

FROZEN RECOMMENDATION

Analysis of the European
Commission 2015
Progress Report
on the
Republic of Macedonia

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Frozen and conditional recommendation

The recommendation for start of EU accession negotiations in the 2015 Progress Report of the Republic of Macedonia is frozen and conditional upon: the full implementation of the June/July Political agreement and the Urgent Reform Priorities, by the holding of the elections in April 2016, the earliest.

In the 2015 Enlargement Strategy the Commission finds the following:

In the light of the progress made so far in the implementation of the June/July political agreement, the Commission is prepared to extend its recommendation to open accession negotiations with the Republic of Macedonia. This shall, however, be conditional on the continued implementation of the June/July political agreement and substantial progress in the implementation of the urgent reform priorities. This issue shall be addressed again after the elections.

It is obvious that the Commission skillfully packed and conditioned the recommendation, having in mind the political happenings and debates in the country. A compromise has been made among the critical points and the need to give impetus to reform. As always, there is space for different interpretations on the part of the political actors. Concerning the reform agenda and with the aim to avoid different interpretation of what would follow in the coming 6 months, Commissioner Hahn stated that "not all could be done, but a lot could be done and it will be evaluated." This statement does also not provide a clear picture and leaves space for different interpretations.

Still, in the form in which it is given, the recommendation shall not be a subject to consideration at the meetings of the Council of Ministers in December 2015, due to the fact that fulfillment of the abovementioned conditions is expected until April 2016.

Having in mind the abovementioned, we consider that the Republic of Macedonia does not have a recommendation for start of accession negotiation at the moment, and the same could be renewed following the implementation of the Przino agreement and the urgent reform priorities until the elections in April 2016.¹

¹This was confirmed by Commissioner Hahn, at the press conference held on 10.11.2015, when he stated that the Commission is ready to propose again the full recommendation after April 2016, provided that there will be progress made.

Report in the course of the most severe political crisis since 2001

The Commission stresses that the Republic of Macedonia is in the most severe political crisis since 2001, as well as that following of the publication of the intercepted communications, there are findings that suggest breaches of fundamental rights, media freedom and elections, as well as interference with judicial independence, as well as politicisation and corruption in many fields.

The Macedonian government, the parliament and relevant oversight bodies failed to react adequately to the revelations of the published intercepted communications.

At the same time, it is estimated that the Macedonian government, the parliament and relevant oversight bodies failed to react adequately to the revelations. The Commission stresses that it is necessary to have legal sanctions and political measures for dealing with the findings of the intercepted communications instead of introduction of legal amendments.

The Commission in the framework of the political criteria includes the issues of **oversight of the intelligence services**, which was already implied in the 2014 Report (see appendix Political criteria). In any case, the referencing of oversight over the armed and intelligence services in the framework of the political criteria was usual in the earlier stages of accession and it represents a step back in the democratic maturity of one society.

Old-new approach with more direct criticism and recommendations

The European Commission starts the implementation of a new approach in the preparation of the progress reports for the countries included in the enlargement process with the 2015 Enlargement strategy. For all the acceding countries, the Commission defines key areas which are subject to additional monitoring: **Rule of law and fundamental rights (including the functioning of the judiciary, corruption, organized crime and freedom of expression), economic criteria, public administration reform, as well as three chapters related to public procurement, statistics and financial control.**

These areas follow the principle adopted last year called „*fundamentals first*“ with the aim to show real results in the key chapters (23: judiciary and fundamental rights, 24: freedom, security and justice, economic governance and public administration reform). In all these, a detailed approach of situation assessment is performed through the analysis of the legal and institutional framework as well as the results. **What is worrying is the fact that precisely in these key areas Macedonia is stagnating and/or backsliding, as it is delineated below.**

The new writing style of the reports ensures greater transparency of the enlargement process itself. The country is unable to have a more clear overview of the current state of affairs in the sense of preparation for fulfillment of the membership criteria. What is most characteristic for this report is the inclusion of a harmonized reporting and a five-tier assessment scale for the progress made in the previous 12 months and the level of preparation.²

The terms which are used for the progress achieved are: backsliding, no progress, some progress, good progress, very good progress.

² Previously more nuanced assessments were used – see appendix.

The terms which are used for the level of alignment are: early stage, some level of preparation, moderate level of preparation, good level of preparation and well advanced.

Nevertheless, the Commission's methodology and the manner of assessing are not significantly different from the current practice. In fact, the Commission is attempting to use uniform terminology although the process and the mechanisms behind it remain the same. EPI based its analyses in the past several years on the same methodology with the use of gradation of assessments in the chapters. This allows us to implement the current analysis according to the same methodology as well as to ensure comparability with the assessments from the previous years.³

Despite the fact that the first impression is that the new methodology of the EC ensures greater transparency and clarity, we identified certain deficiencies in our initial analysis. The selection of pilot areas and the kind of meaning they have must be subject to an additional analysis.

Backsliding and deepening of the gap between the legislation and reality

Nevertheless, the new approach of the Commission this year illustrates in a more successful manner between the good alignment of the legislature and the real state of play in the aspirant countries for membership. With the new approach the Commission makes and attempt to overcome the criticism of several years for formal assessment of the progress made through the direction towards the actual conditions.

The Commission determines backsliding in the judicial system, freedom of expression and management of public finances (fiscal discipline).

In the case of the Republic of Macedonia, this report stresses more the gap between the good level of legal alignment (having in mind the relations with the EU) and the backsliding in the key political and economic criteria. The level of alignment, as it is stated by EPI in its reports from the past years, is correct, having in mind the fact that the Republic of Macedonia started the alignment with the European legislature far earlier than the other countries in the region.

On the other hand, the Commission uses the

³See EPI previous reports:

Initial analysis of the Report of the European Commission on the progress of the Republic of Macedonia in 2013, available at: http://epi.org.mk/docs/prvicna_analiza_na_izvestajot_na_ek_za_napredokot_na_rm_za_2013.pdf

Overshadowed recommendation, Analysis of the Report of the European Commission on the progress of the Republic of Macedonia in 2014 http://epi.org.mk/docs/Preporaka%20vo%20senka_Analiza%20na%20izvestajot%20na%20EK%20za%20napredokot%20na%20RM%20za%202014.pdf

Same recommendation, New recommendation, the Report of the European Commission on the progress of the Republic of Macedonia in 2012 under scrutiny

http://epi.org.mk/docs/analiza_-_zakluchoci_-_ocenki_po_kriteriumi_i_poglavja_pr_2012_mk_commentary_%D0%9C%D0%9A.pdf

term **backsliding**, which is determined in key areas such as: **judicial system, freedom of expression and management of public finances (fiscal discipline)** more freely and more often.⁴

Referencing the contents of the intercepted communications

In this Report, the Commission on many occasions directly references the contents from the intercepted communications which show the existence of systemic problems with the rule of law, as well as the involvement of high government officials (see segment key assessments: political criteria). The Commission is referencing the contents from the communications with regard to the election irregularities, (in)dependence of the judiciary, politization of the public administration, media influence in the fight against corruption and organized crime.

The Commission is referencing the contents of the published communication from 'the bombs'

Key assessments

In this part of the analysis we demonstrate the key assessments. **The overview of the recommendations is provided in the appendix 2.**

Political criteria: back to fundamentals

In line with the altered methodology, the political criteria are amended in their structure and contents which were previously moved to the chapters 23 and 24 are returned (now they are repetitive). In essence, there are no big differences. Methodologically, in the previous years a descriptive assessment of the progress made by the country was used, but this year the EC returned the standardized terms (little progress, moderate progress, progress, etc.) for certain areas, particularly in governance, civil society, judiciary, fight against corruption and organized crime. It is not by chance that they are closely correlated to the Urgent reform priorities.

