Council of the European Union

Brussels, 7 March 2023
(OR. en)

6717/23

LIMITE

ELARG 13

PUBLIC

NOTE

From:	Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA)
To:	Permanent Representatives Committee
No. prev. doc.:	WK 1836/2/23 REV 2
Subject:	Sixteenth meeting of the EU-North Macedonia Stabilisation and Association Council (Skopje, 17 March 2023) – Position of the European Union

DOCUMENT PARTIALLY ACCESSIBLE TO THE PUBLIC (22.05.2023)

1. In view of the 16th meeting of the EU-North Macedonia Stabilisation and Association Council, delegations will find in Annex the draft position of the European Union, as proposed by the Presidency, following discussions in the Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA) on 14, 17 and 21 February 2023.

2. The Permanent Representatives' Committee is invited to examine and agree the draft text of the Position of the European Union, which is set out in Annex, with a view to its subsequent approval by the Council.

SIXTEENTH MEETING OF THE EU- NORTH MACEDONIA

STABILISATION AND ASSOCIATION COUNCIL

Skopje, 17 March 2023

Position of the European Union

PUBLIC

The European Union (EU) welcomes the holding of the sixteenth meeting of the Stabilisation and Association (SA) Council between the EU and North Macedonia. This meeting provides a timely opportunity to review the progress of North Macedonia in the preparations for EU membership, following the SA Sub-committees and the SA Committees held since the last SA Council.

1. Adoption of the Agenda

2. Approval of the minutes of the fifteenth meeting of the Stabilisation and Association Council of 19 March 2019

The Stabilisation and Association Council will approve the minutes of the 15th meeting of the SA Council of 19 March 2019.

3. Relations under the Stabilisation and Association Process

3.1. Accession strategy

Recalling the Thessaloniki Agenda and the Sofia, Zagreb, Brdo and Tirana Declarations, the EU reiterates its full and unequivocal commitment to the EU membership perspective of North Macedonia. The future of the country and its citizens lies within the European Union.

The EU recalls the Council conclusions of 18 July 2022 and the commitments therein and welcomes the holding of the first political intergovernmental conference with North Macedonia on 19 July 2022: a clear recognition of the progress achieved by North Macedonia on advancing the EU reform agenda and on delivering tangible and sustained results. The EU also welcomes that the Commission already has advanced its work to carry out the process of analytical examination of the EU *acquis* (**screening**). The EU looks forward to the completion of this process.

The EU welcomes that the **revised enlargement methodology** is now being applied to four negotiating countries, including North Macedonia, making the accession process more focused on fundamental reforms, more predictable and based on objective criteria and rigorous positive and negative conditionality, as well as reversibility. It looks forward to exploring its full potential, in particular "phasing-in" to individual EU policies, the EU market and EU programmes, while ensuring a level playing field and being subject to progress on reform priorities.

The EU welcomes the EU strategic objective and ambition of North Macedonia to move forward in the accession negotiation process based on continuing reform progress, and reaffirms its commitment to further support North Macedonia in its endeavours towards EU membership. The EU underlines the importance of continued reform and further consolidating implementation, in the interest of the citizens of North Macedonia.

The EU notes that the Commission is constantly assessing the state of play and taking stock, of the progress in meeting the accession criteria, including through the annual **Enlargement Package**. In this context, the EU welcomes that some progress was made in the area of the fundamentals and in particular in the field of rule of law, including the fight against corruption and organised crime, but more efforts are needed.

The EU also welcomes the government's commitment to sustain and accelerate the implementation of **EU related reforms.** This requires continuous engagement from both the government and the opposition as well as other parts of society. In this regard, the EU encourages all parties in Parliament to continue to work together constructively and to build cross-party consensus focusing on making concrete steps in the negotiation process and maintaining the current reform momentum. The EU stresses the need to ensure transparency in policymaking, the inclusiveness of consultation processes and effective communication of the negotiation process.

