longer term (up to 2027), the objective is to increase the capacities by employing an additional 3 to 5 experts.

b. Commission assessment

National legislation is **partially aligned** with the EU regulations defining the system for fight against counterfeiting of the euro.

The measures related to prevention, detection and investigation of criminal offences concerning the protection of the Euro against counterfeiting need to be strengthened. An electronic system for exchange, processing, analysis and reporting of cases still needs to be established.

Regarding accelerated integration into the Pericles IV Programme the Commission looks favourable into increased participation in training programmes within the programme.

c. SUMMARY OF FINDINGS – PROTECTION OF THE EURO AGAINST COUNTERFEITING

The national legislation is **partially aligned** with the EU *acquis* for the fight against counterfeiting of the euro and implementation need to be strengthened.

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