The altered structure of the political criteria is provided in the Appendix 1.

The report goes deeply into the scanning of political events in the Republic of Macedonia, especially in relation to the political dialogue between the four biggest political parties and the Urgent Reform priorities (URP). The content of the published intercepted materials is used as a source of information for determining a certain situation. The findings of the Pribe Report are fully valued and integrated in this Report.

The EC stipulates that until the closing of the report, not all elements of the political agreement are implemented and that a the majority of the deadlines have not been respected. The assessment is that **the realization of the urgent reform priorities has**

⁴ In comparison, in the EU accession countries the backsliding is mentioned in: the Report on Turkey (public procurement, Freedom of expression and Freedom of Assembly), Bosnia in 2 areas (Freedom of expression and information society and media), and Albania – in the area of public procurement. No backsliding is stipulated in the Reports on Montenegro, Serbia and Kosovo.

started slowly and that there are no satisfactory results until the closing of the report.

2.1. Democracy

Last years assessment of a divisive political culture, lack of compromise and breakdown in dialogue is repeated, but it is stipulated that this is now in the form of a continuing and protracted political crisis – assessed as the most difficult since 2001. ""

The crisis deepened further with the publication of intercepted conversations including senior government and governing party officials suggesting breaches of fundamental rights, interference with judicial independence, media freedom and elections, and politicisation and corruption in various fields."

The EC stresses that it signaled concern for all these issues in the previous Progress Reports.

- It is stipulated that the content of the intercepted communications reflected the shortcomings regarding **elections**, previously signalled by OSCE/ODIHR, and other suspicions.
- The EC deliniates that the ongoing crisis has underlined the need for **parliament** to substantially improve its performance as a forum for constructive political dialogue and representation, as well as its legislative and oversight functions. A reference is made to the needs to include credible functional oversight of the work of the intelligence services and the capacity to monitor the protection of human rights and fundamental freedoms in the country. The absence of the main opposition party for most of the reporting period **diminished the quality of reforms and hindered the operation of checks and balances.**

In the segment that was previously called „government“, and now is called „governance“ the call for political responsibility is dominant. According to the EC, the "governance in the country was strained by the ongoing political crisis and called into question by revelations of unethical behaviour, illegal activities and even potential criminal offences." The current resignations of two ministers and the head of the intelligence service – are obviously considered insufficient – it is therefore determined that "only limited political responsibility" was taken.

- The EC recommends the establishment of oversight over the key bodies(all independent regulatory, supervisory and advisory bodies which should be able to carry out their functions proactively, effectively and free from political pressure).
- The Interethnic tensions underline the need to fully implement the Ohrid Framework Agreement. The EC proposed that it views the interethnic relations as fragile which were complicated by the events in Kumanovo and Gošince. Although the public, to a great extent, does not see an interethnic character in these last happenings and also there were calls on the part of most political leaders not the view the same as an interethnic incident, it still remains for them to be investigated thoroughly, in a transparent manner which shall contribute towards the strenghtening of the interethnic trust.
- Although the interethnic nature of the structure of political parties included in the key political processes and agreements is in the direction of maintaining the interethnic

relations, there is still mistrust and tensions that exist, for whose surmounting additional measures are necessary.

- This year, the EC established some progress in the development of the *civil sector* and expresses serious concern for the difficult climate in which they operate. During the political crisis, the constructive role played by CSOs is commended by organising numerous peaceful protests across ethnic lines and cross-ethnic unity in the aftermath of the tragic Kumanovo events of spring 2015. , and demanding greater accountability of politicians. The EC considers that there are political polarization and divisions among the civil society organizations which support the Government and those that are critical towards it.
- ***The oversight of the intelligence services is assessed as not functioning.*** Sufficient responsibility has not been taken for the serious failings within the intelligence service to prevent the illegal interception. The recommendations from the 'Urgent Reform Priorities' must be implemented.

2.2. Public Administration Reform

The EC assesses that the Republic of Macedonia is *moderately prepared* with regard to the public administration reform. ***Some progress*** was made on the legislation and improvement in service delivery to citizens and businesses. This part also refers to the content of the leaked wiretapped materials and refers to the delay in fully implementing the new legal framework. There is a repetition of the statement that strong political will is necessary to guarantee the independence of administration and respect for the principles of transparency, merit and equitable representation.

2.3. Rule of law

The judiciary is one of the most critical areas, in which there is a clear stipulation of **„backsliding“**. It is stressed that In the large majority of 'ordinary' cases, courts are able to act independently, however there is political interference in certain high-profile or politically sensitive court cases, which, casts a shadow over an otherwise functioning judicial system". **The political interference brings into question the reforms which have already been carried out.** The existence of „selective justice“ is related to the doubts in the functioning of the electronic case management system. In view of the budget, the total amount of finances per capita is lower than the European average, while the number of judges per capita is higher.

The political interference in view of politically sensitive i.e. high-profile court cases, "casts a shadow over an otherwise functioning judicial system" and clearly stipulates „backsliding“.

The country is at *some level of preparation*, but *no progress* has been achieved *in the fight against corruption* which remains widespread. This kind of situation is related to the lack of political will and political interference which is hampering the ability of the relevant bodies to act proactively and non-selectively. The content of the intercepted communications has raised serious allegations against high government officials for abuses of power and corruption. The reluctance of the relevant law enforcement bodies, including the Public Prosecutor's Office, to follow up on these revelations is of concern, thus bringing in question their independence.

The "selective passivity" i.e. the reluctance of the relevant law enforcement bodies, including the Public Prosecutor's Office, to follow up on these revelations of the wiretapped materials is of concern, thus bringing in question their independence.

There is also *no progress* in the *fight against organized crime*, although here there is a moderate *level of alignment*. The fights against organized crime is part of the Chapter 24, but in this report it is again moved to the political

criteria as well. According to the EC the content of the intercepted communications has brought to light serious shortcomings in the practical application of the Law on Interception of Communication. The lack of an independent, external and transparent oversight over the police leaves space for constant allegations for politization.

This report also singles out *the fight against terrorism* due to the phenomenon of foreign terrorist fighters and radicalisation, as a result of which the need for a comprehensive and effective strategy is stressed.

2.4. Human rights and the protection of minorities

- The EC notes *backsliding in the freedom of expression*. The EC refers to the intercepted communication in three different cases in order to stress the control of the authorities in power over the media. The journalists are subject to pressure, harassment and self-censorship. Despite the legal framework, concern is expressed over the political independence of the Agency for Audio and Audiovisual Media Services as well as the role of the MTV as a public broadcaster. References are made to political interference in the editorial policies as well as tight relations among the government and the owners of the largest television outlets which are receiving the biggest share of finances from government campaigns. The EC points out SITEL, Kanal 5, Alfa, MTV as progovernment oriented with a selective approach in their reporting. The general conclusion is that the freedom of expression is becoming a serious challenge.
- *The LGBT community* continues to suffer from discrimination and homophobic media content. The fact which is worrying is that there has not been a full investigation and no perpetrators have been found in any of the assaults.
- The situation of the *Roma community* remains critical. Regardless of the adopted Strategy, there is almost no progress in the sense of political representation, media coverage of the Roma language and the status of the Roma

language in the municipalities where Roma constitute the majority of the community.