PUBLIC

The EU will continue to strengthen and intensify its engagement at all levels to support North Macedonia's political, economic and social transformation, including through continued assistance based on tangible progress on the rule of law and socio-economic reforms, as well as on adherence to EU values, rules and standards. In this context, the EU is looking forward to the full implementation of the **Economic and Investment Plan** and the Green and Digital Agendas for the Western Balkans, both important tools for bridging the socio-economic gap, improving infrastructure and connectivity, and supporting the region's green and digital transition while building resilience and energy independence.

Given the new geopolitical reality following **Russia's war of aggression against Ukraine**, the EU strongly underlines the importance of further deepening the cooperation on **foreign policy issues**. The EU therefore welcomes and strongly commends North Macedonia for its full and consistent alignment with the EU common foreign and security policy, the statements by the High Representative on behalf of the EU and Council Decisions about EU sanctions (restrictive measures). This is a strong expression of North Macedonia's strategic choice and place in a community of values. The EU welcomes the holding of the 2023 Chairpersonship of the OSCE by North Macedonia in this challenging global context.

The EU is the largest provider of financial assistance to North Macedonia. Following the adoption of the legal framework for the Instrument for **Pre-accession Assistance (IPA) III**, which is the main funding source, the EU underlines the need to strengthen the administrative capacity of IPA structures to ensure smooth implementation of IPA III programmes.

The EU reiterates its commitment to continued cooperation and assistance, notably by enhancing North Macedonia's resilience and involvement in EU measures in order to mitigate the negative impact of Russia's war of aggression against Ukraine, in particular in crucial areas such as food and energy security and cyber threats. The **EU's Energy Support Package** to the Western Balkans is of particular importance, helping to alleviate the immediate consequences of the energy crisis on the most vulnerable while advancing energy transition and diversification.

PUBLIC

Political criteria

The EU has continued to closely follow political developments in North Macedonia. The country continued its efforts to improve democracy and the rule of law, despite the challenges. When it comes to the **functioning of democratic institutions**, the EU underlines that **Parliament** needs to play an active and positive role in the EU accession negotiation process. Joint and prompt efforts by all parties are needed as a matter of priority to strengthen Parliament's role as a forum for constructive political dialogue, particularly on the EU reform agenda. The proposals for internal reform of Parliament agreed during the third round of the 'Jean Monnet Dialogue' in early 2020 should be implemented without further delay.

Following the local elections held in October 2021, the EU recalls the need for a comprehensive review of the **electoral legislation** and the importance for the authorities to continue to address the outstanding recommendations from OSCE/ODIHR and the Venice Commission.

The EU notes that the **government** continued to work on the EU reform agenda, on addressing the socio-economic consequences of the COVID-19 pandemic and of Russia's war of aggression against Ukraine. Decisive efforts are needed to build a momentum for reforms and move forward on the EU accession negotiation process.

DELETED

Regarding **relations between the communities**, the EU assesses that the situation remains calm overall. The Ohrid Framework Agreement (OFA), which is an essential element for democracy and stability in the country, continues to be implemented. The EU recalls the importance of good inter-ethnic relations and supports the commitment of the government to build greater trust among communities. The EU notes the importance of the decentralisation and regional development process, as enshrined in the OFA. The EU recalls the importance of dialogue between authorities to address the lack of funding and to improve the local public delivery of services.

The EU recalls the importance for further overall progress in the areas covered by **chapters 23 (Judiciary and Fundamental Rights) and 24 (Justice, Freedom and Security)**. As regards the **judiciary**, the EU welcomes the progress made through the steady implementation of the judicial reform strategy and that the preparation of a new judicial reform strategy (for 2023 - 2027) has started, in an inclusive manner. Building on progress already made, sustained efforts are needed to ensure the independence, professionalism, transparency and impartiality of the judicial system. The EU recalls the importance of continuing the efforts of the Judicial Council and the Council of Public Prosecutors to ensure full respect for the principle of independence of the judiciary. It encourages both Councils to pro-actively perform their respective roles. The implementation of the human resources strategies for the judiciary and public prosecution network needs to be stepped up and the training of judges and prosecutors strengthened.

