

Screening report

North Macedonia

Cluster 3 – Competitiveness and Inclusive Growth

Chapter 10– Information Society and Media

Date of screening meetings:

Explanatory meeting: 20-21 November 2019, update on 17 October 2022

Bilateral meeting: 21– 22 March 2023

Chapter 16– Taxation

Date of screening meetings:

Explanatory meeting: 3-4 June 2019, update on 21 October 2022

Bilateral meeting: 23– 24 March 2023

Chapter 17– Economic and Monetary Policy

Date of screening meetings:

Explanatory meeting: 9 January 2019, update on 20 September 2022

Bilateral meeting: 19-20 April 2023

Chapter 19– Social Policy and Employment

Date of screening meetings:

Explanatory meeting: 3-5 April 2019, update on 18 October 2022

Bilateral meeting: 10-12 May 2023

Chapter 20– Enterprise and Industrial Policy

Date of screening meetings:

Explanatory meeting: 29-30 January 2019, update on 20 October 2022

Bilateral meeting: 31 May – 1 June 2023

Chapter 25– Science and Research

Date of screening meetings:

Explanatory meeting: 11 March 2019, update on 21 October 2022

Bilateral meeting: 21 April 2023

Chapter 26– Education and Culture

Date of screening meetings:

Explanatory meeting: 12 March 2019, update on 18 October 2022

Bilateral meeting: 30 May 2023

Chapter 29– Customs Union

Date of screening meetings:

Explanatory meeting: 23-24 September 2019, update on 20 October 2022

Bilateral meeting: 7-8 June 2023

PREAMBLE

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

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

This report provides an assessment of where North Macedonia stands in terms of alignment and capacity to apply the acquis in Cluster 3. The negotiating framework also refers to the possibility of accelerated integration. At the bilateral meetings North Macedonia has requested participation in certain areas before accession. This report provides the Commissions opinion and answer to these requests.

Regional cooperation and good neighbourly relations remain essential elements of the enlargement process.

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

A) INTRODUCTION

The enhanced enlargement methodology¹, as reflected in the Negotiating Framework with North Macedonia, puts the negotiating chapters of the EU *acquis* into clusters. The **Competitiveness and Inclusive Growth** encompasses digital transformation and media, science and research, enterprise, and industrial policy, as well as social policy and employment, and education and culture. A variety of chapters are also included, namely customs union, economic and monetary policy, and taxation. This cluster includes eight chapters of the EU *acquis*:

- Under Chapter 10, the **digital transformation and media** supports the smooth functioning of the internal market for electronic communications, electronic commerce and audiovisual services. The rules protect consumers and support the universal availability of modern services.
- Under Chapter 16, EU **Taxation** rules cover value-added tax, excise duties as well as aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.
- Under Chapter 17, the **economic and monetary policy**, requires the independence of central banks and prohibits them from directly financing the public sector. The chapter also includes Member States coordination of their economic policies and are subject to fiscal, economic and financial surveillance.
- Under Chapter 19, EU **social policy and employment** rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion and social protection, and social dialogue at EU level.
- Under Chapter 20, EU **enterprise and industrial policy** strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).
- Under Chapter 25, the **science and research** provides significant support for research and innovation. All EU Member States can participate in the EU's research and innovation programmes and benefit from them, especially where there is scientific excellence and solid investment in research and innovation.
- Under Chapter 26, the **education and culture** supports cooperation in education and culture through funding programmes and the coordination of Member State policies through the 'open method of coordination'. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.
- Under Chapter 29, EU **customs union** ensures all MS follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity and access to the common computerised customs system

The chapters under the **Competitiveness and Inclusive Growth** cluster should not be seen in isolation, as several have **commonalities and so interact with each other** to be mutually reinforcing. For example, **Taxation, Customs Union, and Industrial Policy** are key components of **Economic Policy**, ensuring that the EU has rules to promote competitiveness and inclusive growth.

This **screening report is structured** according to the **respective areas and chapters** of the cluster. Each area/chapter starts with a short overview of the **main content of the EU *acquis* / European standards**.

¹ COM(2020) 57 final

Each thematic area within a chapter then first summarises the **country's presentations² and the outcome of the expert discussions** at the bilateral screening meeting, followed by the **Commission's assessment**.

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

North Macedonia stated that it accepts the *acquis* in the chapters of Cluster 3. It reserved however the right to request for transitional arrangements in certain limited areas of the *acquis* in this Cluster at a later stage in the negotiations.

² All National Institutions and Ministries are referenced as per their official name during the period of the screening meeting.

B) CHAPTER 10 – DIGITAL TRANSFORMATION AND MEDIA

The *acquis* on **Digital Transformation and Media** aims to eliminate obstacles to the effective operation of the internal market in electronic communications services and networks, in electronic commerce and audio-visual services, by promoting competition, stimulating investment and safeguarding consumer interests in the sector, including the universal availability of basic modern communications services. It also includes the rules on information society services and a transparent, predictable and effective regulatory framework for audiovisual media services in line with the European standards.

I. INSTITUTIONAL SET-UP AND LEGAL ALIGNMENT

a. Country presentation

North Macedonia's main institutions responsible for the digital transformation and the implementation of Chapter 10 *acquis* in the country are the Ministry of Information Society and Administration, the Ministry of Labour and Social Policy, the Ministry of Education and Science, the Ministry of Economy, the National Broadband Competence Office, the Agency for Audio and Audio-Visual Media Services, the Agency for Electronic Communications, the Fund for Innovation and Technological Development and the Bureau for Development of Education.

North Macedonia reports that the Ministry of Information Society and Administration is currently preparing a National ICT Strategy, based on the EU 2030 Digital Compass which will complement the existing national strategies, including the National Operational Broadband Plan. North Macedonia aims to ensure transparency in the consultation process. The strategy is planned to be completed by the end of 2024, with the development phase concluding by June 2025. North Macedonia will reassess the need to establish an Agency for Digitalisation as with the adoption of the new Law on the Organization and Operation of the State Administration Bodies, the Ministry of Digital Transformation of the Republic of North Macedonia is responsible for policy creation in the field of safety of networks and information systems and in charge of development of information society in general.

b. Commission assessment

North Macedonia has a well-structured institutional set-up and its plans align with EU policy frameworks. North Macedonia is **partially aligned** with EU *acquis* in Chapter 10. The country's policies reflect the Digital Decade priorities to a large extent and the plans are broadly aligned with the targets. North Macedonia should also pay attention to the general objectives related to resilience and interoperability as outlined in the Digital Decade. It is important that the Agency for Digitalisation has the capacity to address all areas related to the Digital Decade.

The National Operational Broadband Plan (NOBP) outlines clear national broadband targets between 2023 and 2029, which includes all towns in the country being covered by 5G and at least 50% of the total number of household subscriber contracts across the country having internet access of at least 100 Mbps by 2029. The broadband targets need to be aligned with those outlined in the Digital Decade. North Macedonia needs to focus its efforts in aligning with the NIS 2 Directive.

C. SUMMARY OF FINDINGS - INSTITUTIONAL SET-UP AND LEGAL ALIGNMENT

North Macedonia's plans are broadly in line with the EU policy frameworks. **Further efforts are needed to ensure full legal alignment** with the EU *acquis* under Chapter 10.

II. ELECTRONIC COMMUNICATIONS AND INFORMATION TECHNOLOGIES (ICT)

a. Country presentation

North Macedonia is **fully aligned** with the EU Broadband Cost Reduction Directive. North Macedonia's National Broadband Competence Office (BCO) was established in 2019 as an expert and advisory body to support investments in broadband networks. The National Operational Broadband Plan (NOBP) is in place, outlining clear national broadband targets between 2023 and 2029, which includes all towns in the country being covered by 5G and at least 50% of the total number of household subscriber contracts across the country having internet access of at least 100 Mbps by 2029, while public institutions have access to internet speed of at least 1GB.

North Macedonia's broadband targets will be **aligned** with the Digital Compass. State's aid aims to be provided primarily for the development of backhaul optical infrastructure for connecting white and justified grey zones, with the goal of developing Next-generation Access (NGA) networks in these zones by operators. If the operators do not show interest in developing NGA networks and services, despite the establishment of the backhaul optical infrastructure to certain white zones, state's aid will also be provided for the development of NGA networks in those white zones in compliance with the EU rules for state assistance.

North Macedonia authorities aim at aligning the national legislation with the new Commission proposal for the Gigabit Infrastructure Act Regulation and the European Electronic Communications Code, to ensure simplified procedures for obtaining permits for building broadband networks. In June 2023, North Macedonia established an inter-ministerial working group for the preparation of a new Law on Electronic Communications with the aim of adopting it by 2026. The alignment with the Commission Implementing Regulation (EU) 2020/1070 on Small Access Points for 5G³ is planned by 2027. The Law for Electronic Communications is fully aligned with the ePrivacy directive and the amendments defined. Authorities plan to align with the proposal for a Gigabit Infrastructure Act Regulation (COM (2023) 94) and the European Electronic Communications Code into the new Electronic Communications Act by 2026.

North Macedonia has not used Western Balkans Investment Framework (WBIF) and Connecting Europe Facility (CEF) for the development of electronic communication infrastructure. A feasibility study is in preparation for the mapping of existing and planned coverage as the first step in the process of aligning the national broadband targets with those outlined in the Digital Compass. North Macedonia's national legislation is **largely aligned** with the e-Commerce Directive. The country plans its alignment with Regulation (EU) 2022/2065 on a Single Market for Digital Services, which they aim to adopt by 2028. North Macedonia is **not aligned** with Regulation (EU) 2019/1150 on Promoting Fairness and Transparency for Business Users of Online Intermediation Services (P2B). Authorities plan to align with the regulation by 2027 and are considering applying for technical assistance for support.

North Macedonia's national legislation is **not aligned** with Regulation (EU) 2018/302 on **Geo-blocking** which addresses unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market. Authorities aim to align with it by 2027. However, the Central European Free Trade Agreement (CEFTA) Joint Committee is in the process of drafting a Joint Committee Decision, based on the findings of a CEFTA study on geo-blocking among the CEFTA parties. The decision aims to harmonise the legal framework regarding the prevention of unjustified discriminatory practices in the Parties. It also aims at preventing unjustified geo-blocking and other forms of discrimination directly or indirectly, based on the side of the party where the customer is a natural person, or has the customer's place of establishment. Moreover, it will address aspects of customer protection, individual consumers, and businesses, related to electronic commerce, to guarantee a high level of consumer protection. The Decision is waiting for its adoption by the CEFTA Joint Committee but is expected to enter into force in January 2025. In the sector of **internet governance**, North Macedonia

³ Commission Implementing Regulation (EU) 2020/1070 of 20 July 2020 on specifying the characteristics of small-area wireless access points pursuant to Article 57 paragraph 2 of Directive (EU) 2018/1972 of the European Parliament and the Council establishing the European Electronic Communications Code

indicates that MARnet is the registrar of the top national domains “.mk” and “.mkd”. MARnet is **partially aligned** with the regulations regarding internet governance, such as EU Authorisation Directive, and will be fully aligned once entering the EU. MARnet is complaint with the process of selection of registrars, which is transparent and offers equal opportunities for all interested parties. North Macedonia is preparing a legal framework in order to fully align with the EU regulations including the adoption of a new law on MARnet and respective by-laws, by 2027 with provisions for entry into force upon accession to the EU. MARnet is partially aligned with the Regulation (EU) 2019/517 on the Implementation and Functioning of the “.eu” Top-Level Domain Name. North Macedonia is one of the signatories of the EU Memorandum of Cooperation in the fight against radicalisation on the Internet and acknowledges the importance of good internet governance.

The government has mapped locations where **free WiFi** should be provided, such as public open spaces determined as white zone, and areas not covered by a wired or mobile network. Unified tables, which list the needs, were prepared by the BCO and have been distributed to all municipalities. There is an ongoing cooperation with the Agency for Promotion and Support of Tourism in North Macedonia. Additionally, there is a platform providing an overview of the needs of free state WiFi.

North Macedonia’s amendments of the Law on Electronic Communications were made to align the strategic and technical measures of the 5G Toolbox, however not all amendments have yet been fully implemented. Starting from 2023 a detailed assessment of the risk profile of all relevant suppliers and manufacturers of network equipment and operators is to be included in the annual supervision. North Macedonia plans to finalise and adopt the Law for Security of Network and Information Systems by the end of 2025 and adopt the National Strategy for Security for Cybersecurity by June 2025, which will also include the necessary provisions concerning the work of the National Coordination Centre for Cybersecurity. Amendments of the legal framework for implementation of coordinated response to large scale cyber-attacks and crisis are planned to take effect by 2027.

Regarding, **radio spectrum**, North Macedonia has been participating as an observer in the activities of the European Commission’s Radio Spectrum Policy Group since 2010. Plan for allocation of radio frequency bands and the Rules for the use of radio frequencies without frequency authorisation addresses spectrum harmonisation measures for 900-1800 MHz, 1.9-2.1 GHz, 2.5 GHz, 3.4 GHz, ITS, 5 GHz – WAS/RLAN, 6GHz – WAS/RLAN, 26 GHz, MCA. An update regarding short range devices is planned for 2024. North Macedonia’s small access points for 5G have not yet been adopted, due to the complexity of the process.

Regarding **roaming**, North Macedonia is a signatory of the Regional Roaming Agreement (RRA) for the Western Balkans, which enabled the introduction of the Roam Like at Home (RLAH) regime 2021 within the region, as of July. North Macedonia reports that the Law on Electronic Communication was amended to align with the EU roaming regulation and implementation of the regional Roaming Agreement. Before introducing the RLAH regime within the Western Balkans, the country also aligned with the Implementing Regulation on the Application of Fair Use Policy, which ensures that negative effects of abusive usage of RLAH can be avoided. The methodology for assessing the sustainability of the abolition of retail roaming surcharges within Western Balkans and the Guidelines on implementation of RLAH and Fair Use Policy (FUP) for roaming services in Western Balkans based on the relevant EU regulation and BEREC Guidelines was also introduced. North Macedonia reassured the Commission that the wholesale caps are based on EU regulation and used in the RRA. Authorities explain that there have not been any consumer complaints and report an increase in the voice traffic level.

Regarding accelerated integration North Macedonia requested the Commission to join the EU Broadband Competence Offices (BCO) network on the discussion of state aid rules. North Macedonia also requested to explore the phasing in of legislation on radio spectrum / 5G, to assist experts in their implementation and allow participation in meetings and comitology.

b. Commission assessment

North Macedonia is **partially aligned** with the *acquis* in the area of electronic communications and information technology.

North Macedonia **needs to fully align** with the law on Electronic Commerce and harmonise the national legislation with the Geo-Blocking Regulation. North Macedonia needs to further support MARnet in strengthening the procedures for governing the Internet to prevent suspicious registration. North Macedonia needs to carefully implement the European Conference of Postal and Telecommunications Administrations (CEPT) Commission Implementing Decision. In order to be fully aligned, MARnet will need to strengthen the procedures for governing the Internet to prevent suspicious registration and abuse of registration of national domain.

North Macedonia is progressing with regards to the *acquis* related to **roaming**. The implementation of the regional roaming agreement, including the transposition and implementation of the rules on fair use policies and derogations, will facilitate the process of lowering of roaming charges over the next years, including between the EU and the Western Balkans. The Commission has not yet been able to fully evaluate the alignment of the Law for Electronic Communications with the ePrivacy Directive. Further information from North Macedonian authorities is needed.

In addition, North Macedonia is to continue its implementation of the 5G Toolbox measures, including assessing the risk profile of suppliers and putting in place appropriate restrictions and/or exclusions for high-risk suppliers.

The authorities of North Macedonia need to further advance with the alignment of the national legislation to the latest developments of the EU *acquis* in the field of electronic communications.

North Macedonia has been informed that it is not necessary to provide the .eu top level domain names in all 24 EU languages.

Regarding accelerated integration the Commission will further explore North Macedonia's participation in the EU Broadband Competence Offices (BCO) network on the discussion of state aid rules. The Commission will also further explore the phasing in of legislation on radio spectrum/5G, to assist experts in their implementation and allow participation in meetings and comitology.

C. SUMMARY OF FINDINGS - ELECTRONIC COMMUNICATIONS AND INFORMATION TECHNOLOGIES (ICT)

North Macedonia **needs to continue aligning** with the *acquis* related to electronic communications and information technology, in particular to align with the law on Electronic Commerce and the national legislation with the EU Regulation of 2018 on unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market.

III. DIGITAL TRANSFORMATION

a. Country presentation

North Macedonia prepared a National ICT Strategy, based on the 2030 Digital Compass which will complement the existing national strategies, including the National Operational Broadband Plan. The strategy is planned to be adopted in the course of 2024. With the adoption of the new Law on the Organization and Operation of the State Administration Bodies, the Ministry of Digital Transformation of the Republic of North Macedonia is responsible for policy creation in the field of safety of networks and information systems and in charge of development of information society in general.

The Law on the Use of Public Sector Data is partially aligned with the Directive (EU) 2019/1024 on Open Data and Re-use of Public Sector Information. North Macedonia's Open Data Portal is in line with world best practices and recommendations as featured on the Comprehensive Knowledge Archive Network (CKAN) platform which is officially recognised as a data management system helping tackle 9 of the 17

Sustainable Development Goals (SDGs) of the 2030 Agenda set by the United Nations (UN). A working group was formed to prepare amendments to the Law on the Use of Public Sector Data, in order to comply with the aforementioned Directive. Authorities plan to fully align with the Regulation (EU) 2022/868 on European Data Governance by 2026. The national Law on the use of public sector data is partially aligned with the EU directive on open data and re-use of public sector information (2019/1024).

There is an increase in the use of e-banking in North Macedonia. It currently amounts to 31%, in comparison to the 66% EU average. However, the level of **digitalised services** in the country remains low and should be treated as a priority. North Macedonia is not aligned with Digital Services Act and Digital Market Act but plans to fully align its national legislation by 2028.

North Macedonia's National Centre for responding to computer incidents (MKD-CIRT) is in place within the Agency for Electronic Communications. The national legislation is **not fully aligned** with the Directive on Security of Network and Information Systems 2016/1148 (NIS2) while the obligation for reporting of incidents of electronic communication networks towards the European Union Agency for Cybersecurity (ENISA) cannot be implemented since incident reporting to ENISA is allowed only for EU member states.

North Macedonia indicated that the National Centre for responding to computer incidents (MKD_CIRT) is not part of the Computer Security Incident Response Teams CSIRTs network and not included in exercises, events and trainings organised by ENISA.

The Draft Strategy for Cybersecurity 2023-2027 has been published on the National Portal for Electronic Register of Regulations of the Republic of North Macedonia and it is planned to be adopted by end 2024. The national legislation needs to identify Digital Service Providers (DSP) and Operators of Essential Services (OES). The authorities of North Macedonia plan to align with the NIS 2 Directive through the draft Law on Security of Network and Information Systems and Digital Transformation by 2025 fully operationalising it by 2027.

Regarding accelerated integration, North Macedonia requested further engagement with ENISA. North Macedonia also requests to participate in the Digital Markets Act and the Digital Services Act expert group, platform-to-business and geo-blocking working groups and any relevant expert groups to support the implementation of EU *acquis* through exchange of experiences.

b. Commission assessment

North Macedonia is **partially aligned** with the *acquis* related to digital transformation. North Macedonia should treat digitalisation of public services as a priority. North Macedonia needs to work on aligning with the NIS2 Directive. Large scale cybersecurity incidents and crises are not addressed in the current national legal framework.

Further alignment with the Chapter III of Cybersecurity Act (Regulation (EU) 2019/881), which contains provisions on cybersecurity certification, is needed. There are currently 3 certification schemes in preparation that will require EU-wide recognition and the phase-out of covered national schemes.

Regarding accelerated integration, the Commission will further explore the possibilities for North Macedonia to further engage with ENISA. The Commission will also further explore North Macedonia participation in the Digital Markets Act and the Digital Services Act expert group, platform-to-business and geo-blocking working groups and any relevant expert groups to support the implementation of EU *acquis* through exchange of experiences.

C. SUMMARY OF FINDINGS - DIGITAL TRANSFORMATION

North Macedonia **needs to invest further efforts** in aligning with the NIS2 Directive and the Open Data Directive 2019/1014. It should treat digitalisation of public services as a matter of priority.

IV. AUDIO-VISUAL MEDIA

a. Country presentation

The Law on Audio and Audiovisual Media Services, as well as the law on Media is **fully aligned** with the Directive 2010/13/EU on Audiovisual Media Services. Alignment with the 2018 Audiovisual Media Services Directive has just been finalised through amendments and supplements concerning video-sharing platforms, by introducing obligation to register with the Agency before starting to operate, as part of the regulators expanded competences. Exceptions to the freedom of reception and transmission, prohibited content, protection of minors, rules regarding audio-visual commercial communications, accessibility of audiovisual media content to people with disabilities, amongst others. Also, amendments of the Law on Audio and Audiovisual Media Services were adopted in February 2024. The purpose of the proposed changes is to enable implementation a transparent, democratic, non-discriminatory manner of conducting state campaigns that will be with educational and informative nature. In a period of one year, it can conduct at least one state campaign on a level of State, excluding topics related to political and diplomatic activities, topics that promote services or policies of State or local government bodies, or topics related to political parties' activities. The influence of the Government in the selection of topics for the campaigns and the distribution of funds in the media is excluded. The broadcasters will submit the media plan and the report for performed services to AVMU and will publish them on their websites with a report on how the funds are spent. The funds received from the state campaigns will be used by the media for digitalization and improvement of the work process, as well as for improving the standard and conditions of media workers. The draft amendments to the Law on Audio and Audiovisual Media Services were produced under an EU-funded project namely the "EU for Freedom of Expression: Alignment of National Media Legislation with the EU *acquis*" and "Media Standards Project" and were preceded by a regulatory impact assessment report.

North Macedonia indicates that the Ministry for Information Society and Administration is the lead institution in the sector of audio-visual policy in terms of legal regulations, while the Agency for Audio Visual Media Services (AVMS) has the role of the regulatory authority. North Macedonia outlines that the legal procedure and requirements for appointing members to the Agency Council and the organisational structure of the AVMS is in line with Article 30 of the Directive (EU) 2018/1808.

The Agency has adopted a series of acts on independence and transparency, available online: North Macedonia has harmonised its legislation with the 2018 Audiovisual Media Services Directive. In December 2023, the Agency for Audio and Audiovisual Media Services adopted Strategic Plan 2024-2028 which serves as regulatory strategy. The document defines goals and activities of the Agency for the next 5 years. The Agency also published a Report on the Implementation of the Strategy for the Development of Audio and Audiovisual Activity for the Period 2019-2023. The Agency has adopted a series of acts on independence and transparency, available online.

North Macedonia published the Law on Ratification of the Protocol on Accession of the Republic of North Macedonia to the WTO agreement on Government Procurement (GPA 2012) in 2023.

Regarding **media**, North Macedonia alignment with the Directive 2010/13/EU on Audiovisual Media Services (AVMS) includes obligations regarding programmes and programme services broadcasted, as well as the standards and principles. A twinning project on the topic of enhancement of the capacities of the Agency for Audio and Audiovisual Media Services and the Public Service Broadcaster kicked off in June 2023 for a period of 18 months, with the aim of upgrading the tools for monitoring and evaluating the public opinion and promoting knowledge about European standards and practices for freedom of the media. An impact assessment report on the harmonisation of the national media-related legislation with the EU *acquis* and media standards has been prepared. North Macedonia's Law on Media addresses the transparency of media publishers' operations and ownership which covers broadcasters and print media North Macedonia plans to expand the scope of the law to include informative online media - in particular online media that offers news and current affairs which is of broader public interest. However, the Law does not address

online media, for which there is in a place a self-regulatory mechanism.