- **The Ohrid Framework Agreement** continues to ensure a basis for interethnic relations. More forms of discrimination against minorities still exist while the activities for fight against stereotypes, including the media, remain ineffective. The EC notes the weak interinstitutional cooperation and criticizes the fact that the systemic measures are to a great extent financed by donors while the measures against segregation in the schools are insufficient.

2.5. Regional issues and international obligations

The know statement that Macedonia participates actively in regional initiatives and continued to play a generally constructive role in the bilateral relations with other countries

seeking to join the EU and with neighbouring EU Member States. Fresh impetus has been given to regional cooperation by the Berlin Process, with the Western Balkan Six (WB6) intensifying cooperation among themselves and with the EU.

The name issue goes completely in the background – it receives the least attention in this Report compared to all the previous ones.

It is characteristic that this year **the name issue receives the least attention in comparison to the past years.** The other contents from the political criteria receive far more attention.

Relations with Bulgaria continued to be affected by open issues primarily differences about 'the interpretation of history,' but they do not obstruct cooperation in other areas as well as daily people-to-people contacts.

With regard to the name issue with Greece, it remains essential that decisive steps are taken towards resolving this issue.⁵ Although there is a lack of formal talks, the Greek Foreign Minister visited the country for the first time in 11 years and the two sides agreed a number of confidence building measures.

Overview of the key assessments, comparative to the 2011-2015 period is provided in Appendix 3.

⁵EU enlargement strategy 2015, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions, 10 November 2014, COM (2015) 611 final, pg. 14

Economic criteria

The preparedness of Macedonia for the developing of a functioning market economy is assessed as good, although this year (unlike the previous ones) **no progress was made**. Furthermore, the Commission assesses that the Macedonian economy is *“partially prepared to cope with competitive pressure and market forces within the Union.”*

The EC statement that there is no progress made in the economic criteria is directly convergent to the government attitudes for success in the economic field.

A concern is raised about the increase in public debt as it was mentioned last year. **This year, the Commission stated backsliding in the fiscal discipline and management of public finances, particularly in view of transparency.** Almost half of the public spending was intended for *“social transfers including pensions, which the government had increased, as in the previous year, beyond what was required by law and despite falling prices.”* Public sector wages and agricultural subsidies were also raised ‘beyond statutory requirements’. It is due to these reasons that there is a need of midterm planning of expenditure.

The assessments of the macroeconomic situation and the monetary policy are positive, but the need for further development of the private sector is stressed, which to a great extent is unabled due to the gray economy.

Labour market conditions remained burdened by structural impediments. The high unemployment rate, the low participation of women in the labour market, the inadequate active measures and the creation of new jobs in mainly low productivity sectors, limit progress. Nevertheless, some progress was notified particularly as regards addressing prevalent shortcomings in human capital and physical infrastructure.

The main criticism of the Commission is the “backsliding” in the management of public finances.

The frequent legislative changes, the unequal application of laws and the hindered implementation of the agreements continues to burden business activities.

The Commission marks positive developments as regards the business environment and a continuous effort to promote growth and employment through major public infrastructure investment and foreign direct investment (FDI). **However, the status of a functioning market economy is still not granted to Macedonia.** This year the Commission explains it with the backsliding of fiscal discipline, the weak contract enforcement and the large informal economy.

This year’s methodological novelty relates to the explicit connectedness of this part of the report to the Economic Reform Programme (EPR) and the outlining of

This year, the Commission stated backsliding in the fiscal discipline and management of public finances, particularly in view of transparency.

recommendations provided in the same. The EPR, as a standardized document for the countries in the enlargement process, determines a mid term macro-fiscal policy with key structural reforms directed towards the support of the same as well as increasing of competitiveness. The Commission prepared the recommendations on the basis of EPR and it proposes that the Government undertakes additional measures for their realization.

Ability to take on the obligations of membership

In view of the ability to take on the obligations from membership the country has a relative **good level of preparation for taking on the obligations from membership**. Still, according to our assessment, this is still at 2,91 from the possible 5. The level of alignment/preparedness is lower than before, compared to the previous years.

The EC kept the continuously repeated statement that greater attention needs to be placed on the administrative capacity itself and on the effective implementation.

In most of the areas, in accordance to the new assessment which is provided by the Commission, the country is moderately prepared. **It is explicitly stressed that further efforts are needed in those chapters in which the country is in the early stage of preparation**. As such, only two chapters were listed i.e. **Freedom of movement for workers and Financial and budgetary provisions**. This attitude is inconsistent due to the fact that these chapters in practice are aligned in the later stage of accession. **What is characteristic is that there is no chapter which is assessed as being well advanced**.

Assessment of the level of alignment for 2015 by chapters

Assessment	
Early stage of preparation ⁶ – 1	Freedom of movement for workers; Financial and budgetary provisions
Some level of preparation ⁷ – 2	Food safety, veterinary and phytosanitary policy; Judiciary and fundamental rights
Moderately prepared ⁸ – 3	Free movement of capital; Right of establishment and freedom to provide services; Free movement of capital; Public procurement; Intellectual property law; Competition policy; Financial services; Agriculture and rural development; Fisheries ; Transport policy; Energy; Taxation; Economic and monetary policy; Statistics; Social policy and employment; Enterprise and industrial policy; Regional policy and coordination of structural instruments; Justice, freedom and security ; Education and culture; Environment and climate change; Consumer and health protection; External relations; Foreign, security and defence policy; Financial control
Good level of preparation ⁹ – 4	Company Law; Information society and media; Trans-European networks; Science and research; Customs union;
Well advanced ¹⁰ – 5	

⁶Early stage of preparation

⁷Some level of preparation

⁸Moderately prepared

⁹Good level of preparation

¹⁰Well advanced

In view of the progress made in the past 12-months period, ***Judiciary and fundamental rights and a Regional policy and coordination of structural instruments.***

In accordance to our analysis, the highest backsliding, as compared to the previous years as well as in view of the level of alignment with the acquis itself and the progress made by the country in the past 12-months period, could be noted in two chapters i.e. Judiciary and Fundamental rights and Justice, freedom and security .

The continuous downfall of the progress and the level of preparedness in Chapter 31- Foreign, security and defence policy is also indicative due to the fact that it clearly states that the Republic of Macedonia aligns its foreign policy positions less and less with those of the EU.

While the previous report contains enumeration of the chapters in which there is progress and the chapters in which further progress is needed, in this Report progress is confirmed in the chapters which are unclued under the fundamentals and they shall be explicitly monitored with the new approach.

Comparison to 2014 in view of the progress and alignment

In comparison to the 2014 Progress Report, there are differences in this Report in view of the assessments for the progress made and the alignment.

With regard to the **progress made**, as compared to 2014, there are **higher assessments** in the chapters: Right of establishment and freedom to provide services, Free movement of capital, Economic and monetary policy, Social policy and employment, Trans-European networks, Customs Union, External relations, Foreign, security and defence policy and Financial and budgetary provisions.

Lower assessments with regard to the progress made as compared to the 2014 Progress Report are the chapters: Public Procurement, Company Law, Competition policy, Information society and media, Food safety, veterinary and phytosanitary policy, Statistics, Regional policy and coordination of structural instruments and Regional policy and coordination of structural instruments, Justice, freedom and security.

The ability to take on obligations from membership/The alignment with the acquis of the EU is assessed on a higher level in comparison to the 2014 Progress Report in the **chapters:** Information society and media, Regional policy and coordination of structural instruments and Science and Research

Lower level is assessed with regard to the chapters: Free movement of capital, Public Procurement, Food safety, veterinary and phytosanitary policy, Fisheries, Economic and Monetary policy, Statistics and Justice, freedom and security.