Concerning the **fight against corruption**, the EU reaffirms the need to ensure that all institutions in charge of preventing and fighting corruption, especially the State Commission for Prevention of Corruption, the Public Prosecutor for Prosecuting Organised Crime and Corruption and the State Audit Office, have the necessary financial and human resources to fully carry out their mandate. The EU emphasises the importance for the concerned institutions to follow up on the recommendations of the State Commission for Prevention of Corruption, which has continued its work proactively and has opened several cases, including against high-level officials, as well as on the recommendations of the State Audit Office. The EU encourages North Macedonia to further step up investigations, prosecutions and final convictions in corruption cases, including at high level. It reiterates that the cases initiated by the former Special Prosecutor's Office (SPO) need to move forward, establishing accountability for the illegal wiretaps.

PUBLIC

DELETED

PUBLIC

As regards **freedom of media and freedom of expression**, the EU reiterates the importance of media freedom and independence as one of the cornerstones of any democracy. The EU underlines the importance of promptly addressing all instances of threats and acts of violence against journalists, ensuring that the perpetrators are brought to justice. The EU encourages reforms notably regarding the public service broadcaster and increasing transparency regarding media advertising by state institutions and political parties.

The country has implemented a comprehensive reform of its **intelligence and security services**. The EU reiterates that the capacity for parliamentary oversight over the intelligence services needs to be strengthened, including through the hiring of technical experts. The EU highlights that the Civilian Oversight Council needs to be operational without any further delay.

In the area of **Justice, Freedom and Security**, the EU welcomes the progress in operational cooperation with international partners, as well as in implementing the coordination of activities against **organised crime**. More needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as migrant smuggling and trafficking in human beings and financial crimes, including money laundering. The EU encourages North Macedonia to further step up investigations, prosecutions and final convictions in organised crime cases, including by confiscations of criminal assets.

Regarding the **fight against terrorism**, the EU welcomes the progress made in the implementation of the Joint Action Plan on Counterterrorism and its commitment to work on the updated version of the bilateral arrangement signed on 9 December 2022. The EU commends the cooperation on exchange of counterterrorism related information with Europol and encourages North Macedonia to proactively use opportunities and tools put at disposal by Europol. Work should continue on reintegration and resocialisation of returnees as well as on de-radicalisation in prisons. The EU remains engaged to support implementation of the actions included in the revised arrangement, as for example in the field of protection of critical infrastructures.

The EU welcomes the active and constructive role that North Macedonia continues to play in the management of mixed **migration flows** by cooperating effectively with neighbouring countries and EU Member States. The EU welcomes the significant efforts by North Macedonia to fulfil its commitment to fully align with EU visa policy, in particular with the EU's lists of visa-required third countries. It welcomes the signature of the Status Agreement between the EU and North Macedonia on operational activities carried out by the European Border and Coast Guard Agency (Frontex) in North Macedonia and looks forward to its entry into force.

The EU notes that some progress has been made in the area of **public administration reform**. The finalisation of the horizontal functional review of the state administration was a positive development. This should now be followed by the adoption and implementation of the Law on State Organisation. Ensuring respect for the principles of transparency, merit and equitable representation remains essential. In that respect, the EU recalls the importance of proceeding with the adoption of the three civil service laws without further delay.

The EU welcomes the continued constructive engagement of North Macedonia in **regional cooperation** initiatives. **Good neighbourly relations and regional cooperation** remain essential elements of the enlargement process, as well as of the Stabilisation and Association Process. Existing bilateral agreements, including the Prespa agreement between North Macedonia and Greece and the Treaty on Friendship, Good-neighbourliness and Cooperation between North Macedonia and Bulgaria, need to be implemented in good faith.