According to the Media Pluralism Monitor, the regulatory body's (AVMS) independence has increased since 2017.

b. Commission assessment

North Macedonia is **partially aligned** with the *acquis* in the areas of audio-visual policy and media. North Macedonia has a good approach and transparency level in the area of audiovisual media. The country needs to fully align with the 2018 Audiovisual Media Services Directive. The issue of the institutional capacities of the audio-visual media agency is a challenge that needs to be addressed.

C. SUMMARY OF FINDINGS - AUDIO-VISUAL MEDIA

North Macedonia **needs to fully align** with the Audiovisual Media Services Directive and address the issue of capacities in the audiovisual media agency.

V. FIGHT AGAINST CORRUPTION - INFORMATION SOCIETY AND MEDIA

a. Country presentation

The main institution in charge of corruption prevention is the State Commission for Prevention of Corruption (SCPS). The National Strategy for Prevention of Corruption and Conflict of Interest 2021-2025 along with the Action plan – National Strategy identifies areas of higher potential for corruption, including media and civil society frame the context of the anticorruption measures in the country. Information society is not covered as a separate sector.

In addition to collaborating with government institutions at all levels, the SCPC has focused on enhancing sectoral, institutional, and personal integrity throughout 2023. The SCPS prepared guidelines for the implementation of the integrity policy and system, including an electronic tool for monitoring integrity policies at central and local level institutions.

Among the institutions working on the implementation of Chapter 10 *acquis*, the Ministry of Information Society and Administration and the Ministry of Economy have signed the Integrity Policy and nominated an integrity officer. The Agency for Audio and Audiovisual Media Services, the Agency for Electronic Communications and MARnet have not yet signed the Integrity Policy.

The Annual Reports of 2022 and 2023 on the implementation of the National Anti-corruption Strategy were considered in the Parliament. North Macedonia notes that the new interoperability platform, which is under development, will further connect the different institutions.

The Law on Prevention of Corruption and Conflict of Interest outlines the principles of legality and integrity. North Macedonia acknowledges a weak coordination between state administrative bodies in relation to the digital transition, especially with regards to the procurement of ICT equipment and services.

By the end of 2022, 154 members were registered in the Online Media Register. Authorities note the need for the introduction of minimum obligations for registration. Authorities acknowledge a heightened number of media outlets during elections and the need to establish a Code of Conduct in the online space during elections.

b. Commission assessment

North Macedonia is **partially aligned** with legislation regarding fight against corruption. The Commission welcomes North Macedonia's national strategy and action plan to tackle corruption. However, the legal provisions do not specifically cover digital transformation as a sector. North Macedonia must ensure the signature of the Integrity Policy by all the institutions in charge with the alignment with the EU *acquis*

under Chapter 10. Strengthening efforts enhance the digitalisation of public services would greatly facilitate the increase of transparency and tackling of corruption.

C. SUMMARY OF FINDINGS - FIGHT AGAINST CORRUPTION

North Macedonia should adapt the measures and provision for the fight against corruption to specifically tackle challenges in the digital transformation sector.

C) CHAPTER 16 – TAXATION

EU *acquis* on Chapter 16 covers value-added tax, excise duties and aspects of corporate taxation. The *acquis* is also related to cooperation between tax administrations, including the exchange of information to prevent fraud, tax evasion and tax avoidance as well as operational capacity and computerisation of the revenue administration. The *acquis* under this Chapter includes:

- **Indirect taxation** include value added tax (VAT) and excise duties on alcohol, tobacco and energy. The common VAT system is generally applicable to goods and services that are imported or supplied in the EU. Excise duties are levied on the importation or production of specific products. EU legislative activities are aimed at harmonising VAT law and harmonising excise duties on alcohol, tobacco and energy with the aim of ensuring the proper functioning of the internal market.
- **Direct taxation** rules which are primarily intended to minimise the obstacles to free movement caused by national direct taxes. Moreover, it includes actions taken to prevent tax evasion and tax avoidance at the international level.
- EU *acquis* in the area of **administrative cooperation** and **mutual assistance** in tax matters. Existing EU directives require all EU member states to share certain information related to tax matters with each other. Moreover, the chapter examines the **operational capacity** and the level of **digitisation** in the area of taxation.

In addition, the European Commission examines measures taken to promote integrity, prevent and fight corruption.

I. INSTITUTIONAL SET-UP AND LEGAL FRAMEWORK

a. Country presentation

North Macedonia has presented its **institutional framework** in the area of taxation. According to the national legislation, the Ministry of Finance is the competent authority for the tax system and tax policy (Art. 19, Law on Organization and Operation of State Administration Bodies) and is also the competent authority for the preparation of legislation (legal acts and bylaws) in the area of taxation. The Public Revenues and Tax and Customs Policy Department is a competent Department within the Ministry of Finance.

Public Revenue Office (PRO) is the body within the Ministry of Finance, responsible for implementing the tax laws and other regulations related to taxes. (Art.2 and Art.4 Law on Public Revenue Office). It is also responsible for proposing changes in tax policy, tax regulations and other regulations modernising the tax system and enhancing tax collection (Art.7 Law on Public Revenue Office)⁴. In 2022, the PRO had 998 employees. Its main functions are: registration and assessment of tax, external audit, collection and management of debt and taxpayer services provision.

The work of the Public Revenue Office is managed by a Director and a Deputy Director who are appointed by the Government of the Republic of North Macedonia on the proposal of the Minister of Finance for a period of four years.

Customs Administration (CA) is a body within the Ministry of Finance which, as regards taxation, is responsible for the calculation, collection and ascertaining the right to VAT refund (article 9 of the Customs Law).

⁴ with the Law on amending the Law on Public Revenue Office (Official Gazette”, no. 87/23 dated 25 April 2023, Article 7 was abolished since according to the Law on the organization for the work of the state administration bodies, the responsibilities for proposing laws and other implementing legislation to the Government fall under the Ministry of Finance. The PRO can, however, initiate changes via the MoF.

As regards legal alignment, North Macedonia indicates that its **legal framework** in the area of taxation is **partially** aligned with the EU *acquis*.

In the area of **direct taxation**, North Macedonia reported that the personal income tax is regulated by the Personal Income Tax Law. A taxpayer according to the national legislation is a natural person - resident of North Macedonia for the income generated in the country and abroad as well as natural persons who are not resident for the income generated in the territory of North Macedonia. Taxable income is liable to a flat 10 % rate with the exception of income on games of chance which is taxed at 15%.

National legislation is **not yet aligned** with Council Directive 2009/133/EC on the Common System of Taxation Applicable to Mergers, Divisions, Partial Divisions, Transfers of Assets and Exchanges of Shares Concerning Companies of Different Member States and to the Transfer of the Registered Office of an SE or SCE between Member States. North Macedonia informed that the Corporate Income Tax Law and the Personal Income Tax Law will be aligned with the provisions of the Council Directive 2009/133/EC in the period of one to three years and will be applicable from the day of accession. Furthermore, there is **no alignment** with Directive 2017/1852 Tax Dispute Resolution Mechanisms in the EU. In these regards, a new Law will be enacted to be aligned with the directive in the period of three to five years and will be applicable from the day of the accession. Furthermore, North Macedonia will undertake all the activities needed in order to be fully prepared to implement the Commission Implementing Regulation 2019/652 on standard Rules of Functioning for the Advisory Commission or Alternative Dispute Resolution Commission and a standard form for the communication of information concerning publicity of the final decision in accordance with Council Directive 2017/1852 with the day of the accession to the EU.

As regards **corporate income tax** of North Macedonia, it is regulated by the Corporate Income Tax Law as well as the Rulebook on the Manner of Calculating and Paying Corporate Income Tax and the Manner of Avoidance of Double Exemption or Double Taxation. There is in place a fixed taxation rate of 10 %.

Its national legislation is **not yet aligned** with Council Directive 2011/96/EU of 30 November 2011 on the Common System of Taxation Applicable in the case of Parent Companies and Subsidiaries of Different Member States; Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States; Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large scale domestic groups in the Union; Council Directive (EU) 2016/1164 Laying Down Rules Against Tax Avoidance Practices that Directly Affect the Functioning of the Internal Market (ATAD 1); Council Directive (EU) 2017/952 regards hybrid mismatches with third countries (ATAD 2); Council Directive (EU) 2017/1852 on Tax Dispute Resolution Mechanisms in the European Union. North Macedonia plans to bring the national legislation in line with the above-mentioned directives through amending or adopting of the new legislation not later than within seven years from the adoption of the screening report and start its application with the day of the accession.

Regarding 90/463/EEC Convention on the Elimination of Double Taxation in Connection with the Adjustment of Profits of Associated Enterprises, North Macedonia will ratify “The Arbitration Convention” in the period of five to seven years and will be ready to implement it from the day of the accession to the EU. Furthermore, Code of Conduct for the Effective Implementation of the Convention on the Elimination of double taxation in Connection with the Adjustment of Profits of Associated Enterprises will be reviewed and taken into consideration with the implementation of the Arbitration Convention. North Macedonia confirmed that it will undertake all the activities needed in order to be fully prepared to implement the Commission Implementing Regulation 2019/652 laying down Standard Rules of Functioning for the Advisory Commission or Alternative Dispute Resolution Commission and a standard form for the communication of information concerning publicity of the final decision in accordance with Council Directive 2017/1852 with the day of the accession.

In the area of **indirect taxation**, North Macedonia reported that VAT is regulated by the Value Added Tax Law; Rulebook for Implementation of the Value Added Tax Law ; Rulebook on the Form and Content of

the VAT return; Decision for Determination of the Weight of Gold in the Form of Bars or Slabs accepted in the Precious Metals Markets and the Types of Gold Coins that Represent Investment Gold; Decision on determining goods and services for which the person liable to pay tax is the taxable person recipient of the supply; Decision for Determining Goods and Services which are Subject to Reduced Rate of Value Added Tax. Its VAT legislation is partially aligned with the EU *acquis* as regards rates, taxable events and place of supply

National legislation is **partially aligned** with Council Directive 2006/112/EC on the Common System of Value Added Tax and with the latest amendments to the VAT Law ("Official Gazette", No. 199/2023) further harmonisation has been achieved with the Council Directive 2006/112/EC on the Common System of Value Added Tax in the sections of: the place of supply of services, vouchers system and also a tax representative was introduced through which non-resident foreign persons who do not have a registered office but performs an economic activity in the country, have an option to fulfil their obligations to the tax authority, including the payment of VAT; Moreover a new Rulebook for Implementation of the Value Added Tax Law was adopted ("Official Gazette", No. 19/2024) and a new Rulebook on the manner of application and registration of a foreign person was adopted as well ("Official Gazette", No. 286/2023).

However, certain rules have not been aligned yet. North Macedonia plans to transpose in the national legislation the provisions that are applicable for non-EU countries in the period of one to three years, and will be applicable from the day of the legislation's entering into force. All other provisions will be transposed in a period of three to five years and will be applicable from the day of the accession to the EU. North Macedonia indicated that its national legislation is not aligned with Council Directive 2008/9/EC laying down Detailed Rules for the Refund of Value Added Tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State. North Macedonia's VAT Law will be aligned with the provisions of Council Directive 2008/9/EC in a period of 3 to 5 years, and the provisions will be applicable from the day of the accession to the EU. The national legislation is **partially aligned** with Council Directive 2009/132/EC of Determining the Scope of Article 143(b) and (c) of Directive 2006/112/EC as regards Exemption from Value Added Tax on the Final Importation of Certain Goods. It is expected that VAT Law will be aligned with the provisions of Council Directive 2009/132/EC in period of three to five years and the provisions will be applicable from the day of entering into force. Furthermore, Council Directive 2009/55/EC of 25 May 2009 on Tax Exemptions Applicable to the Permanent Introduction from a Member State of the Personal Property of Individuals is **not aligned**. North Macedonia outlined its plans to align its VAT Laws with the provisions of Council Directive 2009/55/EC in a period of five to seven years, and the provisions will be applicable from the day of the accession. The Value Added Tax Law is **partially aligned** with Council Directive 86/560/EEC on the Harmonisation of the Laws of the Member States Relating to Turnover Taxes - Arrangements for the Refund of VAT to Taxable Persons Not Established in Community Territory. Moreover, North Macedonia confirmed that it will undertake all the activities needed in order to be fully prepared to implement Council Implementing Regulation No 282/2011 of 15 March 2011 laying down implementing measures for Directive 2006/112/EC on the Common System of Value Added Tax by the day of the accession.

In the area of **excise duties**, North Macedonia informed that it introduced excise duties in 2001 with the Law of Excise Duties based on the structure of EU excise legislation. The new Law on Excise Duties is implemented since 01.01.2020. The implementation of some of its provisions is postponed until accession. According to the national legislation, the excise goods are: alcohol and alcoholic beverages, tobacco products, energy products and electricity. The excise duty shall become chargeable at the moment of release of excise goods for consumption within the tax territory. There is in place an electronic register of excise taxpayers. The exemption of excise duties is regulated by the corresponding provisions in Law on Excise Duties for alcohol and alcoholic beverages and energy products. Furthermore, marking of mineral oils with red and green colour is in line with the euro marker.

North Macedonia reported that the Law on Excise Duties is **partially aligned** with the Council Directive 2020/262 laying down the general arrangements for excise duty (recast). According to North Macedonia,

the provisions of the **Council Directive 2020/262** which **are mandatory** and with which North Macedonia is not yet aligned will be introduced at least one year prior to EU accession and will come in force with EU accession. Furthermore, the Commission Delegated Regulation 2022/1636 supplementing Council Directive 2020/262 by establishing the structure and content of the documents exchanged in the context of movement of excise goods, and establishing a threshold for the losses due to the nature of the goods is **partially aligned** in the Law on Excise Duties and the Rulebook for the movement of excise goods in the duty suspension arrangement. Movements of excise goods under duty suspension arrangement are controlled electronically in a manner akin to that of the Excise Movement and Control System (EMCS) since 2020. Commission Implementing Decision 2022/197 of 17 January 2022 establishing a Common Fiscal Marker for gas oils and kerosene (notified under document C(2022) 74) was transposed in the Rulebook for energy products and electricity in January 2024. Decision 2020/263 on computerising the movement and surveillance of excise goods (recast) will be implemented with the date of the accession. Prior to accession North Macedonia will upgrade the EMCS including System for the Exchange of Excise Data (SEED). Implementing Regulation 2022/1637 on Excise Duty Exemption Certificate will be implemented with accession.

National legislation exempts electricity, if it is produced from renewable energy sources, biomass or from products that are produced from biomass and when the final consumers are households; natural gas if the final consumers are households and when it is used to power motor vehicles; and coal, coke and lignite when they are used for the production of electricity. North Macedonia has reported to have **partially aligned** its legislation with Council Directive 2003/96/EC restructuring the Community Framework for the Taxation of Energy Products and Electricity. Not harmonised are excise duty rates for electricity, natural gas, coal, coke and lignite with the minimum prescribed in the EU. The provisions for business and non-business use of energy are planned to be harmonized within the following three to five years.

As regards the excise duties on **alcohol**, North Macedonia informed that the Council Directive 92/83/EEC on the harmonization of the structures of excise duties on alcohol and alcoholic beverages is **partially aligned**. The condition for small distilleries not to operate under license is now prescribed with the amendments to the Law of Excise Duties from October 2023. Moreover, Article 24 (1) from the Directive 92/83/EEC is **not aligned**. There are plans to align the legislation within the next three to five years. North Macedonia stated that the Council Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages is fully transposed in the national Law on Excise Duty. Commission Regulation No 3199/93 on the mutual recognition of procedures for the complete denaturing of alcohol for the purposes of exemption from excise duty is **partially aligned**. The full alignment is expected to be reached in five to seven years. Council Directive 2020/1151 amending Directive 92/83/EEC on the harmonization of the structures of excise duties on alcohol and alcoholic beverages is reported to be partially aligned.

For **tobacco**, North Macedonia reported that the Council Directive 2011/64/EU on the structure and rates of excise duty applied to manufactured tobacco is **partially aligned** in national legislation. **Not aligned** are the provisions on the share of the specific component of the cigarettes excise duty in the total tax burden and the share of the total cigarette excise duty in the weighted average retail price. Apart from that, not harmonised remain the minimum amount of total excise duty for 1 000 cigarettes and the amount of excise duty for fine-cut smoking tobacco. With the changes to the Law of Excise Duties from October 2023, new calendar for increasing the excise on tobacco products is prescribed. ("Official gazette" No. 209/2023) with a view to achieving further alignment with the Directive. Full alignment is expected within three to five years. National legislation is currently **not aligned** with the Commission Implementing Decision concerning the list of statistical data on the structure and rates of excise duty applied on manufactured tobacco to be provided by the Member States pursuant to Council Directives 92/79/EEC and 92/80/EEC (notified under document C(2011) 5291). Full alignment is expected one year before the accession and implementation on the day of the accession.

Furthermore, North Macedonia does not apply national taxes falling within the scope of Council Directive 2008/7/EC concerning indirect taxes on the **raising of capital**. North Macedonia confirmed its plans to align the provisions that are applicable for non-EU countries into the national legislation in the period of one to three years, which will be then applicable from the day of entering into force. All other provisions will be aligned in a period of 3-5 years and will be applicable from the day of the accession to the EU.

In the area of **car taxation**, North Macedonia's legislation is currently **partially aligned** with Council Directive 83/182/EEC on Tax Exemptions within the Community for Certain Means of Transport Temporarily Imported into one Member State from Another and Council Directive 2009/55/EC on Tax Exemptions Applicable to the permanent introduction from a Member State of the Personal Property of Individuals (Codified version) and all related modification. The alignment with both directives is foreseen to be completed at least one year before the accession. The Motor Vehicle Tax Law provides two components in the calculation of motor vehicle tax: ad valorem component - taxation of a percentage of the value of the motor vehicle; specific component - based on average emission of carbon dioxide CO₂ in motor vehicles. The automobiles subject to motor vehicle tax are new and used motor vehicles: passenger cars, motorcycles and mopeds, double-cabin pick-up vehicles, tricycles and quadracycles and converted motor vehicles. Exempted are ambulances, delivery vans and passenger cars that only have an electric motor. The tax base largely depends on the type of motor vehicle: the amount of the average carbon dioxide emission, type of fuel (petrol and diesel); the sale price of the vehicle, excluding VAT; in case of import, the customs value of the motor vehicle and customs duty.

b. Commission assessment

The institutional set up in the area of **taxation** is represented by two main bodies within the Ministry of Finance: Public Revenue Office and Customs Office. Their functions and competencies are clearly defined and protected from political interference by the existing legislation. One of the priorities for the authorities remains to provide adequate staffing of the Tax Administration and to ensure further improving of the capacity of the tax administration by efficiently implementing the 2021-2025 Tax System Reform Strategy. There is a significant difference between the current number of staff in place and the planned number of staff.

In the area of **direct taxation**, the personal income tax is mainly regulated by the Personal Income Tax Law. The national legislation is **not yet aligned** with the Merger Directive - the Council Directive 2009/133/EC on the Common System of Taxation Applicable to Mergers, Divisions, Partial Divisions, Transfers of Assets and Exchanges of Shares concerning companies of different Member States and to the transfer of the registered office of an SE or SCE between Member States.

In the area of **indirect taxation**, the VAT Law of North Macedonia is **partially aligned** with the *acquis*. However, the national legislation remains to be aligned with several provisions in the Council Directives 2006/112/EC, 2008/9/EC, 2009/132/EC, 2009/55/EC and 86/560/EEC, and start being applied at the latest on the day of EU accession.

As regards excise **duties**, the Law of Excise Duties ("Official Gazette" no. 32/2001 - 120/2018) of North Macedonia is **partially aligned** with the EU *acquis*, namely Council Directive (EU) 2020/262 of 19 December 2019 laying down the general arrangements for excise duty (recast). Ahead of EU accession, North Macedonia needs to align its legislation with the Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity, for example as regards the taxable base (in terms of certain products and uses) of the national energy taxation and the national excise duty rates for energy products and electricity, where not respecting the applicable minimum tax rates prescribed in the EU. In that regard, the authorities are planning a gradual alignment with the applicable minimum rates of excise duty on energy products and electricity considering the impact on citizens and businesses. The alignment process needs to be closely monitored by the European Commission. Furthermore, North Macedonia's legislation is **partially aligned** with the *acquis* on excise duties for tobacco and alcohol.

North Macedonia's national legislation is **not aligned** with the provisions of the Council Directive 2008/7/EC concerning indirect taxes on the **raising of capital**.

As regards **car taxation**, the legislation is currently **partially aligned** with Council Directive 83/182/EEC and Council Directive 2009/55/EC.

C. SUMMARY OF FINDINGS – INSTITUTIONAL SET UP AND LEGAL FRAMEWORK OF THE TAX SYSTEM

The tax system of North Macedonia is **partially aligned** with the EU *acquis*. North Macedonia needs to ensure adequate staffing of the Tax Administration and to further improve the capacity of the tax administration.

II. ADMINISTRATIVE COOPERATION AND COMPUTERISATION

a. Country presentation

As regards **administrative cooperation**, the legal basis for international exchange of tax information of the competent institutions in the Republic of North Macedonia are agreements for avoidance of double taxation and protection against fiscal evasion in terms of income tax and capital tax (49 agreements concluded with 50 countries of which 23 agreements concluded with EU member states); tax information exchange agreement (1) and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (146 signatories as of January 2023; in force in the Republic of North Macedonia since 01.01.2021).

North Macedonia is **partially aligned** with EU Directive 2011/16/EU on Administrative Cooperation in Taxation Repealing Directive 77/799/EEC. Furthermore, national legislation is currently **partially aligned** with the Directive 2015/2376 (DAC3) and **not aligned** with Directive 2011/16 (DAC1); Directive 2014/107 (DAC2) and Directive 2016/881 (DAC4), Directive 2016/2258 (DAC5), Directive 2018/822 (DAC6) and the Directive 2021/514 (DAC7). The full alignment is expected to be done within the period of three to seven years. Furthermore, Directive 904/2010 on Administrative Cooperation and Combating Fraud in the field of VAT is **not aligned** into the national legislation. The alignment with this directive is expected by the date of the EU accession. In addition, North Macedonia plans to be fully aligned with Council Regulation (EU) No. 389/2012 on Administrative Cooperation in the Field of Excise Duties and Repeal of Regulation (EC) No. 2073/2004, and Commission's (EU) Implementation Regulation no. 612/2013 on the Operation of the Register of Economic Operators and Tax Warehouses, Related Statistics and Reporting in Accordance with Regulation (EU) no. 389/2012 on Administrative Cooperation in the Field of Excise Duties with the day of accession to the EU.

As regards **computerisation**, North Macedonia reported to have in place a well-functioning IT tax system. The e-Tax system allows for electronic registration, use of digital certificates and other public services. According to the IT strategy 2019-2022 of Public Revenue Office, there are three priorities in the area of digitalisation: introduction of electronic tax administration and digitalization of the tax services; service-oriented organization for managing the IT operations; and improvement of the policies for security, safety and sustainability of the IT systems. As regards excise duties, the following Information systems are in use in the Customs Administration: CDEPS – Customs Declarations and Excise Document proceeding System, ITE – Integrated Tariff Environment, Service Desk – for technical and business-related issues in CDEPS for support to excise taxpayers.

b. Commission assessment

North Macedonia has signed 50 double taxation agreements, including with all EU Member States, except Cyprus, Greece, Malta and Portugal. While North Macedonia has not yet committed on a date to start the automatic exchange of financial account information as per the Organisation for Economic Co-operation and Development (OECD) standards. It expects to commit to such date in 2024.