Appendix 1: Structure of the Political criteria in the 2015 Progress report

2. Political criteria

2.1. Democracy

Elections

Parliament

Governance

Civil society

Oversight over the intelligence services(Chapter 24 – Justice, freedom and security)

2.2. Public Administration Reform

2.3. Rule of law

Functioning of the judiciary (Chapter 23 – Judiciary and fundamental rights)

Fight against corruption (Chapter 23 – Judiciary and fundamental rights)

Fight against organized crime (Chapter 24 – Justice, freedom and security)

Fight against terrorism (Chapter 24 – Justice, freedom and security)

2.4. Human rights and the protection of the non-majority communities

Freedom of expression

2.5. Regional issues and international obligations

Appendix 2: Overview of recommendations from the 2015 - 2016 political criteria

2.1. Democracy

Elections

- *Full implementation of the OSCE/ODIHR recommendations before holding of next elections.*

Parliament

- *Implementation of the recommendations from the Inquiry Committee for the events related to 24 December 2012.*

Governance

- *all independent regulatory, supervisory and advisory bodies need to be able to carry out their functions proactively, effectively and free from political pressure and without exercising inappropriate political self-restraint or interpreting their own mandate in an excessively formal way. These bodies include the State Election Commission, the State Commission for the Prevention of Corruption, the Agency for Audio and Audiovisual Media Services, the Office of the Ombudsman, the Judicial and Prosecution Councils and the State Audit Office.*

Oversight of the intelligence services,

- *All the recommendations from the Urgent Reform Priorities on oversight and reforms.*

2.2. Public administration reform

- *address serious concerns about the politicisation of public service; ensure full implementation of the principles of transparency, merit and equitable representation, including introduction of an improved human resources management information system)*
- *suspend and review the implementation of the Law on Transformation of Temporary Positions into Permanent Contracts until the principle of merit is fully observed*
- *adopt a public administration reform strategy and a public financial management reform programme, which will address the weaknesses identified, including budget transparency.*

2.3. Rule of Law

Judiciary

- *depoliticisation the appointment and promotion systems in practice, not only in law;*
- *providing full support and resources to the Special Prosecutor;*
- *reforming of the existing discipline and dismissal system for judges;*
- *adopting of a new Judicial Reform Strategy and action plan addressing remaining shortcomings in a sustainable manner;*
- *improving the strategic planning, needs assessment, resource management and allocation within the judiciary.*

Fight against corruption

- *demonstrating real political will in the fight against corruption in the form of autonomous and effective measures by law enforcement and supervisory bodies, notably the State Commission for Prevention of Corruption;*
- *increasing the visibility of anti-corruption measures and the results achieved to improve public awareness and trust;*
- *developing a credible track record on fighting high level corruption;*
- *creating an effective framework for the protection of whistle-blowers, in line with European standards and best practices.*

Fight against organised crime

- *establishing a sound track record on combating money laundering, and improving capacity and expertise to carry out financial investigations and asset confiscations on a more systematic basis;;*
- *stepping up efforts to improve cooperation between the various law enforcement agencies by bringing the National Coordination Centre for the Fight against Organised Crime into full operation;*
- *revising the legal and technical framework for intercepting communications, and increasing the effectiveness of special investigative measures for genuine law enforcement purposes (Urgent Reform Priorities).*

2.4. Human rights

Freedom of expression

- *ensuring full transparency on government advertising and develop a mechanism for unpaid public service announcements of a true public interest character.*
- *enforcing, at political level, the exercising of appropriate self-restraint by politicians and public officials not to resort to defamation actions, in line with ECtHR case law*
- *ensuring that the public has access to objective and accurate reporting and a variety of viewpoints through the mainstream media, particularly the public service broadcaster.*

Appendix 3: Overview of conclusions and assessments in the political criteria 2011-2015

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
<i>1.1.1. Democracy and Rule of Law</i>					<p>2.1 Democracy</p> <p>This year the former Yugoslav Republic of Macedonia has faced its worst political crisis since 2001. In response, the Commission issued 'Urgent Reform Priorities' based partly on its previous recommendations and partly on recommendations provided by a group of independent senior rule of law experts brought in to analyse the situation. In response, the Commission issued 'Urgent Reform Priorities' based partly on its previous recommendations and partly on recommendations provided by a group of independent senior rule of law experts brought in to analyse the situation.</p> <p>the Commissioner, with the help of three members of the European Parliament, facilitated a political</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
					agreement in June/ July. So far, not all elements of the agreement have been implemented and a number of deadlines have been missed. The leaders also committed to implement all of the Commission's recommendations on systemic rule of law issues (Urgent Reform Priorities); implementation of these has slowly been started, but without sufficient results to date.
Constitution			Constitution: - a need for further improvements in the quality of legislation -the Venice Commission raised potential concerns over, among other things, the initiation of lustration measures a long time after the start of the democratisation process, the misuse of political, ideological or party reasons as grounds	The package of amendments was prepared in a very short time and without the necessary implementing legislation. They need to be based on broad consensus. The EU is performing an additional analysis of its compatibility with the EU acquis There are also concerns in recent years that	Constitutional changes were proposed by the government in a broad range of areas, despite the absence of the main opposition party from parliament. Neither the proposed changes, nor related implementing legislation, have been adopted by parliament as the two-thirds majority could not be reached.

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
			for lustration measures and the application of lustration measures	affect the independence of the Constitutional Court.	
Elections	Progress in the conduct of elections. The elections were competitive, transparent, and well-administered throughout the country.	3 Delivered legislation in Parliament for consideration	3 The OSCE/ODIHR found that they were efficiently administered. The OSCE/ODIHR reported, however, that allegations of voter intimidation and misuse of state resources persisted throughout the election campaign. Following the local elections, work on the outstanding OSCE/ODIHR recommendations has continued in two working groups on the electoral legislation and the voters' lists.	OSCE/ODIHR media monitoring showed that the majority of monitored media, including the public broadcaster, was biased in favour of the ruling party, and that the media often failed to distinguish between the coverage of officials in their capacity as ministers and as candidates. The State Election Commission met almost all of its obligations and held regular sessions, but continued to be divided along party lines on contentious issues. Concerns were also raised	Shortcomings regarding elections, previously signalled by OSCE/ODIHR, and other suspicions, were reflected by the content of the intercepted communications. The relevant Urgent Reform Priorities need to be implemented.

Criterion/ SubCriterion/ Chapter	2011		2012		2013	2014	2015
						about the management and accuracy of the voters' list. During summer 2014, two working groups tasked with the implementation of recommendations of the OSCE/ODIHR resumed.	
Political dialogue	Some progress	2	¹¹		¹²	It is the responsibility of both government and opposition to ensure that political debate takes place primarily in parliament and to contribute to creating the conditions for its proper functioning.	The breakdown in political dialogue and difficulties in arriving at consensus on issues highlighted once again the divisive political culture in the country.
Parliament	Some progress	2	Parliament's functioning	3	Parliament's functioning was affected by the	The functioning of Parliament continued to be	The ongoing crisis has underlined the need for parliament to substantially improve its

¹¹Не е посебно издвоен во овој дел во овој Извештај, политичкиот дијалог се третира во рамките на Собранието.

¹²Не е посебно издвоен во овој дел во овој Извештај, политичкиот дијалог се третира во рамките на Собранието.