PUBLIC

The EU supports the Common Regional Market that was launched by the leaders of the Western Balkans at the Sofia Summit in November 2020 and recalls that fully inclusive regional cooperation as identified in the Common Regional Market action plan will remain crucial for taking full advantage of the potential of the region and of the Economic and Investment Plan. The EU looks forward to the swift ratification of the three agreements signed at the November 2022 Berlin Process summit as part of the Common Regional Market and their effective implementation for the benefit of citizens and business in North Macedonia and across the Western Balkans.

The EU strongly commends North Macedonia for its consistent cooperation on foreign policy issues and in particular its full alignment with the **EU common foreign and security policy**, including on EU restrictive measures – a strong signal of North Macedonia's strategic commitment to its EU path. It also welcomes North Macedonia's continued active participation in EU missions and operations under the Common Security and Defence Policy.

Given the current geopolitical context and in line with EU priorities under the joint framework on countering hybrid threats, the Western Balkans strategy and the Tirana Declaration, the EU has increased policy dialogue and assistance to enlargement partners including North Macedonia on countering hybrid threats, in particular on cyber resilience and cybersecurity, including the protection of critical infrastructure.

The EU notes that the 2003 bilateral non-surrender agreement with the United States of America granting exemptions for US citizens from the jurisdiction of the International Criminal Court is not in line with the relevant EU guiding principles concerning arrangements between a State Party to the Rome Statute of the International Criminal Court and the USA. Alignment with the EU position is therefore needed.

PUBLIC

Economic criteria

Concerning the **functioning of the market economy**, the EU notes that following a partial recovery from the pandemic-caused recession, North Macedonia has been severely hit by the fallout of Russia's war of aggression against Ukraine. Growth dynamics slowed down and sharply rising food and energy prices have pushed inflation to close to 20% by the autumn of 2022. The authorities' policy response to the external shocks have by and large been appropriate, relying on significant fiscal support.

The EU recalls that downside risks to the economic recovery call for a cautious phasing out of fiscal support while rebuilding fiscal space in the medium term. The EU welcomes the adoption of the long delayed organic budget law. The EU stresses the need to swiftly adopt secondary legislation, establish the new Fiscal Council and to ensure functioning of the integrated financial management information system (IFMIS). Medium term fiscal targets should be consistent with the fiscal rules of this law. The EU welcomes the country's commitment to improve public investment management, including by setting up a related unit in the Ministry of Finance and by adopting the new public private partnership law. Furthermore, the EU encourages North Macedonia to enhance revenue collection by effectively implementing the Tax System Reform Strategy. The banking sector maintained its stability. The EU recalls to carefully analyse price developments and stand ready to tighten monetary policy, if needed.

PUBLIC

Concerning the capacity to cope with **competitive pressure and market forces within the EU**, several structural reform measures to support growth and competitiveness have been put forward, in the framework of the Economic Reform Programme. The EU calls for properly addressing major growth and competitiveness constraints such as the informal economy, digital transition, business environment obstacles and a need to improve the education system to increase employment and mitigate skills mismatches, in particular for young people. Russia's war of aggression against Ukraine clearly demonstrates the urgent need to accelerate clean energy transition as a way to reduce vulnerability to external shocks and increase energy security, in line with the country's recently adopted National Energy Crisis Action Plan. The EU notes that large gaps in transport and energy infrastructure, low investment and innovation spending are holding back the country's potential for growth. The EU highlights that North Macedonia also needs to continue to tackle corruption, improve the rule of law and strengthen institutions in order to promote competitiveness. Addressing these fundamental concerns is a prerequisite for successfully transforming the economy.

Reducing vulnerability to external shocks and increasing food and energy security have become even more crucial following Russia's war of aggression against Ukraine. The EU's **Energy Support Package** is of particular importance, helping to alleviate the immediate consequences of the energy crisis on the most vulnerable while advancing energy transition and diversification.