The country remains dedicated to implement the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) minimum standards. North Macedonia TIDZ Regime was included in the Annex II of the EU list of non-cooperative jurisdictions for tax purposes. In October 2022, as per Council Conclusions, North Macedonia was invited to amend or abolish preferential tax regimes on the technological industrial development zone which was identified as a harmful tax regime in the scope of the Forum on Harmful Tax Practices by 31 December 2022 which it did. North Macedonia's TIDZ regime was consequently deleted from Annex II of the list in February 2023.

Regarding **operational capacity** and **computerisation**, the Public Revenue Office needs to improve its business processes, implement a new integrated IT tax system, develop compliance risk management and further extend e-services. The 2021-2025 Tax System Reform Strategy is being implemented. The Public Revenue Office (PRO) is facilitating voluntary compliance by issuing pre-filled annual tax returns through the electronic personal tax platform.

C. SUMMARY OF FINDINGS – ADMINISTRATIVE COOPERATION AND COMPUTERISATION

The tax system of North Macedonia is **moderately prepared** in the field of administrative cooperation and computerisation. Authorities need to improve their business processes, implement a new integrated IT tax system, develop compliance risk management, and further extend e-services.

III. FIGHT AGAINST CORRUPTION - TAXES

a. Country presentation

The fight against corruption is regulated by the national legislation, namely the Law on Prevention of Corruption and conflict of interests ("Official Gazette" No. 12/19), Law on Protection of Whistle-Blowers ("Official Gazette" No. 196/15 and 35/18), Rulebook on Protected Internal Whistleblowing in Public Sector Institutions and Rulebook on Protected External Whistleblowing ("Official Gazette" No. 46/19), Law on the Customs Administration ("Official Gazette" No. 46/04, 122/21 (Art. 10, 51-a, 60, 72, 73-a).

North Macedonia has in place a comprehensive 2021-2025 National Strategy on prevention of corruption and conflict of interest and a corresponding Action Plan for its implementation. The measures of the strategy also cover the activities on prevention and fighting the corruption in the Public Revenue Office and Customs Office. Moreover, Customs Office has in place its own anti-corruption strategy: Strategy on integrity and fight against corruption in the Customs Administration of the Republic of North Macedonia. The Public Revenue Office has in place an annual Action plan which foresees specific measures for fighting and preventing the corruption in the PRO.

Regarding **the implementation and enforcement** of the anti-corruption framework, Public Revenue Office has established in 2009 the unit for Professional Standards which is a separate organizational unit within the Public Revenue Office that works centrally and has the authority to control all employees of the Public Revenue Office. It controls the employees in terms of compliance with ethical standards, work order and discipline and in terms of timely and professional performance of work tasks.

The 2022-2024 Development Strategy of the Customs Administration of the Republic of North Macedonia foresees implementation of measures for prevention of inappropriate and corruptive conduct and development of system of rules and control. The Customs Office has also in place operational instructions on procedure for conducting internal investigations and internal controls; procedure for dealing with asset declarations and statements of interests, data analysis and assessment in Integrity Department; guidelines on the operation of the sector for professional responsibility; guidelines on acting in cases of conflict of interest and the establishment of a system for monitoring of conflict of interests; guidelines on the establishment of statistics related to complaints, suggestions and Service Charter as well as procedure for conducting a survey to assess the level of exposure to misuse of official powers and the occurrence of corrupt activities in the Customs Administration; guidance for operation and determination of tasks and activities that are in conflict with the official duty of customs officers; and guidance on how employees of

the Customs Administration shall act in the event when they are given, promised or offered a gift or other advantage in order to instigate the operation within the service. An Integrity Policy has been adopted in the Public Revenue Office in May 2023 and integrity officers have been nominated, which are published on the website of the State Commission for Prevention of Corruption and the Public Revenue office. In December 2023, a revised and updated Procedure for the work of the Unit - Professional standards and Guidelines for anti-corruption behaviour of the employees of the Public Revenue office was adopted, according to the international standard ISO 9001:2015 (Quality Management System).

b. Commission assessment

North Macedonia has put in place a **legal and strategic framework** for fighting corruption in taxation with specific provisions on corruption in taxation, notably under the Law on Prevention of Corruption and Conflict of Interests. (*See general anti-corruption measures under Chapter 23 – Judiciary and Fundamental Rights*).

In terms of developing an effective system for the **prevention of corruption** in Tax Administration and Custom Office, North Macedonia has achieved a high level of transparency through its increased use of the IT tools (for example Software LUCA - module for record-keeping of asset declarations etc.).

North Macedonia needs to increase efforts in order to prevent corruption, by improving the functioning of the overall system, to increase competition, compliance and professionalisation. It should focus on increasing staffing and training at the Public Revenue and Customs Offices. North Macedonia also needs to build a track record prosecution of corruption cases related to taxation and customs. North Macedonia should reinforce monitoring systems of corruption cases related to taxation and reinforce the capacity of law reinforcement institutions to investigate and prosecute these cases.

C. SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

North Macedonia has in place a **legal and strategic framework** for fighting corruption. Authorities need to improve the functioning of the overall system, to increase competition, compliance and professionalisation. The Public Revenue and Customs offices need to increase their capacities and undertake further trainings. A track record for the prosecution of corruption cases related to taxation and customs needs to be developed.

D) CHAPTER 17 – ECONOMIC AND MONETARY POLICY

The *acquis* in the area of economic and monetary policy is governed by Title VIII (Art. 119 to 144) of the Treaty on Functioning of the European Union (TFEU), and by relevant implementing legislation. Treaty provisions related to the adoption of the euro do not apply to Member States with a temporary derogation as defined in Article 139 of the TFEU.

The *acquis* in the area of economic and monetary policy contains specific rules requiring the independence of central banks, prohibiting direct financing of the public sector by the central banks and prohibiting privileged access of the public sector to financial institutions. Member States shall regard their economic policies as a matter of common concern and are subject to fiscal and broader economic and financial surveillance. They are also obliged to adhere to detailed rules concerning the characteristics of their national budgetary frameworks. New Member States also need to comply with the convergence criteria laid down in the Treaty in order to be able to adopt the euro in due course after accession. Until then, they will be a Member State with derogation from the use of the euro and shall treat their exchange-rate policies as a matter of common interest.

The *acquis* consists mainly of Treaty provisions and protocols as well as regulations and decisions that do not require transposition into national legislation. Nonetheless, as indicated in Art. 131 of the TFEU, each Member State shall ensure that its national legislation, including the statutes of its central bank, is compatible with the TFEU and the Statute of the European System of Central Banks and of the European Central Bank (ESCB/ECB Statute). Regulations under this Chapter require Member States to identify potential risks, prevent or correct any excessive fiscal deficits and harmful macroeconomic imbalances. Directive 2011/85 lays down the requirements for the budgetary frameworks of Member States and requires transposition into national legal and administrative order. On 30 April 2024 three new pieces of legislation entered into force reforming the EU's economic and fiscal framework, producing changes in the *acquis* in the area of economic and monetary policy⁵.

I. MONETARY POLICY

I.A CENTRAL BANK INDEPENDENCE

a. Country presentation

In regard to the **functional independence** of the central bank according to North Macedonia's Art. 6 of the Law on the National Bank, the primary objective of the National Bank of North Macedonia shall be to achieve and to maintain price stability. The secondary objectives shall be to contribute to achieving and maintaining financial stability..

Regarding the **institutional independence** of the central bank, North Macedonia stated that the independence ("autonomy") of the National Bank is enshrined in the Constitution of North Macedonia. The primary law that regulates the functioning of the National Bank is the Law on the National Bank . According to Art. 3 (2) of the Law in question, the National Bank is a legal entity having administrative, financial and management independence. As stated by Art. 5 of the Law on the National Bank, the National Bank shall be independent in the pursuit of its objectives and the performance of its tasks. Article 5(2) of the Law on

⁵ Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>), Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1264/oj>) and Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: <http://data.europa.eu/eli/dir/2024/1265/oj>).

the National Bank explicitly prohibits the National Bank, the National Bank Council members or the National Bank staff to seek or take instructions from any government authorities, municipal bodies, bodies of the City of Skopje, and any other legal entities and/or natural persons. The decisions of the National Bank Council shall not be approved, revoked, annulled or amended by these entities. According to the Law on the National Bank, the independence of the National Bank shall be respected at all times and no person or entity set forth in Art. 5(2) shall seek to influence National Bank Council members or the National Bank staff in the performance of their functions, or to interfere in the activities of the National Bank.

The National Bank of North Macedonia is autonomous in pursuing the exchange rate policy. The exchange rate regime is jointly agreed between the National Bank and the government, without prejudice to the central bank's primary objective to achieve and maintain price stability. The schedule of the decisions on the key interest rate level is harmonized with the ECB schedule. The National Bank has the exclusive right to issue banknotes and regular coins in North Macedonia.

Under Art.40 of the Law on the National Bank, the National Bank Council and its members are accountable to the Parliament of North Macedonia for achieving and maintaining price stability and for performing the tasks of the National Bank stipulated by the Law on the National Bank. The Governor of the National Bank may, at the request of the Parliament of North Macedonia or on its own initiative, periodically speak in the Parliament or its committees, concerning monetary policy and financial system issues and the state of the economy, except for specific information that pertain to entities under supervision. The National Bank may submit opinions to the Parliament of North Macedonia concerning any draft laws related to the objectives and tasks of the National Bank.

According to Art. 43 of the Law on the National Bank, the National Bank shall cooperate with the Government of North Macedonia in pursuing its objectives defined by the Law. The Governor and the Minister of Finance shall hold regular joint meetings on monetary and fiscal policies and shall keep one another informed of all matters of mutual interest. The National Bank may advise the Government of North Macedonia on any matter related to the main objective and tasks of the National Bank and may exchange information with the Government for the purpose of carrying out the tasks of the National Bank, except for specific information relating to entities subject to supervision. The National Bank shall, on request of the Government of North Macedonia and only for information, provide data on the receipt by the National Bank of funds from any source. The National Bank shall be consulted by the Government of North Macedonia in the process of developing any regulation concerning matters that relate to the objectives, tasks and competences of the National Bank.

Regarding, **personal independence** of the central bank, Art. 49 of the Law on the National Bank states that Members of the National Bank Council are appointed for a seven-year term, renewable. The Parliament of North Macedonia appoints National Bank's officials (the Governor, Vice-Governors, and members of the Council). The Governor is appointed upon a proposal of the President of North Macedonia, Vice-Governors upon the proposal of the Governor, and the nonexecutive members of the National Bank Council upon a proposal of the Government of North Macedonia.

According to Art.53(1) of the Law on the National Bank an official of the National Bank shall be dismissed if they: (a) become ineligible to serve on the National Bank Council pursuant to Article 50 of the Law on the National Bank; (b) abuse, or make serious misconduct in the official duty; (c) were absent from three National Bank Council meetings in a row or were absent from a total of five meetings during one year without excuse and without an approval of the National Bank Council. According to Art. 53 (2) of the Law on the National Bank, a decision to relieve a member of the National Bank Council from office shall be taken by the Parliament of North Macedonia: (1) either on a recommendation from the National Bank Council, or the President of North Macedonia and after consulting the National Bank Council, if the decision concerns the Governor, or (2) either on a recommendation from the National Bank Council or the Governor and after consulting the National Bank Council, if the decision concerns a Vice Governor, or (3) on a recommendation of the National Bank Council or of the Governor and after consulting the National

Bank Council or on a recommendation from the Government of North Macedonia and after consulting the Governor, if the decision concerns a nonexecutive member of the National Bank Council. A member of the National Bank Council relieved from office has the right of appeal to the Court within 15 calendar days from the date of the dismissal decision. Art. 70 of the Law on the National Bank foresees safeguards against conflict of interest of the members of the National Bank Council and staff.

Regarding the **financial independence** of the central bank, Art. 12 of the Law on the National Bank states that the capital of the National Bank is held solely by the Republic of North Macedonia. According to Art. 66 of the Law on the National Bank, the National Bank independently defines the financial plan setting out its revenues and expenditures planned for the following year. The National Bank submits the financial plan for the following year to the Parliament, for information purposes. The National Bank is not subject to profit taxes, nor to property taxes for the immovable property in its ownership.

The National Bank prepares financial statements for its financial year. According to Art. 65 of the Law on the National Bank, the financial statements of the National Bank are audited in conformity with International Standards on Auditing by independent external auditors at least once a year. The external auditors are appointed by the National Bank Council, based on the Law on Public Procurement. The National Bank establishes internal audit as a special organisational unit directly accountable to the Governor for its administrative work and to the National Bank Council for its functional tasks and may also be subject to the audit of the State Audit Office regarding investment costs and operating costs.

North Macedonia stated that within four months after the end of each financial year, the National Bank submits to the Minister of Finance, Parliament, President, and Prime Minister, financial statements, approved by the National Bank Council, signed by the Governor and certified by the external auditor.

b. Commission assessment

North Macedonia is **partly aligned** with the EU *acquis* on the **functional independence** of the central bank. Art. 6 of the Law on the National Bank identifies as the primary objective of the National Bank the achievement and maintenance of price stability. This is compatible with Art. 127 of the TFEU which stipulates that the primary objective shall be to maintain price stability.

However, the Law on the National Bank should clearly state the secondary objective in line with Art. 127(1) of the TFEU, according to which, without prejudice to the achievement of the objective of price stability, the National Bank shall support the general economic policies of the European Union with a view to contributing to the achievement of the objectives of the European Union. The National Bank shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources in compliance with the principles set out in Art. 119 of the TFEU.

In addition, according to Art. 60 of the Constitution of North Macedonia, the National Bank is autonomous and responsible for the stability of the currency, monetary policy and for the general liquidity of payments in North Macedonia and abroad. The organization and work of the National Bank are regulated by law. This provision raises concerns as to whether stability of the currency is an objective of constitutional ranking of the National Bank, and if so, its interplay with the primary objective of price stability ranking only at the level of the law.

North Macedonia is **partly aligned** with the EU *acquis* on the **institutional independence** of the central bank. The Constitution stipulates that the National Bank shall be autonomous. North Macedonia stated that in the Constitution, the terms independent and autonomous have the same meaning. According to Art. 5 of the Law on the National Bank, in the pursuit of its objectives and the performance of its tasks, the National Bank shall be independent. The Law on the National Bank explicitly prohibits the National Bank, National Bank Council members or National Bank staff, to seek or take instructions from any government authority and body, or any other legal entity and/or natural persons. According to the Law, the independence of the National Bank shall be respected at all times and no government authority and body, or other persons shall seek to influence National Bank Council members or the National Bank staff in the performance of their

functions, or to interfere in the activities of the National Bank.

However, according to Article 40 (1) of the Law on the National Bank, the National Bank Council and each of its members shall be accountable to the Parliament of North Macedonia for achieving and maintaining price stability and for performing the tasks of the National Bank stipulated by this Law. In order to ensure full independence of its central bank, as prescribed by the TFEU and the ESCB/ECB Statute, North Macedonia should expressly clarify in the Law that this provision does not in any way allow the National Bank to take instructions from the National Parliament, thus undermining its institutional independence.

According to Art. 43 of the Law on the National Bank, the National Bank shall cooperate with the Government of North Macedonia in pursuing its objectives defined by the Law. The Governor and the Minister of Finance shall hold regular joint meetings on monetary and fiscal policies and shall keep one another informed of all matters of mutual interest. The future amendments of the Law should take into account the prohibition on ex ante consultation relating to an NCB's decision. The legal provisions regarding cooperation with the government should make sure that such cooperation does not in fact provide third parties with a formal mechanism to influence the final decision, which would be incompatible with the Treaty and the ESCB/ECB Statute.

The provisions of Art. 58a of the Law on the National Bank regarding the concerning classification of National Bank employees as administrative officers were removed, decreasing the risk of violating the institutional independence of the National Bank. However, the risk will be minimised once the new draft laws on administrative servants and public sector employees exempting the National Bank from their scope are enacted in the upcoming months..

North Macedonia is **partly aligned** with the EU *acquis* on the **personal independence** of the central bank. Art. 49 of the Law on the National Bank complies with the general requirement under Art. 14.2 of the ESCB/ECB Statute as regards the minimum five-year period for the term of office of a Governor. However, to fully align to the EU *acquis*, North Macedonia will need to amend Art.53 (1) of the Law on the National Bank in order to bring the grounds for dismissal in line with Art. 14.2 of the ESCB/ECB Statute, which stipulates that a Governor may be relieved from office only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. This is also applicable to other members of the decision-making bodies. In addition, the Law on the National Bank should contain explicit provisions addressing the situation in which a member of the National Bank Council has fulfilled any of the dismissal criteria, but no recommendation for dismissal has been addressed to the Parliament. By the date of accession, North Macedonia also needs to amend the Law to bring it line with Article 14.2 of the ESCB/ECB Statute, as regards the right of a dismissed Governor to refer such a decision to the Court of Justice of the European Union. National legislation should either refer to the Statute or remain silent on the right to refer such a decision to the Court of Justice of the European Union (as Article 14.2 of the ESCB/ECB Statute is directly applicable).

North Macedonia is **partly aligned** with the EU *acquis* on the **financial independence** of the central bank. According to Art. 65 of the Law on the National Bank, the financial statements of the National Bank are audited in conformity with International Standards on Auditing by independent external auditors. The National Bank may also be subject to the audit of the State Audit Office regarding investment costs and operating costs. North Macedonia needs to ensure that the audit is performed on a non-political, independent and purely professional basis, and that it complies with the prohibition of giving instructions to national central banks and their decision-making bodies and it does not cover the National Bank's ESCB-related tasks.

Moreover, in order to protect the financial and institutional independence of the National Bank, North

Macedonia should ensure that the submission of the financial statements - approved by the National Bank Council, signed by the Governor and certified by the external auditor - to the Minister of Finance, the Parliament, the President, and the Prime Minister of North Macedonia, as regulated by Art. 61.2 of the Law on the National Bank, is strictly for information purposes and does not involve consultations with these entities.

I.B PROHIBITION OF MONETARY FINANCING OF THE PUBLIC SECTOR

a. Country presentation

As stated by Art. 44 of the Law on the National Bank, the National Bank shall not grant, directly or indirectly, credits to the Government of the Republic of North Macedonia or any other government authority, public enterprise, institution or company founded by the State or where the State is a dominant shareholder, municipality authorities, municipalities of the City of Skopje and the City of Skopje. The National Bank may purchase government securities provided that such purchases are only made in the secondary market. According to Art. 22 of the Law on the National Bank, the National Bank may grant short-term emergency liquidity assistance but only to a solvent bank against adequate collateral. According to Art. 41 of the Law on the National Bank, the National Bank may, on such terms and conditions as agreed with the Government of North Macedonia, act as a fiscal agent to the Government.

b. Commission assessment

The legal framework and practices of North Macedonia on the prohibition of monetary financing have a **high level of alignment** with the EU legislation. Art. 44 of the Law on the National Bank contains a provision prohibiting the monetary financing of the public sector, corresponding to Art. 123 of the TFEU. However, to achieve full harmonisation with Art. 123 of the TFEU, the range of public sector entities referred to in Art.44 needs to be extended to cover also central, regional, local and other public authorities, other bodies governed by public law and public undertakings of the other Member States and Union institutions and bodies.

I.C PROHIBITION OF PRIVILEGED ACCESS OF THE PUBLIC SECTOR TO FINANCIAL INSTITUTIONS

a. Country presentation

According to Article 45 of the Law on the National Bank, any measure, not based on prudential considerations, that ensures privileged access for the Government of the Republic of North Macedonia, any other government authority, public enterprise, institution or company founded by the state or where the state is a dominant shareholder, municipality authorities, municipalities of the City of Skopje and the City of Skopje, to financial institutions shall be prohibited.

b. Commission assessment

Art. 45 of the Law on the National Bank regulates the prohibition of privileged access of the public sector to financial institutions. North Macedonia has a **high level of alignment** with the EU *acquis* on this prohibition. To achieve full harmonisation with Art.124 of the TFEU, Art.45 will need to be extended to cover central, regional, local and other public authorities, other bodies governed by public law and public undertakings of the other Member States and Union institutions and bodies.

I.D SUMMARY OF FINDINGS – MONETARY POLICY

North Macedonia **has a high level of alignment** with the EU *acquis* on the prohibition of monetary financing of the public sector and the prohibition of privileged access of the public sector to financial institutions. The legislation of North Macedonia is partly aligned with the EU *acquis* on the central bank independence. North Macedonia needs to take the necessary steps to fully align the objectives of the National Bank with the EU *acquis* and fully comply with the prohibition of giving instructions to the National Bank. North Macedonia should ensure that the National Bank is excluded from the scope of the

II. ECONOMIC POLICY

II.A PARTICIPATION IN THE PROCEDURE OF COORDINATION OF ECONOMIC POLICIES

a. Country presentation

North Macedonia has been participating in the pre-accession format of economic policy co-ordination since it submitted its first Pre-accession Economic Programme to the Commission in 2006 ('Economic Reform Programme' since 2014). The Economic Reform Programme (ERP) is prepared by the Ministry of Finance and, since 2018, by an established permanent working group, which includes coordinators from the involved national institutions.

The latest ERP, which was submitted in January 2024 and covers 2024-2026, presents the medium-term macroeconomic and fiscal framework, structural reform measures, and assesses the implementation of the previous policy guidance from the Economic and Financial Dialogue with the EU. The main key structural reform priorities and challenges identified for North Macedonia include (i) strengthening human capital and social policies by improvement of labour force efficiency and implementation of a social reform package, (ii) enhanced sustainability and resiliency through climate change resilience, reduced pollution and efficient digital public services, and (iii) strengthened competitiveness through creation of an enabling business environment, further integration in the EU market and ensuring a stable and sustainable food supply. In addition, the Economic and Financial Dialogue with the EU has identified recommendations in the area of public financial management and monetary policy.⁶

b. Commission assessment

North Macedonia is **partly aligned** with the requirements of Art. 121 TFEU on the coordination and surveillance of economic policies. Since 2014, North Macedonia submits annually its ERP, which contains both a macro-fiscal framework (comparable to the Stability or Convergence Programmes submitted by Member States until 2023⁷) and structural reform plans (similar to the National Reform Programmes). This contributes to developing the administrative capacity of the country for its future participation in economic and fiscal policy coordination as well as broader economic and fiscal surveillance.

North Macedonia's Economic Reform Programme 2024-2026 consisted of comprehensive macroeconomic, fiscal and structural reform parts. The programme presents a coherent and consistent, though somewhat optimistic macroeconomic framework. The key challenges presented in the ERP correspond to those identified by the European Commission, but the policy guidance jointly adopted at the 2023 Economic and Financial Dialogue has been only partially implemented. North Macedonia should step up the implementation of the policy guidance, including timely implementation of the Organic Budget Law, improving public investment management, and adopting the law on public private partnership.

II.B FISCAL SURVEILLANCE

a. Country presentation

⁶ Challenges identified in the ERP and the relevant Joint Policy Guidance agreed in 2023 are expected to be addressed through key structural reforms in the country's Reform Agenda under the new Growth Plan for the Western Balkans.

⁷ From 2024 onwards, Member States are required to submit medium-term fiscal structural plans, presenting the expenditure path, net of discretionary revenue measures, that the Member State intends to pursue in the following 4/5 years, and its investment and reforms commitments. The first medium-term fiscal structural plans will be presented in September 2024.

North Macedonia is committed to align its fiscal policy and practices with EU standards and complying with the EU's fiscal surveillance framework. The country is aware that the framework could change significantly due to the legislative reforms proposed by the Commission on 26 April 2023.