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
		ng was affected by the political crisis which erupted on 24 December.	political crisis which erupted on 24 December. The work of the Committee of Inquiry into the events of 24 December 2012 highlighted the importance of achieving political consensus through constructive dialogue and compromise. Dialogue between the political parties in parliament needs to be improved.	hindered by the lack of constructive political dialogue and the ongoing deep divisions between the political parties. The absence of most opposition MPs from parliament hampered its work on adopting new reforms, and its ability to provide the necessary checks and balances on the activities of government.	performance as a forum for constructive political dialogue and representation, as well as its legislative and oversight functions. This needs to include credible functional oversight of the work of the intelligence services and the capacity to monitor the protection of human rights and fundamental freedoms in the country. The absence of the main opposition party for most of the reporting period diminished the quality of reforms and hindered the operation of checks and balances.
		The work of the Committee of Inquiry into the events of 24 December			<p>Governance</p> <p>The governance of the country was strained by the ongoing political crisis and called into question by revelations of unethical behaviour, illegal activities and even potential criminal offences. Only limited political responsibility was taken through the resignation of two</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
		<p>r 2012 highlighted the importance of achieving political consensus through constructive dialogue and compromise. Dialogue between the political parties in parliament needs to be improved.</p>			<p>ministers and the head of the intelligence service. Failures of oversight by key bodies need to be addressed and all independent regulatory, supervisory and advisory bodies need to be able to carry out their functions proactively, effectively and free from political pressure. Interethnic tensions underlined the need to fully implement the Ohrid Framework Agreement.</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
Government	<p>The government coalition has overcome difficulties and strengthened its internal cooperation</p>	<p>Cooperation within the government coalition has continued and has been successful in putting the accession process at the centre of the political agenda. Maturity in dealing with inter-</p>	<p>The government has remained stable and has continued its commitment to EU-related reforms, which remain high on its agenda. There should be a more consensus-based approach to politics. A greater distinction is needed between political parties and state structures.</p>	<p>In general, the Macedonian government needs to function better as a unit in order to take proactive joint measures to increase trust between communities. With respect to EU integration activities and EU assistance, the office of the Deputy Prime Minister for European Affairs plays a key role. The use of administrative registries is being considered as an alternative methodology to a population census, which was not carried out in 2011 due to disagreements about</p>	<p>The government coalition of the VMRO-DPMNE5 and DUI6 remained stable, though severely strained by the crisis. In May it lost its two-thirds majority, required for key decisions, with the defection of an MP from the DOM7 party from the VMRO-DPMNE coalition due to political fall-out from the revelations. The decentralisation of government is of particular importance as it is a key element of the Ohrid Framework Agreement.</p> <p>One municipality (Plasnica) has still not completed the second phase of fiscal decentralisation. Some progress has been made with the adoption of the strategic decentralisation programme for 2015-2020 and its action plan. However, the decentralisation process needs to be improved.</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
		ethnic tensions		<p>the methodology for counting citizens abroad. The use of an alternative methodology would require broad cross-party consensus. The coalition government needs to work in a more integrated, coordinated and transparent manner, in order to take proactive measures on national, inter-community and EU-related issues. Actions should be taken to address OSCE/ODIHR concerns about the blurring of state and governing parties.</p>	
Civil society				An empowered civil society is a crucial component of any democratic system	Although some progress was made, civil society organisations (CSOs) have continued to express serious

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
				<p>and should be recognised and treated as such by the government. There have been formal improvements in terms of legislation and consultation mechanisms, but civil society organisations continue to express concern about the difficult climate in which they operate.</p>	<p>concerns about the difficult climate in which they operate. They report being subject to harsh criticism by politicians and pro-government media, and a limited government commitment to dialogue. During the political crisis of 2015, CSOs often played a constructive role by organising numerous peaceful protests across ethnic lines, and demanding greater accountability of politicians. Civil society also demonstrated cross-ethnic unity in the aftermath of the tragic Kumanovo events of spring 2015. At the same time, political polarisation and divide can still be observed between CSOs supporting the government and those opposing it. The national authorities should involve civil society in policy-making and legislation in a more regular and effective manner</p>

Criterion/ SubCriterion/ Chapter	2011		2012		2013		2014		2015	
										2
Oversight of the intelligence services									<p>In theory, the country has a system of oversight in place, which has not functioned in practice. Sufficient responsibility has not been taken for the serious failings within the intelligence service to prevent the illegal interception. The clear recommendations on both oversight and reform of the intelligence services in the 'Urgent Reform Priorities' must be implemented.</p>	
	Progress in the legislative framework, the progress	2	Some progress	2	The work has continued on a new legislative framework for public employment to unify the rules and enshrine		Public administration remains fragmented and subject to political influence, despite progress on legislation.		The country is moderately prepared with the reform of its public administration. It made some progress on legislation and improvement of service delivery to citizens and businesses. Concern about politicisation has been heightened by the	Progress : 2 Alignment: 3

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015	
Public Administration	in implementing the reforms was limited.		fundamental principles of transparency and merit. Additional efforts are needed to guarantee the professionalism and independence of the public administration, and equitable representation.	Additional efforts are needed to ensure that the principles of transparency and accountability, merit and equitable representation are applied. Fiscal transparency needs to improve.	content of the leaked wiretaps and delay in fully implementing the new legal framework. Strong political will is necessary to guarantee the independence of administration and respect for the principles of transparency, merit and equitable representation.	
Judiciary	Limited progress	1 Generally, some progress ; progress	2 <i>Chapter 23:</i> Some progress has been made in the field of the judiciary, further	<i>Chapter 23:</i> The country has already completed the majority of reforms and has established	CHAPTER 23 The country's judicial system has some level of preparation. However, the situation has been	Progress : -1 Alignment: 2

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
		in efficiency, further efforts are needed to guarantee independence and impartiality in practice	improvements are needed to ensure the independence of the judiciary in practice and to address the problem of lengthy court proceedings.	the necessary legal and administrative structures in this area. However, there is a risk of backsliding in some areas, including the judiciary and the fight against corruption. There is structural versus functional independence of judges. The quality of justice and standards for servicing citizens need to be improved. One of the key challenges is growing concern about the impact on selectivity and judicial bodies with special powers. The presumption of innocence is not fully understood and respected by the	backsliding. Achievements of the last decade's reforms are being undermined by real and potential political interference in the work of the judiciary. Outstanding issues already identified in previous reports remain to be addressed. The 'Urgent Reform Priorities' set out what the country needs to do to avoid further backsliding. The legislative and institutional structures which are already in place need to be put to use, in good faith and in the spirit intended.