Structural challenges continue to impede the labour market. The EU recalls the need to continue efforts to strengthen access to active labour market policies, particularly for low-skilled unemployed and people in vulnerable situations as well as to implement measures to mitigate effect of emigration of workforce. The EU recalls that despite some improvements, the business environment continues to be held back by the large size of the informal economy and by slow progress in streamlining para-fiscal charges. The digitalisation of the economy is advancing, but the competitiveness of domestic businesses could be improved through a wider offering of public e-services. The EU recalls that large gaps in transport and energy infrastructure, coupled with low investment and innovation spending are restricting potential growth and encourages North Macedonia to adopt and start to implement the Smart Specialisation Strategy.

PUBLIC

The EU highlights the need to accelerate structural reforms to foster sustainable recovery as well as to ensure fulfilment of the economic criteria for EU membership. The EU recalls the joint conclusions of the EU and the Western Balkans and Turkey on the Economic Reform Programmes at the Ecofin Council of 24 May 2022, and encourages the government to focus on their implementation and follow-up.

EU *acquis*

In the area of **public procurement**, the EU welcomes the adoption of the new Public Procurement Strategy 2022-2026 and the launch of the new e-market system for low value procurement. The EU encourages the authorities to adopt the Public-Private Partnership (PPP) Law and the Law on Concessions, to further align the legal framework in these areas with the EU *acquis.*

In the area of **statistics**, the EU commends the good progress made, in particular in successfully conducting and disseminating the population census and encouraged to ensure that the results of the census are used properly in decision making. The EU also encourages to further progress to adhere to the excessive deficit procedure methodology. The EU reminds North Macedonia that it should urgently ensure adequate staffing for the State Statistical Office.

In the area of **financial control**, the EU notes that limited progress was made with the advancement of the internal control system and the adoption of the new organic budget law in September 2022.

The EU welcomes the country's continued high level of **trade** integration with the EU. In the area of **taxation**, the EU urges North Macedonia to adopt amendments to the Law on technological and industrial development zones in accordance with the commitment given to the Forum on Harmful Tax Practices and to the EU Code of Conduct Group on Business Taxation. The EU welcomes plans to develop a new integrated IT tax system for the Public Revenue Office. The EU encourages continued consolidation and full application of **customs** IT systems and recommends to swiftly ratify and subsequently implement the Protocol on Elimination of Illicit Trade in Tobacco Products.

PUBLIC

As regards **enterprise and industrial policy**, the EU highlights the need to ensure effective implementation, monitoring and evaluation of strategies and policy measures in this area (including the upcoming Strategy for Smart Specialisation) and to proceed with the progressive alignment of the Law on financial discipline to the EU Late Payment Directive.

The EU encourages continued legislative alignment in the area of the **internal market** and measures to increase administrative capacities. In particular, the EU stresses the need to further align the national legislation with the Services Directive, the EU *acquis* in the area of **intellectual property** and on mutual recognition of professional qualifications and services. Further alignment is also needed with the EU **company law** *acquis*, including on the use of digital tools and cross-border operations as well as on corporate financial and sustainability reporting. In the area of **free movement of capital**, the EU welcomes progress made in further alignment with the EU *acquis*, both through the adoption of legislation on payment systems as well as through a new law to fight money laundering and financing of terrorism.

In the area of **competition**, the EU encourages the country to further align with the EU *acquis* the implementing legislation in the area of State aid and antitrust and to increase the transparency of State aid granted by the authorities. The EU highlights the need to strengthen the administrative and financial capacity of the national competition authority with a view to ensuring a solid enforcement track record.

On **public health**, the EU welcomes the progress of North Macedonia on cancer reporting and cancer detection. The EU urges North Macedonia to intensify its efforts on tobacco control by effectively implementing the EU *acquis* on this and by ratifying the Protocol to Eliminate Illicit Trade in Tobacco Products, and to ensure adequate funding and specialised knowledge for early detection of cancer and rare diseases.

The EU urges North Macedonia to align with the EU *acquis* on **consumer protection**, and to strengthen the relevant operational structures.