North Macedonia plans to reduce the general government deficit to 3% of GDP in 2025 and to cut it further to 2.8% of GDP in 2027. Thanks to fiscal adjustment planned on both the revenue and the expenditure side, North Macedonia expects to steadily lower its primary budget deficit, which should reach 0.4% of GDP in 2028. Government debt is projected to remain below 60% of GDP over the forecast horizon. The government deficit was 4.9% in 2023.

b. Commission assessment

North Macedonia is **partly aligned** with the requirements of Art. 126 TFEU and Regulations (EC) 1466/97 and 1467/97 on budgetary surveillance and excessive deficit procedure. By the time of accession, North Macedonia will need to avoid excessive government deficits in accordance with Art.126 TFEU and Regulation (EC) 1467/97. The respective reference values determined in Protocol 12 to the TFEU are 3% for the ratio of the government deficit to GDP at market prices and 60% for the ratio of government debt to GDP, unless the debt ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace. The same Protocol specifies that deficit and debt figures should be computed based on the European system of national accounts. North Macedonia needs to make further efforts to ensure the quality of those data, which should be validated by Eurostat. By the time of accession, North Macedonia will also need to comply with the requirements of Regulation (EC) 1466/97, the so-called preventive arm of the Stability and Growth Pact.

II.C ACCOUNTING AND STATISTICS

a. Country presentation

Statistical coverage and reporting in North Macedonia are regulated by the Law on State Statistics and the by-law Programme on Statistical Surveys 2023-2027. North Macedonia implements the European System of National and Regional Accounts (ESA) 2010 methodology. The majority of macroeconomic aggregates is compiled on an annual basis, applying production, expenditure and income approach, while Gross Domestic Product (GDP) is also calculated on quarterly basis by production, income and expenditure. The State Statistical Office is compiling the excessive deficit procedure (EDP) tables, in close cooperation with the National Bank and the Ministry of Finance. North Macedonia assesses the EDP tables to have medium compliance and acknowledges the need to strengthen its administrative capacity. (*Chapter 18, Statistics, is included in cluster 1*)

b. Commission assessment

North Macedonia is **partly aligned** with the EU *acquis* on **national, regional and annual sector accounts**, whereas the level of compliance of quarterly sector accounts is low. Issues persist namely with respect to ensuring the consistency across data and providing cash data, as well as in the regular transmission to Eurostat of the required tables. Full alignment of the statistical and accounting practices with ESA 2010 standard, in accordance with Directive 2011/85/EU on requirements for budgetary frameworks, should be ensured well before the accession as several administrative and surveillance processes rely on accurate and available data.

II.D MACROECONOMIC AND BUDGETARY FORECASTS

a. Country presentation

The New Organic Budget Law (Official Gazette 203/22) aims to improve the medium-term fiscal projections. The macroeconomic and budgetary forecasts are prepared by the Ministry of Finance. The medium-term plans are in principle underpinned by realistic macroeconomic and budgetary forecasts. The Fiscal Strategy includes qualitative and quantitative explanations of differences with respect to the macroeconomic forecast of the previous budget and fiscal strategy and a comparison with the forecast of

other relevant domestic and international institutions.

b. Commission assessment

North Macedonia is **partly aligned** with the EU *acquis* regarding **macroeconomic and budgetary forecasts**. Directive 2011/85/EU requires Member States to ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts that include a sensitivity analysis. The Ministry of Finance prepares the macroeconomic and budgetary forecasts. Despite their publication, the macroeconomic and budgetary forecasts of North Macedonia are prepared solely by the Ministry of Finance and there is no provision for independent oversight. Projections are often overly optimistic; the fiscal impact of new policy proposals is not always presented or quantified; and deviations from previous targets set in the preceding Fiscal Strategy and annual budget documents are mostly not clearly explained.

II.E NUMERICAL FISCAL RULES

a. Country presentation

The New Organic Budget Law 203/22 establishes the fiscal rules of North Macedonia. Art. 9 of the Law and also establishes the principles underpinning the fiscal rules: pursue sustainable public finances, a stable tax system and predictable tax policies, a prudent management of fiscal risks and intergenerational responsibility. The general government debt limit is set at 60% of GDP and the general government deficit at 3% of GDP. A third fiscal rule caps the guaranteed public debt at 15% of GDP. The Law defines escape clauses allowing to deviate temporarily from compliance with the fiscal rules.

The exceptional circumstances allowing to trigger escape clauses are clearly defined: natural disasters, external shocks to national security or the lives and health of people, state of emergency or crisis, sharp financial or economic shocks. A deviation from the debt rule is to be corrected within five years according to a strategy outlining specific measures and activities. The Government provides explanations for the deviations from the fiscal rules to the Parliament of North Macedonia and presents the corrective measures over a period of five years at most, with effects as soon as the next budget year and proportional to the size of the deviations.

The New Organic Budget Law established an independent fiscal council, endowed with a mandate to independently analyse the macroeconomic and fiscal assumptions underpinning the State budget and the fiscal strategy, to monitor developments with respect to fiscal risks and compliance with national fiscal rules, the occurrence of exceptional circumstances leading to a temporary deviation from the fiscal rules and the deviation allowed for structural reforms and investments. The three members of the Fiscal Council are appointed by the Parliament for six years (non-renewable mandate), upon proposal by the Macedonian Academy of Sciences and Arts, by the State Audit Office and the National Bank. The Fiscal Council started operating in 2024 and the material produced by the Council will be published on its website.

b. Commission assessment

North Macedonia is **partly aligned** with the requirements of the budgetary Directive 2011/85/EU regarding numerical fiscal rules. The Fiscal Council should play a key role in the national fiscal framework of North Macedonia. It should have access to relevant budgetary information and data and the right to make public the name of the entities not granting access otherwise. However, the budget of the Fiscal Council is not set by law and there is no provision for a regular external evaluation of its activities.

II.F MEDIUM-TERM BUDGETARY FRAMEWORKS

a. Country presentation

The Organic Budget Law outlines the features and procedures related to medium-term planning. After elections, the Government publishes and submits a statement on the envisaged fiscal policy over its mandate to the Parliament, which includes projections over the following five years for the general government deficit and debt and the macroeconomic forecast underpinning the strategy. The strategic planning reflects

strategic priorities of the government and is updated every year to reflect the adopted budget. The Fiscal Strategy 2024-2028, which provides macroeconomic and fiscal projections for the following three years, and, since 2020, prospects for another two years, sets expenditure ceilings that bind the strategic plan, and provides information on the general government budget expenditure and revenue projections, balance and debt as well as on the expenditure ceilings. New policies and macroeconomic and fiscal risks are also described, and their budgetary impact is provided. The Fiscal Strategy 2024-2028 would include explanations for non-compliance with fiscal rules and an analysis of the long-term sustainability of public finances.

The annual budget is based on the Fiscal Strategy 2024-2028 and includes information on multiannual expenditure commitments (i.e. public investment projects) among others. A general budget reserve of at most 3% of the planned revenues can be used to cover unforeseen expenditure and a permanent budget reserve of a maximum of 1% of revenues can cover expenditure needs arising from emergencies and/or crises, environmental disasters, etc. Budget appropriations can be reallocated under clear conditions set in the New Organic Budget Law.

b. Commission assessment

North Macedonia has a **high level of alignment** with Directive 2011/85/EU on requirements for budgetary frameworks, which demands Member States to establish a credible, effective medium-term budgetary framework with a planning horizon of at least three years (under review in the ongoing economic governance reform). North Macedonia has adopted the legal basis for a medium-term budgetary framework, regulated under the New Organic Budget Law, which governs the Fiscal Strategy. The Fiscal Strategy sets expenditure ceilings that bind the strategic plan and provides information on the general government expenditure and revenue projections, balance and debt. The Strategy also presents macro-fiscal risks and compliance or deviation from the fiscal rules and objectives.

II.G TRANSPARENCY OF GENERAL GOVERNMENT FINANCES AND SCOPE OF BUDGETARY FRAMEWORKS

a. Country presentation

Art. 91 and 96 of the New Organic Budget Law cover the provisions for transparency on budget execution. Monthly and annual reports on the execution of the State budget are published on the internet site of the Ministry of Finance before the end of the following month. Quarterly and annual reports for the general government budget are published with a 45-day lag on the internet site of the Ministry of Finance. A register of the units classified in the government sector is published on the internet site of the Ministry of Finance and continuously updated to reflect creation or inactivation of such entities.

b. Commission assessment

Although North Macedonia transmits on a quarterly basis information on debt to Eurostat since October 2021, it is only **partly aligned** with Directive 2011/85/EU which requires that fiscal planning, fiscal rules and forecasts are comprehensive in coverage across sub-sectors of general government, and with Regulation (EC) no. 479/2009, which stipulates that the basic condition for participating in the EU economic and fiscal surveillance is the timely provision of quality fiscal and economic data. While public access fiscal information in a timely manner and the comprehensiveness of fiscal reporting have been improved in recent years, the fiscal framework is still marked by a number of important shortcomings. Notably, the fiscal framework does not provide for consolidated reporting on fiscal risks and contingent liabilities related to extra-budgetary entities, such as PPPs and public enterprises and to fiscal risks stemming from local government operations and expenditure arrears. There is also little information on tax expenditure in the budget documentation, and the fiscal impact of policy proposals is not quantified in the Fiscal Strategy. The setting-up of a register of public entities would facilitate more transparent information on extrabudgetary revenue and expenditure, outside the government's financial reports.

The New Organic Budget Law of North Macedonia mandates transparency improvements on budget execution and on fiscal risk. It also requires the consolidation of financial statements at all levels of government. Progress regarding adherence to the Excessive Deficit Procedure (EDP) methodology and completeness of EDP and government finance statistics data needs to resume.

II.H Macro-economic Imbalance Procedure

a. Country presentation

The State Statistical Office in correspondence with the Ministry of Finance and the National Bank of North Macedonia collects a number of statistical indicators that are needed to participate in analyses conducted under the Macroeconomic Imbalance Procedure (MIP). North Macedonia indicated readiness to participate in the MIP and currently assesses the institutional capacity for this activity to be broadly adequate.

b. Commission assessment

North Macedonia is **partly aligned** with the requirements set out in the Regulation (EU) no. 1176/2011 on the prevention and correction of macroeconomic imbalances. To be ready to participate in the MIP in accordance with Regulation 1176/2011, North Macedonia will have to collect the necessary statistics to contribute to the scoreboard, currently consisting of a set of 14 indicators covering the major sources of macroeconomic imbalances. The compliance of the statistical indicators provided by the relevant institutions of North Macedonia with the requirements related to scoreboard indicators is assessed as being medium. Further efforts will be needed to secure the timeliness and quality of all relevant data under the MIP. The remaining gaps concern the house price, private sector credit flows, and private sector debt indicators. North Macedonia expects to address the gaps by 2025 for the private debt indicators, and by 2028 for the house price indicator.

II.I SUMMARY OF FINDINGS – ECONOMIC POLICY

North Macedonia has made progress in strengthening its fiscal governance and has a **high level of alignment** with the EU *acquis* on **medium-term budgetary frameworks**. The legislation of North Macedonia is **partly aligned** with the EU *acquis* on **budgetary forecasts, statistics, numerical fiscal rules, transparency of general government finances, and macroeconomic imbalance procedure**. North Macedonia needs to step up the implementation of the ERP policy guidance and further align with the *acquis* in the area of budgetary surveillance and national fiscal frameworks. Further efforts are needed to improve its macroeconomic and government finance statistics, and to fully implement the provisions on the independent fiscal council, fiscal rules and medium-term planning of the recently adopted Organic Budget Law.

III. FIGHT AGAINST CORRUPTION – ECONOMIC AND MONETARY POLICY

a. Country presentation

The main legislation in the field of corruption prevention is the Law on Prevention of Corruption and Conflict of Interest, adopted in 2019. A national strategy and a related action plan are in place for the period 2021-2025 and are in line with Article 18 of the Law on Prevention of Corruption and Conflict of Interest.

The Law contains measures on the prevention of corruption in exercising public authorisations and on the work of public interests and other activities performed by legal entities. Ethical codes and rules of conduct are in place for all categories of public officials.

The Criminal Code includes offences against the official position and in the area of economic crime in public and private sector, such as: embezzlement in the service, malpractice of official duty, defraud at the expense of the frauds of the European Community funds, money laundering and other unlawful property gain, abuse of official position and authorisation, and abuse of authority in economy.

b. Commission assessment

The Law on Prevention of Corruption and Conflict of Interest remains to be fully implemented. North Macedonia needs to step up the implementation of its National Strategy and related action plan, especially in sectors which are at a higher risk of corruption.

III.A SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

The legislative and institutional framework of North Macedonia on anti-corruption is in place, but the country needs to **continue the implementation of the national strategy for the prevention of corruption notably in risk sectors such as public finance.**

E) CHAPTER 19 – SOCIAL POLICY AND EMPLOYMENT

The general principle of social policy and employment is based on Art. 153 of the Treaty on the Functioning of the European Union (TFEU), according to which the European Union supports and complements the activities of the Member States in the area of social policy.

The *acquis* in the social policy field includes minimum standards in areas such as labour law, equal treatment of women and men in employment and social security, as well as health and safety at work. Specific binding rules have also been developed with respect to non-discrimination on grounds of sex, racial or ethnic origin, religion or belief, disability, age and sexual orientation (Art. 19 of TFEU).

The European Social Fund (ESF) is the main financial tool through which the EU supports the implementation of its Employment Strategy and contributes to social inclusion efforts (*See also Chapter 22 - Regional policy and coordination of structural instruments for implementation rules*).

Member States participate in EU policy processes in the areas of employment policy, social inclusion and social protection. The social partners from the Member States participate in social dialogue at the European level.

International agreements related to employment, labour and social issues, such as the relevant International Labour Organisation (ILO) Conventions or the UN Convention on the Rights of Persons with Disabilities (UNCRPD), need to be taken into consideration. In particular, it should be considered that – given that the Union is a party to the UNCRPD – this Convention is binding in its entirety upon the Member States. Accordingly, full alignment is required.

In relation to *Chapter 23 - Judiciary and Fundamental Rights*, it should be noted that trade union rights are essentially covered by Chapter 19. As regards anti-discrimination and equal opportunities, the employment aspects of these issues are essentially covered by Chapter 19, whereas Chapter 23 covers non-discrimination and equality more broadly, as well as cultural and minority rights and violence against women.

I. EUROPEAN PILLAR OF SOCIAL RIGHTS

a. Country presentation

The twenty principles of the European Pillar of Social Rights are present in the Constitution of the Republic of North Macedonia, laws, as well as strategies in the areas of labour market and employment, human capital and skills, and social inclusion and social protection.

The National Employment Strategy 2021-2027 sets three ambitious targets that correspond to the three headline indicators of the European Pillar's Action Plan, namely in labour market and employment with employment rate of population between 15 and 64 as an indicator, human capital and skills with the adult participation in education as an indicator, and social inclusion and social protection with share of people at risk of poverty as an indicator.

b. Commission assessment

North Macedonia is **partly aligned** with the European Pillar of Social Rights and presented plans for full alignment.

C. SUMMARY OF FINDINGS – EUROPEAN PILLAR OF SOCIAL RIGHTS

North Macedonia is **partially aligned** with the European Pillar of Social Rights and presented ambitious objectives to attain full alignment.

II. LABOUR LAW

II.A. WORKING CONDITIONS & WORKING TIME, TRANSFER OF UNDERTAKINGS

a. Country presentation

The legal framework of North Macedonia for labour relations is **designed to be at a high level of alignment** with the EU *acquis*. In 2023, extensive public consultations were held across the country on the yet-to-be adopted new law on labour relations, which is set to address the remaining gaps in alignment with the EU *acquis*. As regards working hours, full working time in North Macedonia equals 40 hours per working week. Part-time work is defined as working less than the full-time hours, and part-time employees have the same rights as full-time employees, proportionate to their contracted hours. The current law on labour relations is not fully compliant with the *acquis* on part-time work. Overtime cannot last for more than eight hours per week or four hours a day per employee. Daily breaks and daily rest are regulated.

As regards **working conditions**, employment is established through a written employment contract, which can be either indefinite or fixed-term. Fixed-term contracts cannot be prolonged beyond 5 years, with or without interruptions. However, as an exception, the employment established on the basis of a fixed-term employment contract may be transformed into a permanent employment prior to the expiry of 5 years if the employee works for more than 2 years at the position which has become vacant on pension grounds or other grounds and for which funds are provided, provided that the employer determines that there is a permanent need for the employee, under the conditions and in the manner laid down by law and in a manner established by law. The proposed new law on labour relations aims to address the remaining gaps on fixed-term work and transparent and predictable working conditions to align with the relevant EU *acquis*. There is a general prohibition on employing individuals younger than 15 years old.

Temporary agency work is regulated by the Law on Private Employment Agencies. The law defines that a private employment agency is a legal entity, which, in accordance with the law, performs temporary employment and/or employment mediation. Hence, the law regulates the establishment and functioning of private employment agencies, temporary work agency, as well as working conditions of the workers who are temporarily employed by other employers.

Directive 2001/23/EC relating to the Safeguarding of Employees' Rights in the Event of Transfers of Undertakings, Businesses or Parts of Undertakings or Businesses has been transposed into North Macedonia labour law. The yet-to-be adopted new law on labour relations is set to introduce amendments mandating that the collective agreement of the previous employer remains valid for at least one year after a status change, while acquired employees are subject to the more favorable provisions of any existing collective agreement with the acquiring employer.

Concerning **information, consultation and participation** of workers, North Macedonia is partially aligned with Directive 98/59 on Collective Redundancies, Directive 2009/38/EC on European Works Councils and Directive 2002/14/EC on General Framework for Informing and Consulting Employees on information as it has adopted legislation but needs to prepare amendments to ensure full alignment. National legislation is not aligned with the Directive 2001/86/EC on employee involvement in European Companies (SEs) and with the Directive 2003/72 on employee involvement in European Cooperative Societies (SCEs) with plans to ensure alignment with both directives for 2026. North Macedonia has currently no legislation on including seafarers in information and consultation process as it is landlocked but recognised it will need to transpose the relevant Directive 2015/1794.

The Law on Minimum Wage was first introduced in 2012, it is set for all workers in the economy, while self-employed are excluded from the law. The minimum wage for part-time workers is calculated in proportion to the time spent at work. Criteria have been established for setting the minimum wage, the

alignment of the minimum wage is conditioned by: 50% of the increase in the average paid net wage in the Republic of North Macedonia, for the previous year, according to the data from the State Statistics Office and 50% of the increase in the cost-of-living index for the previous year, according to the data from the State Statistics Office. The amount of the minimum wage cannot be lower than 57% of the average wage published by the State Statistics Office.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* on labour relations. Efforts need to be stepped up to ensure further alignment of the national legislation with the EU *acquis*, especially through the yet-to-be adopted new law on labour relations.

II.B. POSTING OF WORKERS

a. Country presentation

North Macedonia has indicated that its legislation is partly aligned with the *acquis* on the posting of workers. The current Law on Labour Relations governs various aspects concerning the posting of workers in the framework of the provision of services, including the enforcement of its provisions, the posting of workers for assignments abroad, and the establishment of employment contracts for work conducted overseas. It also addresses the posting of workers within the context of service provision arrangements. By 2026, there are plans to introduce a separate law specifically addressing the posting of workers, ensuring full compliance with the EU *acquis*. Efforts are underway to enhance the capacity of institutions to meet the necessary obligations.

b. Commission assessment

North Macedonia's legislation on the posting of workers is **partially aligned** with the EU *acquis*. The swift adoption of the new law on the posting of workers will be key in the alignment of North Macedonia's legal framework with the *acquis* on the posting of workers.

II.C. SUMMARY OF FINDINGS – LABOUR LAW

North Macedonia is **partially aligned** with the EU *acquis* on labour relations and posting of workers. Efforts need to be stepped up to ensure further alignment of the national legislation with the EU *acquis*, especially through the yet-to-be adopted new law on labour relations. The swift adoption of the new law on the posting of workers will be key in the alignment of North Macedonia's legal framework with the *acquis* on the posting of workers.

III. HEALTH AND SAFETY AT WORK

III.A. GENERAL FRAMEWORK

a. Country presentation

North Macedonia takes into account the principles and standards established by relevant international instruments such as EU directives and International Labour Organisation (ILO) conventions in the field of occupational safety and health.

The Law on Safety and Health at Work establishes the basic principles and minimum requirements for the safety and health of employees in North Macedonia, but other laws also regulate specific issues such as the Law on Health Protection, the Law on Health Insurance, the Law on Pension and Disability Insurance, the Law on Labour Relations, the Law on Labour Inspection, the Law on Inspection Supervision and several other laws and by-laws. It creates a legal basis for the development of a National Strategic Document for further development in the field.

Defining a new strategic framework for occupational health and safety and modernisation of the Law on

Occupational Health and Safety is one of the key reforms and initiatives taken by the government. A consultative process for drafting a new Law on Safety and Health at Work has been launched and is already in an advanced stage. Its objective is to address and overcome weaknesses, shortcomings, and bottlenecks that have had a negative impact on the implementation of the existing law.

Legislation is aligned with EU Directive 89/656/EEC on the Minimum Health and Safety Requirements for the Use by Workers of Personal Protective Equipment at the Workplace. The rulebook contains provisions defining the concept of personal protective equipment (PPE), as well as the scope of provisions of this by-law when personal protective equipment is used by workers. It regulates the conditions that PPE must meet in order to be used at work, the selection of appropriate PPE, the provision of information on personal protective equipment and its use, training and informing of employees.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* in the field of health and safety at work. The swift adoption of the new Law on Safety and Health at Work will be key in the alignment of North Macedonia's legal framework on health and safety at work with EU *acquis*.

III.B. WORKPLACES

a. Country presentation

North Macedonia is **partially aligned** with the EU Directive 89/654/EEC on workplaces. The EU Directive 92/57/EEC on temporary or mobile construction sites has been **partially aligned**.

The Rulebook on the minimum safety and health requirements for the workplace determines the minimum safety and health requirements in the field of occupational safety and health (OSH) that should be met. The provisions of this Rulebook do not apply to means of transportation used outside the facility and to the workplace in the transport vehicles, to temporary or mobile workplaces, to extraction industries, fishing boats and to fields, forests and other land part of the agriculture or forestry activities and are outside the buildings/facilities of the employer. The Rulebook also sets the minimum safety and health requirements for the workplace.

The Rulebook on safety and health for the use of work equipment defines the obligation for the work equipment to be appropriate and adjusted for safe use by the workers, undertaking suitable preventive measures, the use of manuals and notifications related to the use of the equipment, the obligation to conduct training for the employees for safe use of the equipment.

The Rulebook on PPE regulates when PPE is used by workers, the conditions that it should meet to be used at the workplace, the selection of suitable PPE, the provision of information on personal protective equipment and its use, training and information of workers etc.

The Rulebook on OSH for manual handling of loads defines different limit values of weights when handling loads, depending on the centre of the mass of the load and its distance from the worker's body, limit values when carrying load or when pushing and/or dragging load, rolling cylindrical loads or moving loads while sitting. It has been in force since October 2023.

The Rulebook on protection measures for work with display screen equipment was adopted in 2005 and is therefore out of date.

The Rulebook on signs for safety and health at work provides different categories of safety and health signs that should be used at the workspace.

The Rulebook on minimum safety and health requirements at temporary or mobile construction sites stipulates the obligations regarding OSH of clients, supervisors of the construction project, the employers, self-employed persons, as well as the obligations for mandatory information and consultation and participation of the workers in determining and implementation of the safety and health measures at construction sites. Provisions related to safety and health in construction and at construction sites, is planned

to be introduced within the new Law on OSH.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* on the workplaces. The rulebook in place on the minimum safety and health requirements for the workplace, on signs for safety and health at work, and on occupational safety and health for manual handling of loads defines is **partially aligned** with EU *acquis*. However, the rulebook on safety and health for the use of work equipment, and on PPE would require further alignment. The Rulebook on protection measures for work with display screen equipment is not aligned with EU *acquis*.