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015	
				authorities. There are doubts in and out of the country for possible political impact of certain litigation.		
Fight against corruption	Limited progress	1 Little visible progress	1 <i>Chapter 23:</i> The legislative framework is in place, efforts are needed to ensure proper follow-up of cases referred to the public prosecution service and improve the effectiveness of courts both in terms of sanctioning and speed of proceedings.	<i>Chapter 23:</i> There is a risk of back-sliding in the fight against corruption. The legal and institutional framework of the country gradually grows successfully particularly in conducting investigations, prosecution and convictions. Unsatisfactory level of strategic planning and execution of key areas - procurement, political corruption and high-level corruption.	CHAPTER 23 The country has some level of preparation in the fight against corruption, having set up the necessary legislative and institutional framework over the last decade as well as developing a track record on both prevention and prosecution. No progress has been achieved in the past year on the outstanding issues identified. Corruption remains widespread. The capacity to effectively address it is currently being undermined by a	Progress : 0 Alignment: 2

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015	
				Increased political commitment is of great importance. Selective enforcement of the legal framework and political influence on the process. Public confidence in the bodies that implement policies for fight against corruption is still low. Corruption continues to be prevalent in many areas and continues to be a serious problem.	lack of political will and political interference in the work of the relevant bodies, which is hampering their ability to act proactively and non-selectively, especially in high-level cases	
Fight against organized crime (a new area since this year)					CHAPTER 24 The country has achieved some level of preparation in the fight against organised crime. No progress has been made. The legislative framework is broadly in line with European	Progress : 0 Alignment: 2

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
					<p>standards. The general capacity to deal with organised crime was increased by establishing specialised units both in the police and the public prosecution office. However, more still needs to be done to improve the effectiveness of law enforcement in this area.</p>
<p>Fight against terrorism (new area)</p>					<p>CHAPTER 24 The country has been affected by the phenomenon of foreign terrorist fighters and radicalisation. A comprehensive and effective strategy is needed to prevent and counter radicalisation, in close cooperation with religious leaders and communities, social and frontline workers, the education system and youth organisations. The phenomenon of foreign terrorist fighters needs a dedicated approach by the intelligence and law enforcement community and a coherent judicial policy towards</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
Observance of international human rights law	There is a legal framework, incomplete institutional framework; Limited progress, the implementation of legal framework was uneven. 1	Limited progress in the promotion and enforcement of human rights 1	<i>Chapter 23:</i> Further progress was made with the ratification of the Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse and the signing of the Third Optional Protocol to the Convention on the Rights of the Child. 1	Chapter 23: Further progress	offenders. CHAPTER 23: The legal framework for protecting human rights is broadly in line with European standards, but more focus needs to be placed on implementing it. The various bodies involved in protecting and promoting human rights lack sufficient staff and financial resources and sometimes coordinate poorly. General weaknesses in the implementation of human rights standards affect the most vulnerable and marginalised groups in society, including children and juveniles, disabled persons, the Roma and the LGBTI community. Shortcomings particularly affect the following areas: • The prison system continues to be heavily underfunded, understaffed and mismanaged, which leads to systemic breaches of international human rights standards. • Police impunity needs to be addressed by establishing an independent oversight mechanism and

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015			
					investigating complaints of ill-treatment seriously and thoroughly. • Despite improvements to the legislative framework, problems in the area of the freedom of expression persist in practice.			
Civil and political rights with focus on the freedom of expression and independent media.	Limited progress.	1	Some further progress was made..	2	13	The overall framework for the protection of fundamental rights is in place but more focus needs to be placed on its effective implementation. The situation as regards freedom of expression continues to be highly problematic. There is indirect state control of media output through government advertising and government-favoured (and favourable) media	This year the focus is on freedom of expression. The country has some level of preparation regarding freedom of expression. The legislative framework has been overhauled in recent years and is aligned with both the acquis and international standards. Nevertheless, the freedom of expression and the media remains a serious challenge in the current media culture and political climate. The country continued to backslide over the past year	Progress : -1 Alignment: 1

¹³This segment is not singled out in the Report

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
				outlets.	
Economic, social and cultural rights	Social and economic rights are broadly in place, and some further progress was made.	2 Some progress	2 5	Some progress	Despite many difficulties, labour and trade union rights are generally respected. Trust in social dialogue both among employers and employees should be strengthened as well as the capacity of social partners in policy shaping..
Protection from discrimination			No progress	As regards the rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) persons, the violent incidents against the LGBTI Support Centre have not been repeated. Nevertheless, the perpetrators of these incidents are yet to be prosecuted. Considerable efforts are needed to increase awareness	Законодавната рамка сеуште треба да се усогласи со <i>acquis</i> во доменот на дискриминација врз основа на сексуалната ориентација. Потребно е подигање на јавната свест за работата на Комисијата за заштита од дискриминација. Комисијата нема доволно ресурси и кадар за да ја обавува нејзината работа и и натаму постои загриженост за нејзината независност. Lesbian, gay, bisexual, transgender and intersex (LGBTI) persons continue to suffer discrimination

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
				<p>of and respect for diversity within society, and to counteract the intolerance perpetuated through the media and social networks. Data on the reporting, investigation and prosecution of hate speech and hate crime is not collected systematically and training of law enforcement, prosecutors and judges needs to be stepped up. The Law on Prevention and Protection against Discrimination still needs to be aligned with the EU acquis as it does not prohibit discrimination on the grounds of sexual orientation.</p>	<p>and homophobic media content, both online and offline. In August parliament rejected a draft amendment to the anti-discrimination legislation, which would have prohibited any form of direct or indirect discrimination on the grounds of sexual orientation and gender identity.</p> <p>Considerable efforts are still needed to raise awareness of and respect for diversity within society and to counter intolerance. This needs to be done through public campaigns and training of law enforcement bodies, prosecutors, judges and health workers.</p> <p>Despite calls by civil society organisations and the international community for the perpetrators to be prosecuted, none of the attacks has yet been fully investigated.</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
Minority rights, and protection of the minority and cultural rights	Some progress	2 Some progress	2 Still hampered by limited financial resources, inadequate cooperation between the institutions, the need for proactive implementation of relevant policies (e.g. Roma Strategy) limits the progress in respect and protection of minorities.	Progress on the protection of minorities continues to be hampered by insufficient financial and human resources and inadequate cooperation between the authorities concerned. A more proactive approach is needed to guarantee the ethnic, cultural and linguistic identities of all communities.	The new Roma strategy for 2015-20 was adopted. The Ministry of Labour and Social Policy's unit for implementing Roma policy was strengthened. However, the most disadvantaged Roma still have problems accessing social benefits due to their lack of administrative documentation. Hardly any progress can be reported in terms of political representation, media coverage in the Roma language and the status of the Roma language in municipalities with a Roma majority. Segregation, stereotyping and other forms of discrimination remain prevalent. Complaints have been registered by Roma prevented from leaving the country. A large number of them live in substandard conditions and their access to education, housing, health and employment remains a concern.
Implementation of the Ohrid Framework Agreement			The Ohrid Framework Agreement (OFA) has been in force in 2001, but progress is	"Lack of trust between the communities," and that "events and incidents easily	the Ohrid Framework Agreement continues to provide a basis for inter-community relations. The Directorate for education in communities' languages and the

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
			<p>still needed on systemic issues relating to decentralisation, non-discrimination, equitable representation, use of languages and education.</p>	<p>cause tensions." Proactive and collaborative approach by the Government is needed to promote inclusive multi-ethnic society. A review of the implementation of the Ohrid Framework Agreement is still incomplete and the resulting recommendations have not yet been published.</p>	<p>Directorate for the promotion of culture of the communities also continue to be inadequately funded and staffed. Inter-institutional cooperation remains weak. Systemic measures to ensure that all communities can exercise their ethnic, cultural and linguistic rights remain largely donor-funded. Limited use was made of the new policy measures to promote interethnic relations under the integrated education strategy. Measures against separation along ethnic lines in schools are insufficient. Multiple forms of discrimination against the nonmajority communities persist and action to combat stereotyping, including in the media, remains ineffective.</p>

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
t. 1.3. Regional issues and international obligations	Constructive partner in the region. Bilateral relations with neighbouring and other enlargement countries continued to improve. The name issue continues to affect relations with Greece.	Participated actively in regional cooperation initiatives; has maintained an overall constructive role as regards bilateral relations with neighbouring Member States and other enlargement countries	Participated actively in cooperation and further developing bilateral relations with its neighbours. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue remains essential. Open issues remain in the negotiation of a bilateral agreement with Bulgaria. A constructive approach to relations with neighbours remains important and actions and statements which could negatively impact good neighbourly relations should be	Participated actively in regional cooperation and further developing bilateral relations with its neighbours. The name issue continues to affect relations with Greece. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue remains essential. Open issues remain in the negotiation of a bilateral agreement with Bulgaria.	actively participate in regional initiatives. Fresh impetus has been given to regional cooperation by the Berlin Process, with the Western Balkan Six (WB6) intensifying cooperation among themselves and with the EU. Macedonia has continued to play a generally constructive role in bilateral relations with other countries seeking to join the EU and with neighbouring EU Member States. Relations with Bulgaria and Greece continued to be affected by open issues. In view of the name issue with Greece, it is essential to undertake decisive steps for the resolution of this issue. Although there were no formal talks on this issue, The Greek Foreign Minister took the initiative to visit Skopje for the first time in 11 years and the two sides agreed on a number of important confidence-building measures.