PUBLIC

In the area of **agriculture**, the EU welcomes the steps taken by the authorities to improve implementation of the Instrument for pre accession for rural development (IPARD). Further strengthening of capacity and a strong staff retention policy will facilitate the absorption of EU funds. The EU encourages decoupling of direct payments and the adoption of a legislative framework in the area of common market organisation.

On **fisheries**, the EU stresses the importance to align the law on fisheries with the EU *acquis* in the area of market policy, structural measures and State aid. The administrative capacities to control illegal, unreported and unregulated fishing in line with EU requirements needs to be improved. Alignment of the market policy and State aid with the EU *acquis* remains to be achieved and alignment with the EU Eel Regulation ensured.

In the area of **food safety, veterinary and phytosanitary policy**, the EU welcomes the adoption of the amended Law on Food Safety and the improvements on animal disease and on plant health controls. The Food and Veterinary Agency needs to improve its capacity to further align with and implement the EU *acquis* on veterinary issues.

Concerning **education and culture**, the EU urges North Macedonia to adopt the Law on Vocational Education and Training and the Law for Adult Education. It calls on North Macedonia to implement timely the 2018-2025 Education Strategy developing a proper monitoring system and to ensure quality of the educational system. The EU urges North Macedonia to continue with the efforts to increase the enrolment rate and to ensure access to quality education for all, in particular children with disabilities and children from Roma communities. The EU underlines the need to adopt the Law on Protection of Cultural Heritage and the National Strategy for Protection and Use of Cultural Heritage 2021-2025.

Regarding **research**, the EU welcomes the efforts from North Macedonia towards further integration into the European Research Area – highlighted by the increased participation in the Horizon Europe Programme. The EU calls on North Macedonia to increase its research and innovation expenditure.

PUBLIC

In the area of **information society and media**, the EU welcomes the adoption of amendments to the Law on Electronic Communications and calls on North Macedonia align its national legislation with the EU Broadband Cost Reduction Directive. The EU recalls the need for the development and adoption of a new National Cyber Security Strategy, its alignment with the NIS Directive and with the 5G toolbox. Furthermore, the EU encourages North Macedonia to align with the EU eIDAS Regulation. The EU underlines that the country should take the necessary steps to secure that the Law on Audio and Audiovisual Media Services is fully aligned with the Audio-visual Media Services Directive for its participation in the MEDIA and other cross-sectoral strands of the Creative Europe Programme.

Concerning **social policy and employment**, the EU encourages North Macedonia to establish a monitoring and evaluation system for social services and to continue the social protection reform with stronger links to employment activation, including by improving the cooperation between the employment agencies and centres for social work. It underlines the need for the country to finalise and adopt the Law on Labour Market Regulation. The EU welcomes the adoption of the Law on Prevention and Protection against Discrimination in 2020 and reiterates the need for the adoption of the Law on the Protection against Workplace Harassment. However, more needs to be done to tackle discrimination, such as by reducing the gender employment and pay gaps. The EU welcomes the adoption of the National Employment Strategy 2021-2027 and the Employment Action Plan 2021- 2023.

PUBLIC

The EU underlines the need for the country to fully support and implement the Green Agenda for the Western Balkans endorsed by all Western Balkans leaders at the Sofia Summit 2020, which aims at adapting the initiatives of the European Green Deal to the region. The EU insists on the need to step up efforts to strengthen administrative capacity, including enhancing coordination and cooperation between the national and local authorities, as well as between ministries and agencies working in these sectors. On **environment**, the EU welcomes the good progress made by North Macedonia on nature protection. Nevertheless, the country still faces many challenges related to the implementation of legislation in the areas of the air quality, waste and water management, industrial pollution and risk management, chemicals and noise pollution. Efforts need to be accelerated to ensure the reduction of air pollution at local and national level and the establishment of the waste management system at regional level. The improvement of the implementation of Environmental Impact Assessments by strengthening the public consultation and participation processes and the quality of the reports is also needed. The EU welcomes the participation of North Macedonia in the EU Civil Protection Mechanism.