III.C. SPECIFIC RISKS (CHEMICAL, BIOLOGICAL, PHYSICAL AGENTS)

a. Country presentation

The Law on Safety and Health at Work also provides the basis for the adoption of individual by-laws and since its adoption, more than 20 rulebooks have been adopted, including on the use of **work equipment, exposure to chemical substances, and exposure to biological agents**.

North Macedonia also has a National Program for Elimination of Asbestos-Related Diseases in place. It defines long-term goals for eliminating asbestos-related diseases, the institutional framework for action, the mechanisms of action and evaluation of the results achieved, the roles of individual ministries and institutions in solving the problem. It also serves a strategic document for the elimination of asbestos-related diseases.

North Macedonia is **partially aligned** with EU Directive 98/24/EC on the Protection of the Health and Safety of Workers from the Risks Related to Chemical Agents at Work and Directive (EU) 2017/164 and Directive (EU) 2019/1831.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* on the field of specific risks, including chemicals, biological and physical agents.

III.D. INSTITUTIONAL ASPECTS AND EU STRATEGIC FRAMEWORK ON OCCUPATIONAL SAFETY AND HEALTH

a. Country presentation

The Occupational Safety and Health Council was established in 2009, as an expert advisory body composed of 15 members, representatives of the government, employers, union representatives, representatives of the educational institutions conducting educational activities in the field of occupational safety and medicine, representatives of associations of professionals for occupational safety and for occupational health physicians. The Council also collaborates with all active and relevant entities in the field of occupational safety and health, including social partners, the State Labour Inspectorate, and Universities.

The Council meets between three and four times a year. It is in charge of reviewing, evaluating conditions, as well as providing opinions and recommendations on strategic documents in the field of OSH.

b. Commission assessment

North Macedonia **has some level of preparation regarding** the institutional aspects of health and safety at work as well as for the development of a national strategy in line with the EU strategic framework on OSH.

III.E. SUMMARY OF FINDINGS – HEALTH AND SAFETY AT WORK

North Macedonia is **partially aligned** with *acquis* in the field of health and safety at work, workplaces, specific risks, and on the institutional aspects of occupational health and safety at work.

IV. SOCIAL DIALOGUE

a. Country presentation

The right to organise collectively for any lawful purpose and to strike are rights guaranteed by the Constitution.

As regards tripartite social dialogue, in North Macedonia, the Economic and Social Council (ESC) serves as the main platform for tripartite social dialogue, facilitating communication between government representatives, workers' organisations, and employers' associations. Established to address various economic and social issues, the ESC operates under the Law on Labour Relations and Agreement for Establishing Economic and Social Council, with 12 members representing government, workers' organisations, and employers' associations. It tackles a wide array of topics, including labour legislation and collective bargaining, and operates through specialised working groups. Despite challenges, such as occasional withdrawals from discussions, efforts are underway to enhance local socio-economic councils and expand the ESC's reach across the country, aiming to promote effective social dialogue and address labor-related issues comprehensively.

Local economic and social councils (LESC) have been established in 13 municipalities, featuring a tripartite-plus composition including representatives from the municipality, trade unions, employers, and non-governmental organisations.

The Law on labour relations of North Macedonia defines criteria for representativeness of trade unions and employers' organisations on national level, with regards to participation in tripartite national level bodies, recognising one trade union at the national level: the Federation of Trade Unions of Macedonia (SSM). The Federation of Trade Unions of Macedonia (SSM) is currently holding the four seats in the ESC representing workers' interests. On the employers' side, the Organisation of Employers of Macedonia (ORM) is recognised as representative, advocating for employers' interests, and participating in social dialogue within the ESC, where it holds all of the four seats.

As regards bipartite social dialogue, the right to collective bargaining in North Macedonia is constitutionally guaranteed and its regulations are outlined in the law on labour relations. On collective agreements, the country informed that there is a general collective agreement for the private sector, and a general collective agreement for the public sector.

A tripartite working group was formed, working on drafting the text of a new Law on Labour Relations, which aims to promote social dialogue at a tripartite and bipartite level, in accordance with the international labour standards, the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union. .

b. Commission assessment

The effectiveness of tripartite social dialogue at both national and local levels is improving, but bipartite dialogue is falling short. Collective agreement adoption and enforcement in the private sector are lacking. The implementation of the Law on Peaceful Settlement of Labour Disputes is pending, and social partners' capacities need strengthening. Laws permitting the replacement of striking workers remain unchanged, and registration procedures for unions and employers' associations remain under the Ministry of Labour and Social Policy. While collective agreements in the public sector have been respected, this has not been the case in the private sector.

IV.A. SUMMARY OF FINDINGS – SOCIAL DIALOGUE

North Macedonia **has a basic institutional and legal framework for social dialogue in place.** Collective bargaining rights are constitutionally guaranteed, with regulations outlined in the Law on Labour Relations. A tripartite working group aims to promote social dialogue in line with international and EU standards. While tripartite social dialogue is improving, bipartite dialogue lags, and enforcement of collective

agreements in the private sector is insufficient. The country is invited to foster an enabling environment and align with EU social dialogue standards and practices. Capacity building for social dialogue is needed.

V. EMPLOYMENT POLICY

V.A. ECONOMIC AND SOCIAL POLICIES & SOCIAL ECONOMY & JUST TRANSITION

a. Country presentation

Employment policy involves a number of institutions including the Government of the Republic of North Macedonia which adopts economic and employment policies and programmes, the Ministry of Labour and Social Policy which creates and monitors employment policies and programmes, the Employment Service Agency of the Republic of North Macedonia which implements employment programs and measures and provides labour market services, Ministry of Education and Science, as well as social partners involved in the social dialogue at the level of the Economic and Social Council (ESC) at national level and Economic and Social Councils at local level and provide opinions on socio-economic issues and policies and collective negotiation. The National Employment Strategy 2021-2027 including its Employment Action Plan 2021-2023 has the following outcomes: alignment of skills with labour market needs, increasing participation of adults in training, lowering unemployment rates, reducing the gender employment gap, and lowering the share of people at risk of poverty and social exclusion. The first phase of the strategy focused on mitigating the negative consequences of the COVID-19 pandemic on employment, while the second phase is more forward-looking and geared towards convergence with the European Union Employment Strategy.

The Law on Public Procurement in 2019 introduced reserved contracts with two options for social enterprises: the contracting authorities should restrict the right to participate in public procurement procedures only to economic operators who reinvest profits and with main goal of social and professional integration of persons with disabilities or persons from socially vulnerable groups, and the procurement of special health, social and cultural services. North Macedonia plans to adopt a Law on Social enterprises regulating the legal recognition, financial support, and support for development of social enterprises.

The 2024 operational plan for active employment programs and measures was adopted at the beginning of 2024. It has as pillars the financial support for promoting and creating new jobs in the process of green transformation of the private sector by introducing green products, services, technologies or processes in enterprises, vocational trainings on green skills for both enterprises and unemployed persons, as well as green investment advisory services for businesses – beneficiaries of financial (grant) support and other enterprises interested in business development through green investments.

The State Labour Inspectorate became a separate legal entity within the Ministry of Labour and Social Policy in 2014. It is directly accountable to the Council of Inspection Authorities and the Government and is headed by a director appointed and dismissed by the Government. The inspectorate has three state advisors and 110 inspectors in 30 regions across the territory of North Macedonia, 56 of which work in the area of labour relations, 42 inspectors in the area of health and safety at work, and 12 integrated inspectors covering both areas.

b. Commission assessment

North Macedonia is **partially aligned** with the acquis on employment policy, and specifically the economic and social policies, the social economy, and the just transition. North Macedonia should take into account the Council recommendation on developing social economy framework conditions⁸

V.B. EMPLOYMENT SUPPORT SCHEMES AND YOUTH EMPLOYMENT

a. Country presentation

The Employment Service Agency develops and implements services to increase the competitiveness of the

⁸ [EUR-Lex - 32023H01344 - EN - EUR-Lex \(europa.eu\)](#)

workforce and to meet the needs of the labour market, through implementation of an individual working approach oriented towards the needs of unemployed individuals and employers. It provides two types of support: direct employment support such as self-employment support, support for creating new jobs (wage subsidies), and on-the-job training as per the needs of specific employer, but also support to increase employment opportunities including internships, trainings, and public works.

North Macedonia also has programmes to activate vulnerable groups including unemployed Roma and other individuals at risk of social exclusion and guaranteed minimum assistance beneficiaries. However, the Strategy for the Inclusion of Roma lacks measures to support labour market mobility and tackle discrimination in employment.

The Youth Guarantee Plan accompanies the National Employment Strategy.

The law on internship frames the target group and duration for internships. Interns shall be provided with occupational safety equipment if required at the workplace where the internship is being performed as well as insurance in case of work accident. Compensation should be between 42% and 74% of the minimum net salary for internships up to three months, while compensation in the amount of the minimum net salary shall be received for internship over three months counted from the fourth month.

b. Commission assessment

North Macedonia is partially **aligned** with the EU *acquis* on employment support schemes and youth employment.

V.C SUMMARY OF FINDINGS – EMPLOYMENT POLICY

North Macedonia has **some level of preparation** with the *acquis* on employment policy. Overall, North Macedonia is committed to the EU policy and principles guiding its employment policy.

VI. SOCIAL PROTECTION AND SOCIAL INCLUSION

VI.A INSTITUTIONAL ASPECTS OF SOCIAL PROTECTION AND INCLUSION

a. Country presentation

The Constitution guarantees the right to work and free choice of employment, as well as protection and material assistance during temporary unemployment. Additionally, Art. 35 ensures that the Republic provides social protection and security to its citizens in accordance with the principle of social justice. These constitutional provisions are complemented by various laws, including the new Law on Social Protection, the Law on Protection of Children, and the Law on Social Security for the Elderly, which outline specific measures and regulations to uphold social welfare and security for citizens. Several key national strategies and programmes outline the developmental framework and priorities for social protection, employment, economic reform, youth empowerment, social enterprise development, and Roma inclusion in North Macedonia. These include the National Programme for Social Protection Development 2022–2032, the National Employment Strategy 2021–2027 with its associated Employment Action Plan 2021–2023, the Economic Reform Programme 2024–2026, the Youth Guarantee Implementation Plan 2023–2026, the National Strategy for Development of Social Enterprises in the Republic of North Macedonia 2021–2027, and the Roma Inclusion Strategy 2022–2030.

The institutional framework for labour and social policy involves the Assembly's Committee on Labour and Social Policy, the Government, and relevant ministries such as Labour and Social Policy, Education and Science, and Justice. Other key entities include the Employment Service Agency, vocational and adult education centres, social work centres and rehabilitation centres, and local self-government units. Stakeholders like vocational training centres, Chambers of Commerce, Employers' Organizations, Trade Unions, and NGOs also play significant roles.

In early 2021, the government initiated the development of a 20-year National Development Strategy (NDS), aiming to provide a dynamic framework for advancements in this area. The NDS focuses on enhancing systemic cooperation among institutions and emphasises adaptability to ensure sustained progress over time. It integrates various sectors and priorities, with an emphasis on comprehensive financing from both national and international sources. Throughout the development process, numerous experts conducted studies across key strategic areas, addressing challenges such as poverty and social exclusion, childcare and protection, and the sustainability of the pension system in the face of demographic shifts and migration flows. These efforts aim to address the multifaceted challenges in this area and foster long-term social and economic development.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework on social protection and inclusion with the EU *acquis*. Implementation of the reforms deriving from the new law on social protection has progressed. However, efforts are needed to address gaps in social protection for self-employed and those in non-standard forms of work in the country. The full-established monitoring and evaluation system for social services and proper centralised IT system to follow social assistance schemes is deficient.

VI.B. PERSONS WITH DISABILITIES & CHILD PROTECTION AND CARE

a. Country presentation

North Macedonia's legal framework on persons with disabilities includes constitutional provisions ensuring equality before the law and social security in line with principles of social justice. Laws ratified include those concerning the Convention on the Rights of Persons with Disabilities (UNCRPD) and its optional protocol, along with legislation addressing discrimination prevention and protection. . The country's National Deinstitutionalisation Strategy aims to transition from institutional to community care, while the National Strategy for Equality and Non-Discrimination promotes measures to foster unity and inclusivity across society. In North Macedonia's institutional setup, the Assembly features a bipartisan group focusing on disability rights with 50 MPs, while the government oversees the National Coordinating Body for Disability Rights. Relevant ministries, civil organisations, and local units are also involved, with the Ombudsman's office and the Commission for Prevention and Protection against Discrimination playing key roles in enforcement.

Significant strides have been made towards inclusivity and support for individuals with disabilities. Initiatives include adopting a new assessment model aligned with the International Classification of Functioning, abandoning the medical model of disability perception, and implementing regulations for functional assessment and support measures across education, health, and social protection sectors. A **Law on Disability Assessment System** was enacted (Official Gazette no. 209/2023), which foresees development of the new system of disability assessment. The introduction of the Law on Primary Education emphasises full inclusion of students with disabilities, transforming special primary schools and classes into resource centres and support centres, respectively. North Macedonia is planning to adopt a new law on Secondary Education which will introduce support for students with disabilities enrolled in secondary education, thus improving the accessibility and affordability of the education system. Financial allocations totalling MKD 350 million in the education system budget of North Macedonia budget for 2022/2023 have facilitated the employment of 720 educational assistants. Furthermore, the drafting and adoption of the National Strategy for the Rights of People with Disabilities 2023-2030, alongside legislative reforms, and institutional transformations, demonstrate a comprehensive commitment to disability rights and inclusion. Additionally, ongoing efforts focus on harmonisation with the EU *acquis* and enhancing accessibility in various domains, including education, employment, and public services.

On child protection and care, the Constitution provides explicit provisions for family protection, parental responsibilities, and safeguarding the rights of mothers, children, and minors under Art. 40 and 42. Supporting legislation includes the Law on Family, Law on Protection of Children, and laws addressing

social protection, primary and secondary education, health insurance, health protection, international protection, justice for children, and prevention of discrimination. Strategic frameworks such as the Child Protection Activity Development Program, Comprehensive Education Strategy, and Inclusive Education Concept further bolster child welfare and inclusive education. Additionally, national strategies and action plans target specific issues like deinstitutionalisation, prevention of violence against children, inclusion of Roma communities, and human rights protection. Institutionally, the Assembly, Government, competent ministries, ombudsman, and the Commission for Prevention and Protection against Discrimination form the institutional backbone ensuring the implementation and enforcement of these legal and strategic frameworks. The UN Convention on the Rights of the Child, along with its protocols, ratified and integrated into legislation, ensures the protection of children's rights. Moreover, North Macedonia considers that its national legislation is **fully aligned** with Art. 33 of the Treaty on the European Union, and the Charter of Fundamental Rights of the European Union, notably Art. 24 and 32 to further safeguard children's rights. Additionally, the Protocol to Prevent, Suppress, and Punish Trafficking in Persons, Especially Women and Children, has been ratified and incorporated into the internal legal order to combat trafficking effectively.

A comprehensive reform has been enacted in the social and child protection system, introducing the right to guaranteed minimum assistance and universal coverage for child and education allowances in low-income families. The number of children benefiting from these allowances has significantly increased from 2019 to 2023.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework on persons with disabilities and child protection and care with the EU *acquis*. Greater attention should be paid to long-term care provision for older persons, in particular those who do not have specific disabilities, but are simply frail due to cognitive and / or physical decline due to ageing.

VI.C. NON-DISCRIMINATION IN EMPLOYMENT AND SOCIAL POLICY

a. Country presentation

The national legal framework of North Macedonia includes constitutional provisions emphasising human rights and ethnic equality, notably outlined in the Constitution's preamble. Specific laws addressing discrimination, gender equality, workplace harassment, domestic violence, and patient rights contribute to this framework, alongside regulations governing labour relations and education. Strategic documents like the National Strategy for Equality and Non-discrimination and the Strategy for Gender Equality further enhance legal protections. The institutional framework involves coordination bodies such as the National Coordination Body and inter-party parliamentary groups, along with protective bodies like the Ombudsman and the Commission for Prevention and Protection against Discrimination, with oversight provided by the courts. North Macedonia considers that several EU directives have been fully transposed into North Macedonia's legal framework, notably the Directive 2000/78/EC on Equal Treatment in Employment and Occupation, Directive 2000/43/EC on Equal Treatment Regardless of Racial or Ethnic Origin, Directive 2006/54/EC on Equal Opportunities and Treatment of Men and Women in Employment, and Directive 2004/113/EC on Equal Treatment between Men and Women in Goods and Services Access. North Macedonia considers that these directives have been integrated into the Law on Prevention and Protection against Discrimination, covering various aspects such as the application of the law, discriminatory grounds, direct and indirect discrimination, harassment, and burden of proof. Additionally, North Macedonia considers that they are reflected in the Law on Labour Relations, addressing bans on discrimination, exceptions, indemnification, and dispute resolution procedures.

In 2021, the Commission for Prevention and Protection against Discrimination handled a total of 167 applications, identifying discrimination in 40 cases, with 14 applications specifically concerning sexual orientation, gender identity, and social origin, resulting in discrimination being established in 8 cases. In 2022, the number of applications increased to 248, with 70 cases of discrimination established. The

Ombudsman also experienced a surge in discrimination-related applications, with 76 cases in 2022, compared to 43 in 2021. Notably, the Ombudsman provided trainings on discrimination to various stakeholders and facilitated the establishment of the first SOS helpline for the LGBTI community. Several projects and initiatives, including those supported by the EU and the Council of Europe, aimed at promoting diversity, equality, and good governance, were also implemented. Plans include enhancing legal frameworks, developing strategic goals for equality, and drafting new laws to address discrimination, such as the Law on Prevention and Protection against Harassment in the Workplace.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework on non-discrimination and social policy with the EU *acquis*. All relevant national legislation including the Law on promotion and protection against discrimination needs to fully align with the EU anti-discrimination provisions. 53.5% of the cases on which the Commission for the Prevention and Protection against Discrimination worked referred to employment and labour relations.

VI.D. EQUAL TREATMENT BETWEEN WOMEN AND MEN IN EMPLOYMENT AND SOCIAL POLICY

a. Country presentation

The gender gap in the labour market remains: 42.3% of employed persons and 41% of the active population are women.

The Strategy for Women Entrepreneurship Development 2019-2023 and its Action Plan promotes the economic empowerment of women through creating a favourable business environment and supporting the entrepreneurial potential of women. The revised Employment and Social Reform Programme 2022 and the Strategy for SMEs 2018-2023 also provide a strategic framework for reducing the gender gap in the economy and improving the position of women in the labour market.

The National Employment Strategy 2021-2027 and Action Plan 2021-2023 aim to reduce the gender gap in employment to 15 percentage points and implement tailor-made services and programmes for employment and social inclusion of vulnerable groups in the labour market, including women. North Macedonia has also introduced the concept of gender responsive budgeting and inclusion of gender perspective in its policies.

North Macedonia also presented a plan for the adoption of a new Law on Gender Equality. Data on and the monitoring system for incidents of sexual harassment in the workplace are not available, North Macedonia plans to adopt a new law on Protection against Harassment at Workplace in the medium-term.

A program was initiated in 2022 to provide social security for women in agricultural activities. The "We are with you" campaign aimed to raise awareness and implement the Law on Prevention and Protection from Violence against Women and Domestic Violence. Ongoing efforts to enhance women's participation in the labour market included opening, adapting, and expanding kindergartens, with extended working hours to support working parents. Initiatives like the "Loud and Brave" Caravan for Gender Equality focused on women's mental health and well-being, while conferences addressed issues such as hate speech in politics and challenges faced by women in the region. Measures for gender equality included training for state auditors on gender-responsive budgeting, mandatory gender equality assessments in audits, and plans for new legislation and support services for victims of violence.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework with the EU *acquis* on equal treatment between women and men in employment and social policy. Efforts need to be stepped up to ensure further alignment of the national legislation with the EU *acquis*, especially through the yet-to-be adopted new Law on Gender Equality.

VI.E. EQUAL TREATMENT AND PAY IN EMPLOYMENT AND SOCIAL POLICY

a. Country presentation

The Law on Labour Relations prohibits discrimination based on various grounds, including race, gender, age, and disability, and ensures equal treatment for job seekers and employees. It mandates equal opportunities and treatment for women and men regarding employment access, working conditions, pay, social insurance, leave, working hours, and termination of employment. Additionally, the law mandates equal pay for equal work regardless of gender. Amendments as part of the yet-to-be proposed new Law on Labour Relations are proposed to strengthen provisions on equal pay, ensuring that workers receive equal pay for work of equal value, regardless of gender, qualifications, or responsibility, with any contradictory provisions deemed null and void.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework on equal treatment and pay in employment and social policy with the EU *acquis*.

VI.F. PARENTHOOD

a. Country presentation

The Law on Labour Relations addresses various aspects related to pregnancy, childbirth, and parenthood, including absence from work, returning to work after childbirth, leave adoptive parents, extension of leave, part-time hours for parents of children with special needs, compensation of salary, unpaid parental leave, and the rights of breastfeeding mothers. However, it is noted that the current legislation is only **partially aligned** with the EU *acquis* in this area. As part of the yet-to-be proposed new Law on Labour Relations, North Macedonia presented plans to further define maternity rights for a period of 5 months for the birth of one child and 7 months continuously if the worker gives birth to several children at once, paternity rights for a period of 15 working days for the birth of one child or 20 working days for the birth of several children at once. Parental leave for a period of four/4 months that starts after maternal leave, could be used until the child turns two years old. Additional unpaid parental leave is granted until the child turns 8 years old, for a period of 2 months per child individually, or 3 months if multiple children are born. Parents can opt for half-time hours, flexible schedules, or remote work to cater to childcare needs while meeting employer requirements. Part-time hours are available for children with developmental needs if both parents work or for single parents based on medical commission evaluation. Breastfeeding mothers are entitled to a daily hour-and-a-half break until the child turns 1 year old. Pregnant workers have the right to 1 day off per month for prenatal examinations. Employers are prohibited from terminating employment for at least two months after parental leave. Fixed-term contracts ending during pregnancy cannot be ended without 15 days prior written notice.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework with the EU *acquis* on parenthood.

VI.G. SUMMARY OF FINDINGS – SOCIAL PROTECTION AND SOCIAL INCLUSION

North Macedonia has **partially aligned** its institutional and legislative framework on social protection and inclusion, persons with disabilities and child protection and care, non-discrimination and social policy, equal treatment between women and men in employment and social policy, equal treatment and pay in employment and social policy, parenthood with the EU *acquis*.

VII. EUROPEAN SOCIAL FUND

The Law on Ratification of the Financial Framework Partnership Agreement between the European

Commission and North Macedonia, along with various national strategies such as the National Employment Strategy 2021–2027, the National Programme for Social Protection Development, the Economic Reform Programme, the Revised Employment and Social Reform Programme, the Youth Guarantee Implementation Plan, and the Roma Inclusion Strategy, outline comprehensive plans for economic and social development in North Macedonia. These strategies address various aspects including employment, social protection, youth empowerment, deinstitutionalisation, economic reforms, and inclusion of marginalised communities.

a. Country presentation

During the programming period of 2014–2020 (IPA II), several actions are underway to support various sectors in North Macedonia. These include initiatives such as EU support for education, employment, and social policy, sector budget support for youth, inclusion, and social and economic resilience. Additionally, through the ongoing IPA III programming period (2021–2027), there are efforts to address competitiveness and inclusive growth through objectives focusing on education, employment, social protection, and health. Actions are also aimed at improving health, social protection, and gender equality, including enhancing occupational safety and health standards and promoting gender equality. Other initiatives involve addressing the energy crisis, supporting structural reforms in the energy sector, and facilitating social inclusion through investments in employment, social infrastructure, and social dialogue. These efforts are part of a participatory programming process overseen by the Sector Working Group, involving relevant stakeholders in determining priorities for education, employment, and social protection.