Criterion/ SubCriterion/ Chapter	2011	2012	2013	2014	2015
		s. Relations with partners in the Western Balkans were further developed. Relations with Greece remained unaffected by the name issue.	avoided.		
General assessment regarding political criteria	Continues to sufficiently meet the political criteria	Continues to sufficiently fulfil the political criteria	Continues to sufficiently fulfil the political criteria	Overall, given the cumulative progress the country has achieved, the Commission considers that the political criteria	In the light of the progress made so far in the implementation of the June/July political agreement, the Commission is prepared to extend its recommendation to open accession negotiations with the former Yugoslav Republic of Macedonia. This shall, however,

Criterion/ SubCriterion/ Chapter	2011		2012		2013	2014	2015
				<p>continue to be sufficiently met and maintains its recommendation to open accession negotiations but regrets the backward steps of the past year.</p>	<p>be conditional on the continued implementation of the June/July political agreement and substantial progress in the implementation of the urgent reform priorities. This issue shall be addressed again after the elections.</p>		

Appendix 4: Overview of conclusions and assessments: economic criteria 2013-2015

	2013	2014	2015	
<i>2.1. The existence of a functioning market economy</i>			<i>The former Yugoslav Republic of Macedonia has a good level of preparation in developing a functioning market economy. Overall, no progress was made.</i>	<i>Progress: 0 Alignment: 4</i>
<i>Economic policy</i>	A broad consensus on the fundamentals of economic policies was maintained.	The political consensus on the fundamentals of a market economy was maintained, but economic policy and public expenditure management remain driven by ad hoc concerns rather than the long-term requirements of the economy.	The government remained committed to pursuing market-based economic reforms, attracting FDI and developing the private sector. The government has made little progress on structural reforms of the labour market and there was even backsliding on fiscal discipline.	Progress: 1 in structural reforms of the labour market In fiscal discipline: -1

	2013	2014	2015
<i>Macro-economic stability</i>	The renewed growth of the economy remains narrowly based on investment, with only gradual strengthening of the external sector and also marginal support from private consumption.	Output growth needs to be more broadly based, and external imbalances are likely to widen again temporarily in view of investment-related imports.	The macroeconomic environment strengthened further, but key vulnerabilities remained a source of concern. The stability of the external sector relied increasingly on public borrowing abroad.
<i>Labour market</i>	In spite of some incremental improvement in the official labour market figures, labour market policy had limited success in addressing the persistently high unemployment. Structural challenges in the labour market remain to be tackled.	Reforms to tackle the structural rigidities of the labour market have made only limited progress. The employability of workers should be improved through structural measures as well as through better targeting of the active labour market measures.	Labour market conditions remained burdened by structural impediments. Prices remained stable; monetary policy successfully defended the currency peg.

	2013	2014	2015
<i>Fiscal discipline</i>	<p>Fiscal governance and fiscal discipline deteriorated and would benefit from the implementation of a medium-term strategy. The policy mix slightly deteriorated. While monetary policy provided key support for macroeconomic stability, fiscal discipline weakened and the debt ratio further increased.</p> <p>Public finance could make a bigger contribution to stability, for example by better aligning spending priorities with structural challenges, and by focusing on growth-enhancing capital expenditure. Furthermore, the fast rise in mainly foreign financed debt increases the country's vulnerability.</p>	<p>Fiscal discipline needs to be improved, and there is significant scope for enhancing fiscal transparency. The government's fiscal consolidation plans need to be underpinned by concrete measures</p>	<p>Fiscal discipline slipped again in 2014 and 2015, pointing to a need to improve medium-term expenditure planning..</p> <p>Public debt levels have risen markedly in recent years and amendments to the public debt law raise concerns about transparency.</p>

Progress: -1

	2013	2014	2015
<i>Inter-play of market forces</i>	The economy is mainly driven by the private sector, with the role of the state remaining limited, even though share of the public ownership increased slightly.	The state's share in the economy's assets and in price setting remains moderate.	The public sector's share of the economy remained largely unchanged.
<i>Market entry and exit</i>	While business registration and operation was further facilitated, weaknesses in bankruptcy and liquidation procedures continue to pose a significant impediment to investment and access to finance.	While setting up a business has become slightly easier, difficulties remain as regards obtaining permits. Market exit remains lengthy, although the government has taken some reform steps in the right direction.	Setting up a business became slightly easier, but market exit remained cumbersome and complicated. The implementation of measures under the 'regulatory guillotine' project progressed further, with a view to facilitating business registration.. Progress in simplifying market exit is more limited
<i>Legal system</i>	The legal system for a functioning market economy is largely in place, yet weaknesses related to lengthy procedures, contract enforcement and corruption remain.	The legal system for a functioning market economy is largely in place, but inefficiencies arise in practice from lengthy procedures hampering enforcement of laws. Frequent changes of laws create legal uncertainty.	Frequent legal changes, uneven implementation of laws and difficult contract enforcement burdened business operations. Cooperation between the government and the business sector has declined in recent years.

	2013	2014	2015
<i>Financial sector development</i>	The financial sector remained well capitalised and liquid. However, credit growth was sluggish and non-performing loans increasingly pose a challenge.	The financial system remains stable, and supervisory capacities have been further strengthened. However, access to finance continues to be difficult, and the non-banking segments of the market need to be further developed, with a view to widening funding opportunities for the private sector. Measures should continue to be taken to repair the bank lending channel, including by fostering the clean-up of non-performing loan portfolios.	The banking sector remained stable despite high levels of non-performing loans.
<i>The capacity to cope with competitive pressure within the Union</i>			<p>The economy is moderately prepared to cope with competitive pressures and market forces within the Union. Some progress was made particularly as regards addressing prevalent shortcomings in human capital and physical infrastructure.</p> <p>Progress: 2 Alignment: 3</p>