The EU underlines that North Macedonia needs to considerably step up ambitions regarding the green transition to tackle **climate change** and to implement the Paris Agreement, including by adopting a climate law consistent with the EU 2030 framework.

In the area of **energy**, the EU calls for accelerating the transition to renewables, significantly reducing the dependencies on gas and for adopting and implementing the energy efficiency implementing legislation. The EU welcomes the adoption of the National Energy and Climate Plan 2030. The EU underlines the importance on the full alignment with the Clean Energy Package, and calls for the finalisation of the establishment of the organised day-ahead market, and market coupling.

Concerning **transport**, the EU insists that political commitment is needed to deliver on necessary sectoral reforms mainly on rail by opening the rail transport market. It underlines that legislative amendments are necessary to comply with the provisions of the Transport Community Treaty related to rail market, to set up a national system to continuously collect data on road crashes and to finalise pending border-crossing agreements/protocols. The EU welcomes the adoption of all Transport Community Treaty action plans by North Macedonia.

PUBLIC

On **regional development and cohesion policies**, the EU notes that North Macedonia is continuing to prepare regional development reforms. It encourages the authorities to increase capacity to manage public funds at central and local levels, enhance the complex ecosystems to deal effectively with future cohesion funds and improve coordination among ministries and with local self-governments.

Regarding **Trans-European Networks** (TENs), the EU encourages the country to further strengthen the operational and technical capacity of all management and stakeholder institutions dealing with the development of both TEN-T and TEN-E networks and harmonise legal framework with the Trans – European Network Regulation.

Pre-accession Assistance (IPA)

The EU is committed to accompany North Macedonia on its EU accession path, including through financial assistance. The EU's Energy Support Package of EUR 1 billion will assist the Western Balkans to mitigate the impact of the energy crisis while advancing the energy transition and resilience. The EU's significant financial assistance package supported North Macedonia in its efforts to respond to the impact of the COVID-19 pandemic and the EU continues its support to advance key EU-related reforms.

As regards the implementation of IPA II funds under indirect management with the beneficiary country, the EU underlines that additional efforts are required. In particular, in the sectors of environment and transport, implementation needs to be significantly improved.

The EU stresses the importance of allocating the necessary resources and enhancing the administrative and technical capacity, including adopting and implementing a staff retention policy compliant with the Public Administration Principles. This is key to ensuring the full implementation and benefit of IPA II and in view of implementing EU funds under IPA III, the Economic and Investment Plan for the Western Balkans and in preparation for future successful management of the European Structural Funds.

PUBLIC

The EU welcomes the entry into force of the Financial Framework Partnership Agreement between the Commission and North Macedonia on the arrangements for implementation of financial assistance under IPA III. The EU also welcomes the close cooperation with the national authorities in programming of the first three years of IPA III, and notes the adoption of relevant and mature annual action plans for North Macedonia for years 2021, 2022 and 2023 worth EUR 90.45 million, EUR 72.5 million and EUR 80 million respectively, in line with the priorities of the enlargement process.

The EU also underlines the wide range of tools available, including the Western Balkans Investment Framework (WBIF). The EU welcomes continuous participation of North Macedonia in the new generation of Union Programmes for the 2021-2027 period.

3.2. Bilateral relations under the Stabilisation and Association Agreement

The EU recalls that the Stabilisation and Association Agreement remains at the core of the relationship between the EU and North Macedonia until the country's accession to the EU. The Agreement provides the contractual framework within which the EU and the country co-operate and take stock of developments in their relationship.

Overall, the Stabilisation and Association Agreement (SAA) is being implemented well. The EU recalls that compliance with the SAA remains an important element in the EU integration process, and will continue to monitor compliance as highlighted earlier. The EU also highlights the need for further efforts to ensure that adequate administrative capacity is in place.

4. Exchange of views on developments in the Western Balkans

The European Union and North Macedonia will proceed to an exchange of views regarding developments in the Western Balkans.

PUBLIC