During the 2014–2020 period, North Macedonia actively engaged in the Union program "Employment and Social Innovation" (EaSI), particularly in the PROGRES and Microfinance and Social Entrepreneurship axes. Over 11 projects, covering areas such as posting of workers and long-term care, involved several Macedonian organisations. Agreements were reached for EaSI guarantees in microfinance with two banks, totalling EUR 0.9 million. Participation in EaSI provided Macedonian organisations with valuable exposure to EU member states' knowledge and experience, addressing topics crucial for EU accession and socio-economic development. However, challenges arose regarding eligibility and co-financing requirements, which at times hindered the involvement of interested Macedonian organisations.

Short-term plans include the drafting of the Sector Operational Programme "Human Capital" through stakeholder consultations and subsequent implementation. This period will also involve restructuring and enhancing the national structure for the indirect management of the Sector Operational Programme 2024–2027, delegating budget implementation tasks accordingly. Additionally, there will be consideration for potential participation in the EaSI strand of the ESF+. In the medium-term, efforts will shift towards the implementation and monitoring of the Sector Operational Programme "Human Capital". The Employment Service Agency will undergo capacity strengthening to assume an intermediate role in financial management. Moreover, there will be a concerted effort to bolster the capacities and partnerships of institutions, civil society, and social partners across all phases of policymaking and pre-accession assistance implementation.

b. Commission assessment

North Macedonia has **partially aligned** its institutional and legislative framework with the EU *acquis* on the European Social Fund. Further efforts have to be undertaken to enhance capacities within state bodies to ensure their readiness to manage the ESF.

C. SUMMARY OF FINDINGS – EUROPEAN SOCIAL FUND

North Macedonia has **partially aligned** its institutional and legislative framework with the EU *acquis* on the **European Social Fund**. Further efforts have to be undertaken to enhance capacities within state bodies to ensure their readiness to manage the ESF.

VIII. FIGHT AGAINST CORRUPTION – SOCIAL POLICY AND EMPLOYMENT

a. Country presentation

The **fight against corruption** is regulated by the national legislation, namely the Law on prevention of corruption and conflict of interests (Official Gazette No. 12/19), Law on Protection of Whistle-blowers (Official Gazette No. 196/15 and 35/18), Rulebook on protected internal whistleblowing in public sector institutions and Rulebook on protected external whistleblowing (Official Gazette No. 46/19), Law on the Customs Administration (Official Gazette No. 46/04, 122/21 (Art. 10, 51-a, 60, 72, 73-a)). North Macedonia has in place a comprehensive 2021-2025 National Strategy on Prevention of Corruption and Conflict of Interest and a corresponding Action Plan for its implementation. The measures of the strategy are also covering the activities on prevention and fighting the corruption in the Public Revenue Office and Customs Administration. Moreover, Customs Administration has in place its own anti-corruption strategy: Strategy on integrity and fight against corruption in the Customs Administration of the Republic of North Macedonia. The Public Revenue Office has in place an annual Action plan which foresees specific measures for fighting and preventing the corruption in the PRO.

The Ministry of Labour and Social Policy has taken measures to fight corruption including the signing of an integrity policy, nominated integrity officer and established a working group to deal with the implementation of the integrity system in the Ministry, as well as the establishment of an internal audit department and the adoption of an annual plan for the assessment of risks and measures to prevent corruption. For example, all conclusions from the sessions held by the OSH Council, relevant document, recommendations, presentations are posted on the Ministry of Labour and Social Policy's [website](#).

b. Commission assessment

North Macedonia has a legislative and institutional framework to tackle **corruption**. The rule of law and tackling corruption are crucial for EU membership. Recognising this as a key EU priority, North Macedonia needs to prioritise and implement the outstanding recommendation, and to ensure an ongoing dialogue among all bodies to address these issues.

VII.A Summary of Findings – Anti-corruption measures

North Macedonia has **a wide range of anti-corruption measures in place** covering a wide range of the entities responsible for implementing the EU *acquis* on the social policy and employment. It is important that these measures are extended to all national institutions with operating activities relevant to the *acquis* covered under this chapter.

F) CHAPTER 20 – ENTERPRISE AND INDUSTRIAL POLICY

Article 173 of TFEU starts by stating that the Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist. The EU's industrial policy therefore aims to boost competitiveness by facilitating structural adjustments, fostering a conducive business environment, and promoting domestic and foreign investment. Key to this policy is enhancing the operational landscape for small and medium-sized enterprises (SMEs), involving privatisation, restructuring, and aligning with EU competition policy (*See Cluster 2 - Chapter 8 Competition Policy for more details*). This policy framework includes guiding principles, communications and Council conclusions on industrial policy, and EU consultation forums. These elements are geared towards refining enterprise policy across the EU, underpinned by a unified definition of SMEs and joint policy review mechanisms comprised in the Small Business Act.

The current industry policy's focus is on the green and digital transitions, reinforcing European industrial leadership across various sectors, capitalising on the Single Market's strengths, and mitigating supply chain vulnerabilities. It supports entrepreneurship and SME growth, particularly through easier funding access and global market entry. The SME relief package and the SME strategy aligns with the Commission's objectives for a digitally and environmentally progressive European industry, aiming to eliminate regulatory and practical business barriers, both within the Single Market and internationally, and to improve financing options.

Instrumental to these efforts are the Single Market Programme (EUR 4.2 billion for 2021-2027), and parts of the Horizon Europe research programme (see chapter 25). Notably, the key Directive 2011/7/EU on Combating Late Payment in Commercial Transactions which targets late payment issues in commercial dealings, is under revision, with a new observatory planned for better enforcement.

Through its SME Relief Package, the EU focuses on three main goals: (1) developing smart, business-friendly regulations (including Directive (EU) 2019/1023 on preventive restructuring frameworks), (2) enhancing access to finance (e.g., through the InvestEU Fund), and (3) reducing administrative burdens for SMEs. These initiatives together aim to empower SMEs and strengthen industry overall.

I. HORIZONTAL ASPECTS OF INDUSTRY POLICY

a. Country presentation

The current industrial policy of North Macedonia emphasises its manufacturing sector, which in 2022 represents 13% of GDP, 19% of employment, 10.9% of companies, and 90.3% of exports. Most businesses are small, (82% of companies have one to nine employees) and there are nearly 8 000 active companies in manufacturing industries.

The country's Industrial Strategy 2018-2027 aims to boost private investments, technology transfer, employment, exports, and Global Value Chain (GVC) integration, integrating the EU state aid rules. While industrial production is recovering from the Covid-19 pandemic, data from 2022 indicates a slight production decrease in the manufacturing and mining sectors compared to 2021. The government currently focuses on facilitating small and medium-sized enterprises (SME) finance access.

The Action Plan of the Industrial Strategy 2022-2023 includes 34 measures, such as a programme offering up to EUR 5 000 per company for digital and green transitions. The 2023 budget allocated EUR 0.5 million for these initiatives. The government uses key performance statistics for monitoring industrial policy, available on the government website.

The country's Plan for Economic Growth, adopted in 2018, complements the Industrial Strategy, focusing on investment, competitiveness, and innovation. The Law on Financial Support of Investments has facilitated 630 contracts, worth EUR 137 million in 2022, emphasising capital investments and production modernisation.

Plans include a new Action Plan for the Industrial Policy 2024-2035 export promotion strategy, and Smart Specialisation Strategy (S3) strategy.

In its **Green Deal Industry Plan**, North Macedonia advances energy efficiency and green technologies via the Development Bank of North Macedonia. Circular economy roadmap is finalised and launched in early 2024 with EU-OECD support. The Ministries of Economy and Environment spearhead green initiatives in collaboration with EU4green, Regional Cooperation Council (RCC), and United Nations Economic Commission for Europe (UNECE). On June 13, 2023, a roadmap and management plan were adopted for transitioning coal-dependent regions. This includes shifting from traditional energy sources and creating new employment opportunities, especially in coal-reliant areas, e.g. Southwest and Pelagonia. A Just Transition Council, comprising key government and industry leaders, oversees this transition.

The country's 2023 **Smart Specialisation** Strategy (S3), based on the European Commission Joint Research Centre (JRC's) methodology, focuses on green and digital transition across four key domains. Embracing a 'quadruple helix' model, it encourages collaboration among academia, industry, government, and the public for R&D projects. The strategy policy mix is focused on scientific excellence, development of innovation ecosystem, competitiveness and greening of businesses, human capital and digital transformation as well as crosscutting objectives ensuring proper implementation and continuous Entrepreneurial Discovery Process (EDP) dialogue. The Strategy envisages strengthening of the RDI institutional infrastructure including developing a Science Technology Park and engaging in EU initiatives like the EU Strategy for the Adriatic and Ionian Region (EUSAIR), the Partnership for Regional Innovation (PRI), and Innovation Valleys. The Strategy was adopted in December 2023 following comprehensive Enterprise Discovery Process (EDP) S3 implementation will leverage existing green project pipelines in collaboration with GIZ and the World Bank.

The Institute of **Standardisation** of the Republic of North Macedonia (IS) was established in 2013 and updated in 2020. As a full member of International Organisation for Standardisation (ISO) since 1995 and associate member of International Electrotechnical commission (IEC) since 2005, it also joined the European Telecommunications Standard Institute in 2006 and CEN & CENELEC in 2012. The IS, adhering to ISO/IEC, CEN/CENELEC, and World Trade Organisation (WTO) standards, focuses on technical and non-harmonized regulations. It promotes stakeholder participation, especially SMEs, through its web platform. The latest assessment by CEN/CENELEC was positive (full conformity with the six criteria of memberships). (*See Cluster 2 - Chapter 1 Free movement of goods for more details.*)

Regarding **skills**, North Macedonia is updating its education system to meet EU standards, with a focus on lifelong learning, vocational, and digital education. This includes adopting new secondary education laws, the new vocational education law, and emphasising community collaboration. Adult education programmes are developed in cooperation with the business community (e.g. firefighters programme or e.g. mechanical engineer professions) and can be implemented in Vocation and Educational Training (VET) schools or by the business. A national qualification board for education, with 14 sectoral commissions, includes representatives of the businesses. Lifelong learning sees 12.7% adult participation, with 72% in non-formal education. Supported by two IPA projects, adult education has over 5 000 participants in five years. Current initiatives include a "Learn smart, work VET" campaign that helps identifying and promoting new professional profiles, addressing key competences, a 2023 Tracer Study by the Ministry of Education and Science, and upcoming reforms like a new Adult Education law and validation of non-formal education.

As for **Corporate and Social responsibility** (CSR), North Macedonia implements the CSR strategy (2019-2023) through its Ministry of Economy and a 16-member National Coordinating Body. The strategy includes subsidies for socially responsible practices and annual awards for best socially responsible practices. The "CSR and Business Angels" project, part of IPA II, focuses on enhancing SME competitiveness. Recent laws regulate cooperative societies, particularly in agriculture, in coordination with the National Strategy for Agriculture and Rural Development 2021-27. A draft law on social enterprises, supported by EU technical assistance, aims to foster a more inclusive economy, with a National Centre for

Social Enterprises set to launch, focusing on legal recognition and market development.

The **national Foreign Direct Investment (FDI) framework**, encompassing Laws on Technological Industrial Development Zones and State Aid, is spearheaded by the Directorate for Technological Industrial Development Zones (TIDZ) and the Agency for Foreign Investments. "Invest North Macedonia" promotes foreign investment, particularly in food, metal and textile industries. The country has 15 free economic zones, attracting major investors predominantly in automotive, electronics, and pharmaceutical sectors. TIDZ offers tax exemptions and R&D subsidies, aiding job creation and manufacturing diversification, contributing significantly to exports (45% of total exports). Ongoing initiatives include personalised support, fast-track procedures, and digitalisation. Future actions involve a green investment zone in Gevgelija (2024), a high-tech economic zone in Skopje III (2025), and a supplier development programme for global value chain integration. Multinational companies in these zones are already implementing eco-measures like waste treatment and solar panel installations. The Growth Acceleration Plan 2022-2026 targets innovation and job creation.

b. Commission assessment

North Macedonia has taken several positive steps in aligning with the EU *acquis* on SMEs and Industry, but some areas still need further development and initiative.

The establishment of an Inter-ministerial Working Group has been a key step in facilitating stakeholder input and public consultations on Industrial policy and action plan, demonstrating a commitment to inclusive policymaking. However, key challenges for the country are to keep an open and continuous dialogue with private sector, provide sufficient funding for financing the transition of industry (technology, skills, and GVC integration) and the smart specialisation strategy, support across the entire policy mix efficient implementation and ensure availability and transparency of indicators by industrial ecosystems.

Regarding **standardisation**, North Macedonia is a full member of all the EU standardisation bodies and has a high level of adoption of EU harmonised standards. (*See Cluster 1 – Chapter 1 Free movement of goods for more details.*)

North Macedonia has a smart work VET programme and a focus on entrepreneurship education, which have been successful measures in increasing the attractiveness of VET centres. Continuous efforts are needed to contribute to reform the relevant curricula.

The national **Corporate Social Responsibility (CSR)** strategy aligns with EU guidelines, particularly in promoting social enterprises and achieving Sustainable Development Goals (SDGs). However, regarding sustainability, North Macedonia is urged to consider the EU's legislative and voluntary measures on supply chains, deforestation, batteries, and Corporate Due Diligence. Adoption of international best practices (e.g. OECD guidelines and the UN Strategy for Cooperative Enterprises). Further collaboration with EU Member States can be strengthened. Improving internal ministry collaboration is also determinant.

The process of launching green zones (also known as “ecodistricts”), targeting eco-friendly industries, is a progressive step. While the green zone aims to attract green businesses, there was curiosity about the extent of its environmental impact, particularly in terms of infrastructure sustainability.

Detailed information on sectoral subsidy allocation, along with targeted industries for green zones and environmental impact assessments, will aid in effective economic planning. Clarifications on the 'just transition' action plan, especially concerning coal mining and collaboration with the EU, are also necessary.

C. SUMMARY OF MAIN FINDINGS – HORIZONTAL ASPECTS OF INDUSTRY POLICY

North Macedonia **has a high level of alignment in the area of industry policy**. North Macedonia has notably advanced in adopting EU standards on vocational training and green initiatives. Yet, it needs ongoing improvement in several areas. Key focuses include better funding for support programmes, and a persistent commitment to environmental sustainability through eco-friendly policies. However full adherence to EU

practices necessitates focused efforts in financial support, investment, the twin transition, and the establishment of rigorous monitoring and evaluation processes.

II. ENTERPRISE POLICY AND INSTRUMENTS

II.A SMEs STRATEGY

a. Country presentation

SMEs are important in North Macedonia as they constitute 99.3% of the economy, with microenterprises making up 74%. SMEs contribute 68% to value-added but represent only 26% of exports, a gap North Macedonia aims to bridge. The national SME strategy (2018-2023) focuses on creating a favourable business environment, enhancing growth opportunities, and fostering innovation. The Ministry of Economics oversees implementation, supported by an inter-ministerial working group. Two other key strategies for SME development are the Plan for Accelerated Economic Growth 2022-2026 and the Export Promotion Strategy 2023-2027 which was adopted in January 2024. There was a strategy for women's entrepreneurship development for 2019-2023 while the new SME Strategy will also incorporate women entrepreneurship.

In response to COVID-19, the government implemented six packages of 70 measures totalling over EUR 770 million, including financial support, subsidies, grants, and tax incentives. Ongoing initiatives target the green and digital transition, regulatory burden reduction, market access improvement, and access to finance. In response to the energy crisis, the government took measures to support small energy consumers. Some COVID-19 related measures align with broader strategies such as the Digitalisation of services (e-services portal). Upcoming reform measures include streamlining para-fiscal charges, public procurement law, and the adoption of an insolvency law, which has been prepared after a five-year process of cooperation with the World Bank and International Finance Corporation (IFC).

Programme for **entrepreneurship and SME competitiveness**, with a EUR 1 million budget for 2023, cover co-financing SMEs and craftsman for buying equipment and machinery, digitalisation of SMEs owned and managed by women, internationalization of SMEs, and support for Business support organisations and business angels networks. The Development Bank of North Macedonia distributed EUR 106.8 million in loans to SMEs in 2023, and the Fund for Innovation and Technology Development (FITD) supported 1100 projects as of 2023 and announced three grants public calls totalling EUR 14.8 million in 2023. The FITD invests in Micro SMEs (MSMEs) notably through financial instruments, thematic challenges, and innovation vouchers, focusing on green and digital transformation. FITD has invested EUR 86 million, attracting EUR 52 million in private investment, and participates in the Instrument for Pre-Accession (IPA) III project for "EU Green Economy". A new IPA III EU-funded project supports green businesses, starting the first phase in January 2024 with advisory assistance to companies, advisory assistance to FITD, promotional activities and policy development. The Fund for innovation and technological development (FITD) is the key supporting institution for start-ups, and in 2023 North Macedonia joined the EU Single Market Programme 2021-27.

North Macedonia is preparing a new SME strategy (2025-2030) to align with the EU SME strategy, and establishing a coordination mechanism, monitoring, and evaluation system of this strategy. It commits to incorporating recommendations of the Small Business Act (SBA) and providing periodic reports on its implementation. In developing its new strategy, the government draws upon multiple reports and recommendations, including the OECD assessment of the SME policy index, which involved over 50 participants, as well as collaborations with the EBRD and the European Training Foundation (ETF). Efforts include improving the insolvency legislative framework, strengthening legal and strategic frameworks for business support services, promoting financial literacy, and encouraging of SME greening efforts. Circular economy roadmap was finalised and launched in early 2024 with EU-OECD support.

Export promotion and SME integration into GVC are highlighted in newly adopted strategic documents,

contributing to a stronger legal and strategic framework for SME internationalization. Challenges include promoting entrepreneurship in education, monitoring women's entrepreneurship support, improving the institutional framework for a better system-level skills intelligence, enhancing information provision, and promoting business-academia collaboration. North Macedonia will incorporate SBA recommendations in the SME Strategy 2025-2030 and ensure periodic reporting on their status.

b. Commission assessment

North Macedonia has adopted the EU SME policy index. The country is implementing SME strategies, particularly its efficient digitalised business registration system and the Agency for Entrepreneurship's grant programmes for startups. The expansion of the e-services portal demonstrates a commitment to digitalisation for SMEs. SME policies are **partially aligned** with the EU Communication Related to Strengthening the Economic Resilience and SME competitiveness.

However, to **fully align** with the EU *acquis* on SME strategy, North Macedonia needs to incorporate the EU's national SME definition into its national laws and develop adaptive strategies for dynamic business environments, aiming for accession completion by 2030. A crucial improvement area is establishing a comprehensive monitoring and evaluation framework for SME policies, ensuring a data-driven approach and a multi-dimensional policy review, especially in assessing the impact of financial grants on new businesses.

Ongoing digitalisation efforts, including expanding services in sectors like energy regulation and veterinary services, are essential to maintain and enhance current progress.

II.B SINGLE MARKET PROGRAMME

a. Country presentation

The international agreement for North Macedonia to join the EU Single Market Programme (SMP) 2021-2027 was signed on April 27, 2023. SMP focuses on internal market governance, supporting the competitiveness of industry and in particular SMEs, standardisation, consumer protection, food chain, and statistics. North Macedonia also participated in the previous EU program for Competitiveness of Small and Medium Enterprises (COSME) 2014-2020. The EU and North Macedonia signed the agreement for participating in the COSME (2014-2020) programme on September 29, 2014, which took effect on January 16, 2015. Over EUR 783 848 was allocated for 11 projects, involving 10 partners in initiatives like Enterprise Europe Network and Erasmus for young entrepreneurs between 2014 and 2020.

The initial SMP SME pillar projects that North Macedonia is participating in include Enterprise Europe Network North Macedonia (EENOMA), for enhancing the international competitiveness and innovation of its SMEs. It provides integrated advisory services, supports business and innovation partnerships, and facilitates access to European programmes and financing. Enterprise Europe Network (EEN) also provides support for capacity boosting via workshops and online courses; and support for networking with Digital Innovation Hubs (DIHs)

Regarding the Erasmus for Young Entrepreneurs (EYE) project launched in 2009, it has supported over 11 500 exchanges (in total across all the participating countries). The Business Confederation of Macedonia (BCM) has been the intermediary for the programme since 2013, currently participating in two cycles (SMEs' Growing in Europe 12 until end of January 2024, and SMEs' Growing in Europe 13 until end January 2027), aiming to involve 420 entrepreneurs in successful international exchanges by 2027.

b. Commission assessment

North Macedonia has already built up some experience in the SMP programme through its participation in EEN and EYE, but it needs to ensure further awareness raising to help businesses and business organisations to participate in a wider range of support actions and improve their success rate, including events with a practical focus, involving EEN members and speakers that have direct experience of participating in EU programmes. North Macedonia needs to ensure awareness-raising activities and promotion of the EEN

service.

II.C LATE PAYMENT DIRECTIVE

a. Country presentation

North Macedonia is currently revising its financial discipline law to align with the Late Payment Directive (EU) 2011/7. The discussions revolve around setting a 60-day payment deadline for both economic operators and the public sector. Options are being explored to gradually reduce payment deadlines include: (1) reducing from 60 to 30 days the deadline for payments in public entities with accounts in the Treasury; (2) reducing from 90 to 60 days the deadline for payments in public sector entities with accounts in the Health Insurance Fund of North Macedonia; (3) reduce for private sector entities payment terms from 30 to 15 days for invoices submitted by the Ministry of Finance and from 45 to 30 days for payment requests to the Treasury. Supervision of this Financial Discipline law's implementation for the private sector falls under the jurisdiction of the Ministry of Economy through financial inspections.

Additionally, to ensure compliance with the Late Payment Directive, North Macedonia enacted the Law on Financial Discipline in June 2023, assigning responsibilities to the Ministry of Finance for debtors in the public sector and the Ministry of Economy's State Market Inspectorate for those in the private sector. Both the Financial Inspection and the State Market Inspectorate oversee compliance, imposing fines if obligations are not met during inspections and proposing settlement procedures. The country is committed to continuous alignment with the Late Payments Directive, considering further adjustments as needed.

b. Commission assessment

North Macedonia is **not aligned** with the EU's Late Payment Directive (EU) 2011/7. Lack of alignment is especially acute in adjusting payment timelines, enhancing enforcement mechanisms, and possibly introducing compensation for late payments.

North Macedonia should also align with the forthcoming revision of the EU Late Payment Directive. North Macedonia needs to also strengthen the enforcement capabilities in accordance with the upcoming changes in the EU Directive. Establishing or bolstering enforcement bodies and detailing compensation measures for late payments are essential.

II.D SUMMARY OF MAIN FINDINGS – ENTERPRISE POLICY AND INSTRUMENTS

North Macedonia is **partially aligned** with EU SME policy and instruments. North Macedonia has adopted the EU SME policy index and implemented efficient digitalised business registration, along with the entrepreneurship grant programmes. The expansion of the e-services portal also reflects a commitment to digitalisation. However, improvements include developing adaptive strategies for dynamic environments, and establishing a comprehensive framework for monitoring and evaluating SME policies, with a focus on the impact of financial grants. North Macedonia has achieved notable progress in adopting EU standards, especially in the SME sector. Despite these advances, further alignment is needed on financial discipline. North Macedonia should align with the Late Payment Directive (EU) 2011/7, including shortening payment periods, establishing enforcement mechanisms, and introducing compensation for late payments. It also includes incorporating the SME definition into national laws.