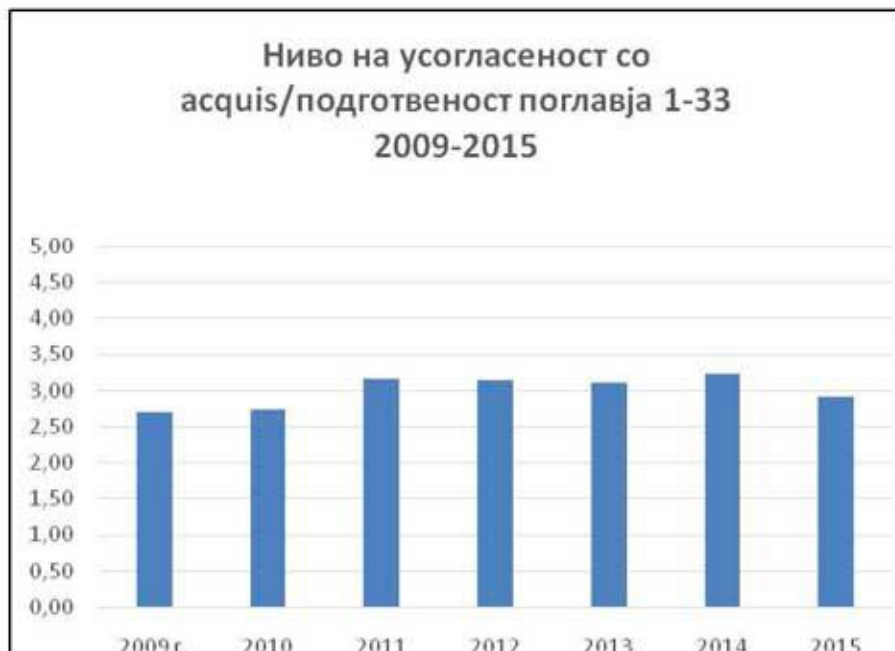
	2013	2014	2015
<i>Human and physical capital</i>	There was some gradual progress in addressing reform needs in the education system. The capital stock remains modest and public spending was not sufficiently focussed on growth enhancing activities.	The government has made some progress in addressing the prevalent shortcomings in the country's human and physical capital endowment, but the challenges of the investment required to accelerate labour productivity growth and the structural transformation of the economy remain very large. The government should continue to improve the composition of spending, by prioritising investment projects according to their productive potential on the basis of cost-benefit evaluations.	The share of highly qualified workers in the economy is rising, but structural factors limit an increase in labour productivity. Public infrastructure is in need of modernisation
<i>Sector and enterprise structure</i>	Some gradual, further diversification of economic production is visible in terms of value added and exports.	The sectoral and enterprise structure of the economy remains stagnant and focused on low-productivity activities. The recent increase in the number of large companies suggests that the share of more advanced manufacturing activities in the economy	The sectoral structure of the economy remained largely stagnant.

	2013	2014	2015	
		might strengthen somewhat in the coming years, but a genuine sectoral transformation remains elusive.		
<i>State influence on competitiveness</i>		Against the overall background of a low share of the state in the economy's assets, improved state aid legislation, and further deregulation of the electricity market, the state's influence on competitiveness through the implementation of other policy instruments seems to have increased.	While the government's share of economic assets remained moderate, its influence on private sector competitiveness through regulations and subsidies is rising.	
<i>Economic integration and convergence with the EU</i>	Trade integration with the EU is quite advanced. The export structure continues to improve, even though traditional manufacturing products still dominate. International price competitiveness remained largely unchanged.	Trade linkages with the EU have increased further in 2013, both on the export and import side, and the EU continues to account for the bulk of foreign direct investment.	Further progress was made in developing closer trade and investment links with the EU.	Progress: 4

Appendix 5: Overview of conclusions and assessments of the fulfillment of the obligations for membership 2010-2015

Chapter	Progress						Level of alignment					
	2010	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015
1. Free movement of goods	4	2	4	2	2	2	3	3	4	4	4	3
2. Freedom of movement for workers	1	1	2	2	2	2	1	1	1	1	1	1
3. Right of establishment and freedom to provide services	2	3	2	2	1	2	2	1	3	3	3	3
4. Free movement of capital	3	2	2	1	1	2	2	3	3	3	3	3
5. Public procurement	3	3	2	4	3	2	3	5	4	4	4	3
6. Company law	4	4	4	4	4	2	3	3	3	4	4	4
7. Intellectual property law	2	2	2	2	2	2	3	3	3	3	3	3
8. Competition policy	2	2	4	4	4	2	3	3	4	4	4	3
9. Financial services	4	4	3	3	2	2	3	3	3	3	3	3
10. Information society and media	3	3	3	3	4	2	3	3	3	3	3	4
11. Agriculture and rural development	3	3	3	2	2	2	2	3	3	3	3	3
12. Food safety, veterinary and phytosanitary policy	2	4	4	4	3	2	2	4	3	3	3	2
13. Fisheries	2	2	2	1	1	2	2	3	3	3	4	3
14. Transport policy	2	3	1	2	2	2	4	4	3	3	3	3
15. Energy	2	4	2	2	2	2	3	3	3	3	3	3
16. Taxation	1	1	2	2	2	2	3	3	3	3	3	3
17. Economic and monetary policy	1	5	1	1	1	2	2	4	4	4	4	3
18. Statistics	4	4	3	4	4	2	4	4	3	4	4	3
19. Social policy and employment	1	1	1	2	1	2	1	2	2	1	3	3

Chapter	Progress						Level of alignment					
	2	3	2	2	2	2	3	3	3	3	3	3
20. Enterprise and industrial policy	2	3	2	2	2	2	3	3	3	3	3	3
21. Trans-European Networks	2	3	3	2	2	4	3	4	3	4	4	4
22. Regional policy and coordination of structural instruments	2	2	2	1	1	0	3	3	3	2	2	3
23. Judiciary and fundamental rights	1	1	2	2	2	0	3	3	3	3	4	2
24. Justice, freedom and security	3	3	3	3	3	2	4	4	4	4	4	3
25. Science and research	2	3	2	4	4	4	3	2	2	2	3	4
26. Education and culture	2	2	2	2	2	2	3	3	3	3	3	3
27. Environment	3	2	1	1	2	2	3	3	3	3	3	3
28. Consumer and health protection	2	2	2	2	2	2	2	3	3	3	3	3
29. Customs Union	2	4	3	2	3	4	4,5	4	4	4	4	4
30. External relations	3	3	2	1	1	2	4	4	3	3	3	3
31. Foreign, Security and Defence Policy	4	4	4	5	1	2	5	5	5	5	3	3
32. Financial control	2	1	2	2	2	2	2	2	1	1	3	3
33. Financial and budgetary provisions	2	1	1	0	1	2	3	3	1	1	1	1



Level of alignment with the acquis/alignment by chapters

Progress by chapters of the acquis

Note: EPI applies its own methodology. The final grade is based on the weighed values of chapters, taking into account the size and difficulty of each chapter.

Explanation on the quantification of assessments of progress and alignment

Assessment used for the Reports until 2014:

Progress

Recess	(-5)-(-1)
No progress; no further progress	0
No substantial progress; no visible progress; insufficient progress; slow progress; initial progress, limited progress	1
Little progress; modest progress, some progress	2
Progress; further progress	3
Good progress; visible progress; sustainable progress; satisfactory progress	4
Significant progress; important progress; substantial progress	5

Level of alignment:

Assessment	Numerical value
Not initiated	0
Early phase; very early phased; initial phase	1
Not very advanced; advances; slowly advances	2
Moderately advanced	3
Advanced; in an advanced phase	4
Well advanced	5

2015 Assessments in accordance to the methodology of the European Commission

<i>Assessment- Progress</i>	Numerical value
Backsliding	(-5)-(-1)
No progress	0
Some progress	1
Limited Progress	2
Progress	3
Good Progress	4
Very Good Progress	5

<i>Assessment- Alignment</i>	Numerical value
Not initiated	0
Early phase	1
Some level of preparation	2
Moderately prepared	3
Good level of preparation	4
Well advanced	5