III. INDUSTRY SECTORS

Macedonia's industrial sector is primarily based on manufacturing which in 2021 represented 13% of GDP. The most important sectors in industrial production of manufacturing are: food and beverage, motor vehicles and semi-trailers, textiles and clothing, manufacture of electrical equipment, machinery and equipment, manufacture of basic metal, other non-metallic mineral products, etc. As of 2024, the principal components of industrial production were manufacturing (78%), mining and quarrying (9%) and electricity, gas, steam and air conditioning supply (13%).

III.A Tourism

a. Country presentation

Tourism accounted for 2.42% of the GDP in 2022 and 2.54% in 2023. This sector, which is a government priority, is progressively rebounding from a 48% drop in 2021 (702 463 tourists in 2021 vs 1 184 963 tourists in 2019). In 2023 number of tourists came close to the pre-COVID numbers with 20.6% growth compared to 2022 (1168730 in 2023 vs 969 277 in 2022). Government efforts include digitalisation, notably through IPAs projects, upgrade standards of the touristic offer and inclusion of women in touristic activities. North Macedonia announced that a new strategy for tourism (2024-2029) will align with EU strategic priorities and will be based on a new national coordination mechanism. The National Strategy for Viticulture and Winemaking 2023-2033 is in the process of adoption.

North Macedonia is member of the World Tourism Organisation (UNWTO) but not yet of the European Travel Commission (ETC).

b. Commission assessment

Regarding the **tourism sector**, while the membership of North Macedonia in UNWTO is noted, it could explore membership of the European Travel Commission. The connection between the agricultural food industry and Tourism Strategy, especially in wine tourism, is seen as an opportunity for economic development. The S3 focus on rural, gastronomic, and wine tourism, along with digital transformation, follows EU standards.

III.B Textiles

a. Country presentation

The textile, clothing, leather, and footwear sectors significantly contribute to the economy. The textile clothing, leather and footwear sectors contribute significantly to the economy and represent 11.17% of total industrial production and 7.0% of exports in 2023. The sector employs 5% of the workforce, with an average net wage 17.4% lower than the national average. The "cut, make, trim" system generates substantial textile waste (up to 10,000 tons/year). The Waste Management Plan 2021-2031 integrates with the Industrial Strategy 2018-2027, incorporating waste law updates (e.g. additional waste streams and integration of the External Responsibility of the Producer (ERP)) and measures for clean production. Support programs reimburse expertise costs and encourage innovation in fashion and green solutions. The Fund for Innovation and Technology Development (FITD) 2021-2023 also supports creation of new fashion collection and innovative green solutions. Strategies include waste management updates and promoting green innovative solutions in fashion. The Economic Growth Acceleration Plan aims to establish a greening business facility. The OECD, with EU support, is assisting in developing a circular economy roadmap which was launched in early 2024. Other international projects focus on proper textile waste disposal, recycling, and changing perceptions about recycled clothes.

b. Commission assessment

Regarding the textile sector, North Macedonia is **aligned** with EU Green Deal and circular strategies but needs to ensure a focus on social and labour aspects for sector transformation. Rapid alignment with new EU legislation will be required in the repairing and re-use sectors, as well as regarding ecodesign, digitalisation of product information (Digital Product Passports and digital labels) and waste collection and management. Innovation on fibres/fabrics/finished products and recycling (including investment in eco-chemical recycling), notably for garments, are essential for environmental compliance and market access.

III.C Construction

a. Country presentation

The construction sector contributed to around 5% to GDP in 2021 and experienced a slight decrease after COVID-19. Key laws address construction, construction products, and energy efficiency and rulebooks under the Law on Energy Efficiency guide sector transition for large traders and buildings. North Macedonia is crafting an energy transition roadmap with EU support, to promote digitalisation (e.g., 'gradezna-dozvola.mk'), and the Reuse Reduce Recycle (RRR) agenda. The adopted S3 strategy emphasises sustainable materials and smart buildings. A project supported by the Economic Chamber of Commerce of North Macedonia will measure the digitalisation level of construction companies, promoting Construction 4.0 technology trends for sustainable living. The government foresees a publication on the measurement of digitalisation level of construction companies.

b. Commission assessment

On the construction sector, North Macedonia is making a transition to digital platforms for permit procedures and alignment with EU energy efficiency goals. However, there is an emphasis on expanding technologies such as 3D printing, scanning, and drones, and improving energy efficiency criteria in buildings. North Macedonia is progressing with its Energy Transition Roadmap and amendments to the energy performance rulebook of buildings, aiming for adoption by June 2023. The S3 adoption in December 2023 and collaboration with EU Member States (e.g. Germany for energy efficiency in student dormitories) mark positive steps. The national policies goals align with the Law on Energy Efficiency and standards, but North Macedonia will need to align with the ongoing amendments to the Law on Energy Efficiency that will introduce a Long-term Renovation Strategy up to 2050, supporting the renovation of buildings with zero consumption and addressing renovations of inefficient public sector buildings.

III.D Raw Materials

a. Country presentation

For **raw materials** management, the Law on Mineral Resources governs natural resources management, offering three types of concessions. Currently there are nine concessions given for metallic minerals, and 220 concessions for non-metallic minerals, construction materials. The funds of the fees for performing detailed geographical research and exploitation of mineral resources come from the municipalities where the activity is performed (78%) and the government budget (22%). The country maintains strong ties with the EuroGeoSurveys - European national geological surveys association, notably with support from the Slovenian government. A new term, 'technogenic mineral resources,' is introduced for waste. A national strategy for sustainable mineral resource utilization is in progress.

Regarding accelerated integration, North Macedonia requested participation in the Critical Raw Material Act high level group and suggested involvement in the EU research and innovation program on raw materials (Horizon Europe, cluster 4).

b. Commission assessment

Regarding **raw materials** given the increasing importance of raw materials, North Macedonia should align with provisions in the Critical Raw Material Act (CRMA). Despite the low GDP contribution from critical raw materials, North Macedonia should focus on comprehensive assessments and documentations, considering environmental, social, and governance aspects.

Regarding accelerated integration, the Commission will further explore North Macedonia requested participation in the Critical Raw Material Act high level group and suggested involvement in the EU research and innovation program on raw materials (Horizon Europe, cluster 4).

III.E Steel

a. Country presentation

National basic metals production contributes 1.35% to GDP. Metal exports, including ore and waste, steel,

and products, constitute 12.92% of the 2022 total exports (2.31% decrease from 2021), and imports represent 6.46% of total.

The Macedonian steel sector comprises 6 privately-owned companies (of which 4 are foreign-owned) integrated into GVC. The government's National Restructuring Programme targets increased profits and reduced costs for major employers in the steel industry.

The EU Association Agreement keeps the subcommittee trade/customs informed about business plan restructuring. A Double-Checking System was used for steel imports and focusing on eco-friendly production based on circular economy principles until 2008. The steel sector is focused on eco-friendly production based on circular economy principles. The sector faces challenges from EU safeguard measures, especially tariff rate quotas on steel imports since 2018 and applicable till 2024. Export quantity decreased by 7.72% between 2022 and 2018. North Macedonia has expressed its interest in participating in the Innovation Fund and the High-level group on raw materials.

b. Commission assessment

The basic metals sector integrates EU norms. The EU stresses upskilling in the steel sector and urges North Macedonia to stay updated with EU initiatives for sector competitiveness. North Macedonia has a reliance on imported scrap material, which demonstrates a need for diversification.

III.F Space

a. Country presentation

North Macedonia has engaged in **space-related activities**, notably by collaborating with the European Centre for Medium-Range Weather Forecasts (ECMWF) since 2011 and using the Copernicus services, including the Copernicus Land Monitoring Services (CLMS) and pan-European land cover inventory initiative CORINE (coordination of environmental information), as well as Copernicus Emergency Management services like the European Forest Fire Information System (EFFIS) and the European Flood Awareness System (EFAS). North Macedonia has adopted a performance-based navigation plan and anticipates a European Geostationary Navigation Overlay Service (EGNOS) usage agreement.

b. Commission assessment

The Commission welcomes North Macedonia's has an active interest and involvement in the space sector, although it may not be a major industrial sector compared to others in the country. North Macedonia is encouraged to further enhance the use of services available under the EU Space Programme, in particular the Copernicus, Galileo and EGNOS components.

III.G Defence

a. Country presentation

The defence budget represents 1.85% of GDP in 2023. The country participates in EU missions and operations, studies its possible participation in Permanent Structured Cooperation (PESCO) projects, and engages with European Defence Agency (EDA). The defence industry integrates 21 SMEs that have requested for registration to the new legislation and only 4 companies that produce military goods. None of the companies are state owned. Ongoing projects enhance capacities and facilitate domestic companies' entry into the NATO market: 24 economic operators have met the criteria for participating in NATO procurements. The Law on Development, Production, and Trade of Military Goods was adopted in December 2021, with further alignment with EU legislation planned by 2030. Efforts include staff recruitment for the Special Purpose Production Bureau that deals with defence industry companies and SME participation in EU armament projects.

b. Commission assessment

On the **defence sector**, the EU encourages SMEs from North Macedonia to participate in EU armament

projects and leveraging NATO market access are crucial steps and it is offering its support in this regard.

III.G Creative Industries

a. Country presentation

Finally, North Macedonia is exploring ways to boost exports from its cultural sector, a significant contributor to employment (3.1% of total employment in 2018) and the non-financial business economy (2.3%). The focus is on targeting international markets, as 70% of cultural and creative products are intended for export, with exports doubling from 2005 to 2014, predominantly in Design goods.

Regarding accelerated integration, North Macedonia requested to join the European Institute of Innovation and Technology (EIT) Culture and Creativity policy club and participate in Horizon Europe's work program for 2023-24.

b. Commission assessment

The EU encourages north Macedonia to keep developing Creative Industries.

Regarding accelerated integration, the Commission will further explore North Macedonia request to join the European Institute of Innovation and Technology (EIT) Culture and Creativity policy club and participate in Horizon Europe's work program for 2023-24.

III.H SUMMARY OF FINDINGS – INDUSTRY SECTORS

North Macedonia has a partial level of alignment in Industry sectors. North Macedonia has achieved notable progress but must continue to focus on technology adoption, legislative alignment, sector diversification, social and environmental compliance, and strategic international collaboration to fully adhere to EU standards and best practices.

IV. FIGHT AGAINST CORRUPTION – ENTERPRISE AND INDUSTRIAL POLICY

a. Country presentation

North Macedonia has an **anti-corruption** legal framework, including laws on minerals, tourism, and investment support, focusing on preventing corruption in trade companies and misuse of loans and state support. The national strategy aims to identify corruption risks in fund spending and abuse of official positions.

The State Commission for Prevention of Corruption (SCPC) targets high-risk corruption areas, noting the lack of a state aid register, excessive concessions, and limited small entity involvement in policy creation. North Macedonia has proposed 13 anti-corruption measures, with one completed and 3 underway. Challenges include the lack of analysis on state investment results, no clear policy delineation or monitoring, and no strategy for geological research. The SCPC recommends tackling political influence in concessions and improving revenue collection efficiency.

Risks in financial support for investments include political influence and unclear criteria for board members selection as some board members also serve on the national Development Bank's supervisory board. The State Commission for Prevention of Corruption (SCPC) reports that the Ministry of Economy is planning to address these issues. The issuance and use of ISO certificates also face fraud risks, primarily because there is no system to validate their authenticity and no central database of all issued certificates. Additionally, there's a concern that individuals involved in issuing these certificates could later be employed by the companies they certified. Legislative improvements are suggested to mitigate these risks.

Concerns extend to public-private partnerships where North Macedonia needs to ensure fair and consistent application of legal provisions in legislations related to investment and economic growth. This involves

careful preparation, adoption, and amendment of relevant laws to prevent arbitrary decisions.

Additionally, North Macedonia has the intention to apply more effective supervision in tourism, and capacity for sanctioning illegal constructions and waste management.

North Macedonia has an integrity policy signed by the Ministry of Economy, with ongoing signings across entities, and the establishment of an internal audit department.

North Macedonia has a register of beneficial owners the Register of Business Entities. Since its launch on January 27, 2021, the Register of Beneficial Owners, under the Law on the Prevention of Money Laundering and Financing of Terrorism, has seen a compliance rate of over 90% by the deadline. Legal entities must report changes in beneficial ownership within eight days, and the register is continually updated with real-time data. This data is accessible to various authorities and the public, with an automatic exchange of information established and online inquiry available.

The Central Registry has developed a direct electronic access system for register data to meet the needs of obliged entities, competent state bodies, and law enforcement. This system ensures real-time data access as per the requirements of the requesting authority, thereby maintaining transparency and efficiency.

b. Commission assessment

The **rule of law and tackling corruption** are crucial for EU membership. Recognising this as a key EU priority, North Macedonia needs to prioritise and implement the outstanding recommendation, and to ensure an ongoing dialogue among all bodies to address these issues.

The rule of law is essential not just for improving the business environment, and for bolstering investment and innovation. North Macedonia acknowledges significant reductions in sentences under its amended trade company laws. Such shortcomings in the application of the rule of law need to be addressed, *inter alia*, in order to improve the business environment, as legal certainty is crucial for businesses.

North Macedonia has included SMEs in policy dialogue in the framework of its laws governing Chambers of Commerce and cluster associations. However, businesses are required to register with the Central Registry and face fines for late registration, among other limitations.

C. SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

North Macedonia **has in place a legislative and institutional framework to tackle corruption**. The country needs to make progress in tackling the generalised corruption prevalent in both public and business life. Governance, monitoring and transparency are to strengthen in public administration in charge of supporting Industries/SMEs and delivering permits for raw material sectors.

G) CHAPTER 25 – SCIENCE AND RESEARCH

Research and Innovation (R&I) contribute directly to the level of prosperity and the well-being of individuals and society in general. The Treaty of Lisbon strengthens European Union (EU) action in the field of science and research.

The legal bases for current EU research and technological development (RTD) are Art. 179-189, introduced under Title XIX of the Treaty on the Functioning of the European Union (TFEU). The policy's main aims, under Art. 179 TFEU⁹, are:

- to achieve a European research area in which researchers, scientific knowledge and technology circulate freely; to strengthen EU scientific, technological and innovative excellence to ensure competitiveness at global level and to help the EU to deliver on its strategic priorities.

Over the years, the policy has evolved significantly, particularly since 1984 when the first multiannual European framework programme (FP) for research was launched.

The Lisbon Treaty (Art. 179 TFEU) introduced the European Research Area (ERA) making the free movement of researchers, scientific knowledge, and technology across Europe a formal objective of the EU. The Treaty also opened the way for the EU to adopt legislation to enforce the implementation of the ERA (Art.182(5) TFEU). The new Pact for Research and Innovation in Europe¹⁰ sets out a list of 10 common values and principles guiding research and innovation in Europe and Europe's collaboration with the rest of the world.

I. RESEARCH AND INNOVATION POLICY

I.A INSTITUTIONAL FRAMEWORK AND MEASURES

a. Country presentation

The legal framework consists of the Constitution of the Republic of North Macedonia, the Law of Scientific and Research Activity (last amended in 2021), the Law on Higher Education (from 2018), the Law on the Macedonian Academy of Sciences and Arts (last amended in 2012) and the Law on Innovation Activity (last amended in 2018).

The most relevant national strategy currently in place is the Smart Specialization Strategy 2024-2027 and the Action Plan 2024-2025. This strategy replaced the outdated Innovation Strategy (2012-2020) and Competitiveness Strategy (2016-2020). Other relevant national strategies include the Strategy for Small and Medium Enterprises 2018-2023, the Education Strategy 2018-2025 and the Industrial Strategy 2018-2027.

The main institutions include:

- the Ministry of Education and Science which develops and implements research policy, allocates funds and negotiates and implements cooperation agreements with other institutions.
- the National Council for Higher Education and Scientific Research Activity established in 2021 and tasked with evaluating, developing, and improving the quality of higher education and scientific research.
- the Academy of Sciences and Arts of North Macedonia which contributes to determining the national policy, encourages, coordinates and carries out scientific research, and develops international cooperation in this domain.

The Fund for Innovation and Technological Development (FITD) is the focal public institution for enhancing innovation in North Macedonia. FITD supports innovation and technological development by enhancing access to finance for research, development, and innovation, developing innovation

⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12016E179>

¹⁰ Council Conclusions on the future governance of the European Research Area, 14126/21 of 19 November 2021

infrastructure and facilitating innovation cooperation.

North Macedonia started developing a Smart Specialisation Strategy in 2018 to replace the earlier innovation strategy. The work was steered by an inter-ministerial working group and followed the methodology of the European Commission's Joint Research Centre. The Strategy was adopted in December 2023 and the implementation of the strategy started in 2024.

North Macedonia has a Law on Industrial Property (last amended in 2020) and an Industrial Property Protection Office, and it is a member of the European Patent Organization. Authorities stated that dedicated National Strategy for Intellectual Property 2022-2026 is under preparation.

Regarding accelerated integration, North Macedonia requested to actively contribute to the New European Innovation Agenda and to the European Innovation Council Forum.

b. Commission assessment

North Macedonia has the institutional capacity to contribute to the EU activities on research and innovation as referred to in the TFEU. North Macedonia has a **partial level of alignment** with the *acquis* and good capacity to further its implementation.

North Macedonia has made progress with completing its Smart Specialisation Strategy in line with EU methodology. It remains important to start implementing the strategy in 2024. The implementation of the Strategy will test the administration's capacity to work jointly across-ministries and agencies.

The research ecosystem of North Macedonia still needs further development – particularly to strengthen its impact on jobs, and on the economy – following the example of Horizon Europe¹¹. The innovation ecosystem of North Macedonia has reached a sufficient level of development and should commence its full alignment with the New European Innovation Agenda¹². The 2023 European Innovation Scoreboard¹³ classifies North Macedonia as an Emerging Innovator with a performance at 46.3% of the EU average¹⁴. While the performance is below the average of the Emerging Innovators, it increased at a rate higher than that of the EU, in 2022-2023. Thus, the innovation gap with the European Union is narrowing.

Aligning with best practices from Horizon Europe and EU Member States' national research and innovation systems will be essential. Further efforts are needed to strengthen cooperation between academia and business.

In North Macedonia's 2009 Law on Industrial Property, the legal protection of biotechnological inventions is **not fully aligned** with Directive 98/44/EC. In the field of science and research North Macedonia has sufficient legislation on intellectual property rights in place.

Regarding accelerated integration, the Commission looks favourably on North Macedonia request to actively contribute to the New European Innovation Agenda and to the European Innovation Council Forum.

I.B NATIONAL FUNDING

a. Country presentation

Total public funding for science and research has increased from 0.35% of GDP in 2017 to 0.38% in 2022. Growth is due to additional government investment and the creation of the Fund for Innovation and Technological Development (FITD). The total budget for research and science allocated to the Ministry of

¹¹ With a budget of €95.5 billion, the successor of Horizon 2020, Horizon Europe, is the EU's key funding programme for research and innovation for the 2021–2027 period.

¹² New European Innovation Agenda: https://research-and-innovation.ec.europa.eu/strategy/support-policy-making/shaping-eu-research-and-innovation-policy/new-european-innovation-agenda_en

¹³ https://ec.europa.eu/assets/rtd/eis/2023/ec_rtd_eis-country-profile-mk.pdf

¹⁴ https://ec.europa.eu/assets/rtd/eis/2023/ec_rtd_eis-country-profile-mk.pdf

Education and Science in 2023 was EUR 6.7 million, out of which EUR 3.6 million is allocated support project cooperation and other scientific and research activities. This represents an increase of over 150% comparison to the funding that the ministry receives in 2019. In contrast, the total amount and share of the business sector investment in R&I has declined during the same period.

Scientific research is financed through the Program for Scientific and Research Activity, which supports research projects and infrastructure in academia and public research institutes. In addition, there are grants to stimulate researchers to publish in international journals. Finally, financial support is available for young scientists for postgraduate and doctoral studies and for researchers to participate in scientific conferences, study visits and other events.

In 2022, the Fund for Innovation and Technological Development managed a budget of some EUR 10 million.

b. Commission assessment

To ensure successful participation in the implementation of the Framework Programme for research and innovation and to facilitate integration into the European Research Area (ERA) and into the New European Innovation Agenda, North Macedonia needs to ensure the necessary implementing capacity. This requires sustained efforts towards the EU target of investing 3% of GDP in science and research.

Despite the right trajectory, the overall amounts remain below 0.4% of GDP. The national target of 1% should be achieved as soon as possible. North Macedonia needs to continue its efforts of investing in research and science to reach the EU 3% objective. The funding gap needs urgent addressing, particularly in the context of strengthening the national research ecosystem. This should be seen in a larger context of strengthening the higher-education system and economic competitiveness. Together these measures will support the development of an education, research and innovation ecosystem that interacts positively with the European one.

I.C INTERNATIONAL SCIENTIFIC AND TECHNOLOGICAL COOPERATION

a. Country presentation

North Macedonia has been a member of the European Cooperation in Science and Technology (COST) since 2002 participating in 632 actions in total. The country participated in the EUREKA Program between 2008 and 2013 with 5 projects. North Macedonia has a cooperation agreement with the European Organization for Nuclear Research (CERN) since 2009. North Macedonia has submitted project proposals to four of the five European Missions with projects being financed under the cancer mission and the soil mission.

North Macedonia also participates in the structures of the European Innovation Council Forum (EIC Forum), the Commission Group of Experts of the European Research Area Forum, the Steering Board of the European Open Science Cloud (EOSC), the pan European research and education network (GEANT), the Consortium of European Social Science Data Archives (CEESDA), the European Social Survey (ESS), the European Grid Infrastructure (EGI) and the Southeast European International Institute for Sustainable Technologies (SEEIIST).

Additionally, North Macedonia participates in the NATO Science for Peace and Security program with 624 participants since 2014. North Macedonia is a full member of the International Atomic Energy Agency (IAEA) since 1994. Between 2011 and 2021, 316 experts were trained in this context. North Macedonia has been a member of the United Nations Educational, Scientific and Cultural Organization (UNESCO) since 1993.

On a bilateral level, North Macedonia has concluded agreements on scientific and technological cooperation with Slovenia, Croatia, Montenegro, Serbia, Bosnia and Herzegovina, Kosovo*, Albania, Bulgaria, Russia, Ukraine, Belarus, Kazakhstan, Poland, the Czech Republic, Slovakia, Hungary, Romania, Spain, Austria, Germany, Israel, United States, Egypt and China. Separate agreements are currently under

preparation with Moldova, Türkiye, and with France.

Finally, North Macedonia participates in the Central European Exchange Program for University Studies (CEEPUS). Under the agreement signed in 2005, during the period of 2018-2023, 110 professors and 70 students from North Macedonia participated in its mobility exchanges.

b. Commission assessment

North Macedonia is active in the international scientific and technological fora.

Regarding, accelerated integration, the Commission looks favourably on North Macedonia's request to participate in the European Strategic Forum on Research Infrastructure (ESFRI) and has invited North Macedonia to nominate observers. The ERIC Regulation¹⁵ will become directly applicable at the time of accession.

I.D SUMMARY OF FINDINGS – RESEARCH AND INNOVATION POLICY

North Macedonia **needs to advance** in its integration into the European Research Area and into the New European Innovation Agenda. Regarding Horizon Europe, the necessary accompanying measures to strengthen the national higher-education and research eco-systems need re-enforcement – particularly the far too low level of national funding. Whilst the innovation ecosystem is at an advanced stage of preparedness, further efforts are needed for full integration into the New European Innovation Area: namely, stepping up investments in research and science; aligning national support schemes for scientific research activities with European best practice; providing comprehensive statistics on research and innovation; implementing the Smart Specialisation Strategy.

II. FRAMEWORK PROGRAMME AND EUROPEAN RESEARCH AREA

II.A HORIZON EUROPE

a. Country presentation

North Macedonia has been an associated country to the Horizon Europe programme since January 2021 and has a National Contact Point network in place. The country's success rate is 16.9% with 22 participating institutions. The EUR 7.8 million EU financial contribution to North Macedonia from the current programme represents over half of North Macedonia's net gain from the entire Horizon 2020 programme.

North Macedonia participates in the European Joint Undertaking on High Performance Computing and in the European Open Science Cloud co-programmed European Partnership.

North Macedonia has had most Horizon 2020 and Horizon Europe projects with the following Member States: Italy, Spain, Germany, France, the Netherlands, Greece, and with Belgium.

North Macedonia stated that it complies with the rules of ethics as required by its participation under the EU Framework Programme for Research and Innovation.

Regarding accelerated integration, North Macedonia requested participation in additional EU Joint Undertakings and partnerships.

b. Commission assessment

Horizon Europe, the EU's ninth multiannual framework programme for R&I in 2021-2027, is designed to facilitate and strengthen the impact of research and innovation in supporting and implementing EU policies,

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ opinion on the Kosovo declaration of independence.

¹⁵ European Research Infrastructure Consortium (ERIC) - Regulation (EC) No 723/2009: <https://eur-lex.europa.eu/EN/legal-content/summary/european-research-infrastructure-consortium-eric.html>

while tackling global challenges. It creates jobs, boosts economic growth, promotes industrial competitiveness and optimises investment impact within a strengthened European research area. It does so by:

- involving a variety of types of organisations, ranging from research institutes, industry, small and medium-sized enterprises and academia, as well as individuals, from a geographical spread of countries;
- building R&I capacity in less-advanced regions as part of the EU's structural and cohesion policy to remove disparities between regions.

North Macedonia is associated to the EU's Framework Programme for Research and Innovation-Horizon Europe. It has developed sufficient knowledge and administrative capacity to participate fully in the EU's Framework Programme on Research and Innovation. The association to Horizon Europe includes reciprocal access of European actors to national R&I initiatives.

European Institutionalised Partnerships¹⁶ address Europe's key challenges through concerted research and innovation initiatives by bringing together public and private partners. They are a key implementation tool of the Framework Programme for Research and Innovation and contribute to achieving the EU's political priorities – particularly for the Green and Digital transitions.

For participating in Horizon Europe grants North Macedonia complies with the applicable rules on ethics.

Access to the EURATOM Framework Programme will come at the time of EU accession.

Regarding accelerated integration, the Commission looks favourably on North Macedonia's participation in additional EU Joint Undertakings and partnerships.

II.B EUROPEAN RESEARCH AREA PRIORITIES

a. Country presentation

North Macedonia adopted a roadmap on research infrastructure in February 2022. Its goals are to increase competitiveness in the regional economy, increase investment in the research infrastructures and support the development of e-infrastructures.

The country has 6 state universities, 8 public scientific institutions, 6 private universities and high schools, 3 foreign higher education institutions and 26 private scientific institutions.

North Macedonia is a member in the European Strategy Forum on Research Infrastructures and participates in an ESFRI project on metrology services in food and nutrition.

Regarding **gender balance**, in 2021, the proportion of women in the total number of people employed in research and development was 56%. In the same year, the proportion of female researchers ranged from 51,8% in the higher education to 68,7% in business, with an average of 54.1% across all sectors. With regards to **the management structures of research and education institutions**, the proportion of men and women is overall gender-balanced except for top management (rectors) where all of them are men.

North Macedonia is committed to the values and priorities included in the Council Recommendation on a Pact for Research and Innovation, and in the Commission Communication on a new European Research Area for Research and Innovation and.

North Macedonia is invited to nominate observers to the ERA Committee and its sub-groups.

To fully integrate into the ERA, close cooperation between the private and public sector is required. Active participation in the structures governing European research and innovation scheme is essential for aligning national efforts, but also for sharing best practice.

¹⁶ based on Articles 185 and 187 TFEU

b. Commission assessment

The ERA is a broad concept, that North Macedonia has not yet fully embraced. Particularly the strategic advantage of participating in European Research Infrastructures has not been used to its full extent. To be able to do so, national capacity building efforts need to be completed first. Actively engaging in the ERA and in Research Infrastructures are a very effective way in gaining access to research and innovation resources that are not available in the research and innovation eco-system in North Macedonia.

II.C SUMMARY OF FINDINGS - FRAMEWORK PROGRAMME AND EUROPEAN RESEARCH AREA

North **Macedonia is progressing very well in participating in Horizon Europe**. However, a larger set of stakeholders needs to be reached and engaged – particularly in the field of excellent science (Pillar I of Horizon Europe). At the same time, the integration into the European Research Area is still at an early stage. North Macedonia should engage with EU Member States that are active in implementing various actions of the ERA. This will help in gaining further insights on the benefits of more complex – but strategic – schemes like Partnerships and Joint Undertakings. North Macedonia needs to step up its efforts to integrate into the European Research Area.

III. FIGHT AGAINST CORRUPTION - RESEARCH AND SCIENCE

a. Country presentation

North Macedonia has a Law on Prevention of Corruption and Conflict of Interest (2019) as well as a national Strategy For Prevention of Corruption and Conflict of Interest 2021-2025 and its dedicated action plan. Education is one of the 13 domains covered by the national strategy, but science and research are not considered as an independent sector to deal with the fight against corruption. The Ministry of Education and Science has signed an integrity policy and has a dedicated integrity officer person responsible for its implementation. The Ministry also has an internal audit sector.

Regarding the Fund for Innovation and Technological Development, the fund has the ISO certificates for quality management system (ISO 9001:2015) and anti-bribery management system (ISO 37001:2016). The fund adopted a policy for the prevention of corruption in 2022 and implements it via an annual action plan. The information on published calls, grant beneficiaries and audit reports is publicly available online.

b. Commission assessment

North Macedonia has a strategic and legal framework in place to tackle **corruption in the area of science and research**. It needs to step up reporting and monitoring in the field of research and innovation. The awarding, implementation and monitoring of national grants for research and for innovation should follow well established procedures¹⁷. Science and research could be introduced as a specific domain in the National Strategy for Prevention of Corruption and Conflict of Interest. Regular reporting on anti-corruption and anti-bribery efforts from the Fund for Innovation and Technological Development will provide further assurances - also covering the implementation of grants and innovation support measures.

C. SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

North Macedonia has **institutions in place to fight corruption** although science should be mentioned as an area susceptible to corruption.

¹⁷ e.g. the ones used for the implementation and monitoring of Horizon Europe or similar initiatives

H) CHAPTER 26 – EDUCATION AND CULTURE

This chapter covers the areas education and training, youth, sport and culture, which are primarily the competence of the EU Member States. The Treaty on the Functioning of the European Union (TFEU) provides that the Union shall encourage cooperation between Member States and support and supplement their actions in these policy areas, while fully respecting their responsibility for the content of teaching, organisation of education and vocational training systems, and their national and regional cultural diversity. Member States need to have the legal, administrative and financial framework and necessary implementing capacity in place to ensure sound financial management of the education, training, youth, sport and culture programmes.

In the field of education, training, sport and youth, besides a Directive on Education of the Children of Migrant Workers¹⁸ and the judgments of the Court of Justice of the European Union (CJEU) on cases related to non-discrimination between nationals of an EU Member State and other EU nationals, the acquis mainly consists of Council Recommendations in a number of areas related to school, vocational, higher and adult education, youth volunteering and mobility, numerous Council Conclusions and Resolutions.

The strategic framework for European cooperation in education and training towards the European Education Area and beyond 2021-2030 integrates all actions in the fields of education and training at European level. A key strategy for ensuring effective, high-quality and inclusive digital education is the Digital Education Action Plan (2021-2027).

A similar framework is set by a Council Resolution on the European Youth Strategy 2019-2027, aiming to improve the situation of young people in Europe by creating more and equal opportunities. The new EU Work Plan for Culture 2023-2026 sets out priorities to address the main challenges facing the cultural and creative sectors today and corresponding actions to address them. Finally, in the field of supports strategic priorities are covered by the EU Work Plan for Sport 2021-2024.

Three flagship EU programmes are in place for supporting the sectors in question. Erasmus+ is the EU programme on education, training, youth and sport. Creative Europe is the EU programme which brings together actions supporting the cultural and creative sectors. Finally, the European Solidarity Corps is the EU funding programme for projects engaging young people in solidary activities in a variety of areas.

I. EDUCATION AND TRAINING

I.A GENERAL FRAMEWORK EDUCATION AND TRAINING

a. Country presentation

The Ministry of Education and Science (MoES) is responsible for developing strategic and legal documents and for implementing policy across all education levels, except for early childhood education and care (ECEC). The functioning of the MoES is supported by several bodies, which also have a significant role in implementing educational policies: the Bureau for Development of Education (BDE), the Pedagogic Service, the Centre for Vocational Education and Training (CVET), the Centre for Adult Education (CAE), the State Examination Centre (SEC), the State Educational Inspectorate (SEI), the Agency for Quality in Higher Education (AQHE), the National Council for Higher Education and Scientific Research and the National Agency for European Educational Programs and Mobility (NAEPM). The Ministry of Labour and Social Policy has responsibilities in the field of care and education of children in ECEC age. The Ministry of Education and Science is the competent body and coordination authority for the application and development of the National Qualifications Framework (NQF). A department for NQF was established within the ministry. Since 2014, the Centre for Adult Education has been working on the creation and establishment of a system for the validation of non-formal and informal learning (VNFIL). In 2015, a unit

¹⁸ Council Directive 77/486/EEC of 25 July 1977 on the education of the children of migrant workers, OJ L 199, 6.8.1977, p. 32–33.

responsible for the process of VNFIL was established. In October 2018, the Minister of Education and Science established a Working Group for amending laws and by-laws related to the implementation of the measure "Establishment of a system of validation of non-formal and informal learning" from the Education Strategy 2018-2025. The Authorities plan to adopt a new Law on Adult Education in which VNFIL is regulated. The legal basis for the National Qualifications Framework (NQF) is a law adopted in 2013 and amended in 2016. It was referenced to the EQF the same year and is planning to update referencing in coming years.

Education spending in 2023 represented 3.45% of GDP. This is a decrease compared to previous years when it was 3.71% in 2022 and 3.98% in 2021.

In January 2018, North Macedonia adopted the new Education Strategy 2018-2025 and the corresponding Action Plan, encompassing all fields and levels of education. The Strategy covers the six pillars of the education system, followed by a seventh pillar covering common priorities for all education levels, including the improvement of data collection and digitalisation. As part of the actual delivery of the Education Strategy 2018-2025, North Macedonia is in the process of implementing a competency-based curriculum. With the aim to enhance the digital transformation of education, the Education strategy places emphasis on several key aspects: development of students' digital skills; integration of digital technologies in schools; and provision of teacher training to effectively use new technologies in education.

Regarding **inclusiveness**, children with foreign citizenship, including citizens of a EU Member State, refugees, and asylum seekers in North Macedonia have the right to primary education under the same conditions as children who are citizens of North Macedonia. Special measures have been adopted regarding access, attainment, and equal treatment of Roma students in all levels of education. In primary education, services are provided also for teaching in the mother tongue for Turkish, Serbian, and Bosnian minorities. North Macedonia has concluded the process of transforming special schools into primary schools with a resource centre and special classes into centres to support the learning of students with disabilities.

North Macedonia participates in the Erasmus+ programme and the European Solidarity Corps as an associated country for the period 2021-2027, benefitting from all actions on equal footing as the EU Member States. The National Agency for European Educational Programmes and Mobility (NAEPM) is responsible for the implementation in indirect management of Erasmus+ since 2014 and European Solidarity Corps since 2019.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* in the field of education.

In the last decade, North Macedonia has undertaken measures to enhance the quality and relevance of education across all levels. It has advanced in ensuring full participation in basic compulsory education and introducing competency-based curricula to promote a competency-focused approach to learning. The adoption of the Education Strategy 2018-2025, complemented by associated action plans, laws, and by-laws, clearly underscores the high priority that education represents for the authorities. Nonetheless, to maintain progress in developing students' key competencies, North Macedonia needs to address a range of remaining challenges.

Public spending as a percentage of GDP has decreased slightly in recent years and it is currently considerably lower than the EU average of 4.7% (2022)¹⁹. The authorities need to ensure that adequate funding is foreseen for the different levels of education, in line with the respective needs, as well as improve the efficiency of spending.

Furthermore, North Macedonia should better define the monitoring mechanisms of the Education Strategy 2018-2025. Targets and indicators need to be improved to allow a proper evaluation of the implementation

¹⁹ General government total expenditure on education, 2022 (% of GDP), Eurostat.

of the reforms undertaken. Authorities need to strengthen coordination among institutions in developing legislation, ensuring a conducive institutional environment able to deliver its implementation.

In recent years, North Macedonia has advanced with the provision of **inclusive education**. The most significant progress has been observed in the primary education sector, where activities are in place to ensure the full integration of children with disabilities in mainstream education. However, investments in capacity development of staff and creation of accessible teaching materials, resources and approaches in mainstream schools should remain a key priority. Additionally, in order to strengthen the inclusiveness of education, North Macedonia needs to provide more support to children from disadvantaged backgrounds, especially those living in rural areas, to reduce the existing educational disparity with their peers from more privileged backgrounds. Further steps also need to be taken to increase enrolment and attendance of Roma children in the school system, especially at ECEC and primary level.

National Qualifications Framework (NQF) of North Macedonia was referenced in 2016 to the European Qualifications Framework (EQF), when the NQF was still very recent and not fully operational in all the aspects of the referencing criteria. The Commission supports North Macedonia plans to update the referencing report. The Commission also encourages the use of transparency tools of the EQF regarding indication of EQF level in the certificates and linkage of national qualifications database to the Europass platform.

The successful implementation of the new **competency-based curricula** should be coupled with an investment in enhancing teacher skills, equipping them to effectively engage with the curriculum and assess student performance in alignment with it. In North Macedonia, there is a need to increase the support offered to teachers in implementing assessment practices that mirror the curriculum and in identifying and addressing learning gaps as students' progress through their education. Furthermore, it's crucial to ensure that textbooks and leaning materials are aligned with the new curricula, especially in view of the green and digital transition. Additionally, more efforts are needed to ensure the quality of initial teacher training (ITT) and continuous professional development (CPD), including in terms of digital and green skills training.

North Macedonia has shown commitment to advancing its **digital agenda in education and training**. While steps have been taken, the authorities need to intensify their efforts in achieving a more effective, coherent and inclusive digital transformation of the education and training system. It is crucial to monitor how these measures impact the overall levels of digital skills and competences among young people. Participation in the next cycle of the International Computer and Information Literacy Study (ICILS 2028) would be useful to provide a diagnosis of the current levels of digital competence among 13-14 years-olds to compare the effectiveness of the policy measures over time.

Moreover, the development of digital skills among learners should be accompanied by strategic reforms and investments in building a high-performing digital education ecosystem. This involves enhancing digital infrastructure, upgrading equipment, creating relevant educational content, and providing comprehensive teacher training. Notably, North Macedonia needs to step up its efforts in providing and renovating the ICT infrastructure in the classroom.

I.B BASIC EDUCATION

a. Country presentation

Early childhood education and care (ECEC) covers children aged 0 to 6 years, and it is not compulsory. Educational activities in early childhood education and care are implemented in accordance with the national program for early learning and development based on the document "Standards for early learning and development in children aged 0 to 6 years old". 45,9% of three to six years-olds in North Macedonia were enrolled in licenced early childhood education institutions in October 2023.

The Education Strategy 2018-2025 has set several objectives aimed at improving ECEC enrolment in, among which expanding the network of ECEC institutions, improving the physical conditions of schools, improving teaching materials, and providing training for staff to support children with developmental difficulties during their early years,

Primary education is compulsory and free of charge for all pupils aged at least 5 years and 7 months to 15 years at most. It lasts 9 years. Primary education enrolment rates are 95% in school year 2022-2023 and 93.38% in the school year 2023-2024. **Secondary education** is compulsory, under equal conditions established by Law on Secondary Education. It is divided into 4 streams, namely general secondary education (gymnasium), vocational education, secondary art education and secondary education for students with special educational needs (SEN). Depending on the stream, secondary education lasts between two and four years.

Regarding **learning outcomes and equity**, findings from OECD PISA indicate that a high share of 15-year-olds don't acquire basic skills in reading, mathematics, and science. In 2018, the country had one of the highest proportions of students failing to demonstrate basic proficiency (level 2) in all 3 domains among PISA-participating countries. Performance gaps continue to be observed between the top and bottom income groups. The results worsened between the two cycles of the evaluation. In 2022, there was an underperformance among 15 years old of 66.2% in maths, 73.6% in reading and 65.3% in science. Average underperformance is 65.3%.

ESARU- (electronic system for administrative work of schools) is an Education Management Information System (EMIS) for collecting, processing, checking and presenting data important for the educational process in primary and secondary education in the country. In the EMIS system, each school enters the data for itself.

b. Commission assessment

Whereas the EU education and training target for 2030 on **Early Childhood Education and Care (ECEC)** attendance is set at 96% (as compared to real figure of 91.8% in 2021), only 42% of 3 to 6 years-olds in North Macedonia were enrolled in licenced early childhood education institutions in 2022. This disparity is even more pronounced among children from disadvantaged backgrounds. Currently, ECEC funding is coming primarily from the central government, with municipalities receiving block grants based on a formula tied to the capacity of each ECEC facility and the number of staff. North Macedonia is in the process of revising this formula. While doing so, it is important that the authorities account for the needs of the most vulnerable groups and children living in rural areas. While the Education Strategy 2018-2025 has set several objectives aimed at improving enrolment in pre-school education North Macedonia needs to step up efforts to enhance the access to ECEC, thus better preparing children for their subsequent stages in education. The **primary education** enrolment rates are relatively high compared to international benchmarks (96.6% in school year 2021-2022 as compared to an EU average of 86.5% in 2022).

Regarding **learning outcomes and equity**, North Macedonia's education system underperforms in PISA. Performance gaps continue to be observed between the top and bottom income groups. Although the 2022 results can be partly explained by the COVID-19 crisis situation, North Macedonia needs to scale up its efforts to increase student performance, especially among those from disadvantaged backgrounds, living in rural areas, and belonging to ethnic minorities. The country faces additional education challenges, including low tertiary education attainment. North Macedonia therefore needs to take further steps to increase the enrolment in higher education.

Strengthening the **governance of the education system** would greatly benefit from improving the education related data collection and harmonising the collection system across different areas. While North Macedonia has an operational education management information system (EMIS) in place, its full potential is not being harnessed by authorities. The systemic gathering and sharing of education-related data at the

central level face challenges due to understaffing at EMIS and the fragmented data collection efforts of various ministries and agencies. To make progress in this direction, there is a continuous need to improve the reliability and comparability of data at the system level.

I.C HIGHER EDUCATION

a. Country presentation

The structure of the **higher education** system in the country consists of 3 consecutive cycles aligned with the Bologna process. It is realised through the implementation of academic and vocational studies based on accredited study programs.

b. Commission assessment

North Macedonia has been a full member of the Bologna Process since 2003, which is a foundation for alignment with the European Higher Education Area. It is important to fully implement the Bologna key commitments and align with the Rome Communiqué regarding the social dimension of higher education and fundamental academic values.

I.D SUMMARY OF FINDINGS – EDUCATION

North Macedonia is **partially aligned** with the EU *acquis* on education and training. North Macedonia is invited to ensure sufficient budget for education in line with its ambitions and targets. Further efforts are needed on inclusive education, improving quality of education, the use of transparency tools of the EQF, competence-based education and digital skills. In the field of higher education, it is important to fully implement the Bologna key commitments and to align with the Rome Communiqué.

II. VOCATIONAL EDUCATION AND TRAINING

a. Country presentation

In the field of **vocational education and training**, the Vocational Education and Training Centre together with the Bureau for Development of Education have the overall responsibility for developing and improving VET, including lifelong learning and labour market research. The VET system is mainly regulated by the Law on Secondary Education, the Law on Macedonian Qualification Framework (MQF) and the Law on VET. The Adult Education Centre has a specific focus on adult education. Adult education can be provided by public and private institutions for adult education, adult education bodies, training centres, employers and social partners, associations or individual trainers that fulfil the conditions stipulated in the Law on Adult Education.

b. Commission assessment

In the past few years, North Macedonia has taken several steps to meet many of its strategic goals for the improvement of VET, in line with the Osnabrück Declaration objectives and VET recommendation priorities. Efforts concentrated in developing regional VET centres, improving work-based learning and establishing dual education. Considerable measures were also taken to improve VET attractiveness, relevance and inclusiveness, teachers' professional development and quality assurance.

Nevertheless, the success of these initiatives is impaired by the slow process of adoption of crucial laws: Law on Secondary Education, new Law on VET and Law on Adult Education. The absence of the necessary relevant legal basis does not allow the implementation of many of the envisaged processes and measures.

II.A. SUMMARY OF FINDINGS VOCATIONAL EDUCATION AND TRAINING

North Macedonia is **partially aligned with the EU *acquis* on VET**. Although progress has been made there is a slow process of adoption of crucial laws: Law on Secondary Education, new Law on VET and Law on Adult Education. The absence of the necessary relevant legal basis does not allow the implementation of many of the envisaged processes and measures.

III. YOUTH

a. Country presentation

The policy framework for **youth** in North Macedonia is the national Youth Strategy 2015-2025. It includes a very large spectrum of areas including participation, information, youth work, employment, education but also culture, health sport and quality of living. The National Youth Strategy 2023-2027 has been adopted by the Government in September 2023 with an Action Plan 2023-2025. There are several structures for youth participation in the country, among which the two umbrella organisations that represent youth interests: National Youth Council of Macedonia (NYCM – a union of associations) and the Coalition of youth organisations (SEGA). Furthermore, a National Youth Assembly and various youth structures needs to be established at regional level. A Youth Trends Survey was conducted in 2022 that showed areas for improvement, notably in the involvement in decision making, information services but also practical learning.

The unemployment rate for the population aged 15-29 was 27.6% in 2021. Moreover, in 2022, 22.8% (as compared to 11.7 in the EU) of young people belonging to this age group were not in education and training or in employment (NEET), nearly double of the EU level. The NEET rate by gender (24.5% female, 21.1% male) points to a strong gender imbalance and the related impact on educational attainment. In this context, the country's commitment to continue working on the Youth Guarantee will be critical to improve the public employment service's capacity and other providers to offer key services to this target population.

b. Commission assessment

The country's commitment and results on the Youth Guarantee implementation show concrete progress in handling the critical priority of youth unemployment and the NEETs, in line with the EU approach. A continued and further commitment will be critical to tackle specific dimensions of these phenomena e.g. gender.

North Macedonia has made substantial progress in recognising and prioritising the needs and aspirations of its young population. The National Youth Strategy 2016-2025 laid the groundwork by identifying strategic priorities that aimed to foster a better standard of living, equal opportunities, fundamental rights, and inclusive policies for youth. Building upon this, the National Youth Strategy 2023-2027 charts a more comprehensive approach, emphasising the improvement of youth positions in society through fundamental principles and concrete measures.

Despite these forward-looking strategies, challenges persist. The youth unemployment rate remains a concern. Furthermore, a significant portion of the young population feels excluded from decision-making processes, lacks adequate access to information services, and identifies deficiencies in practical education within the education system. To address these challenges, a series of short-term and mid-term plans have been developed, including but not limited to the adoption of the Youth Work Law, the establishment of Youth Centres in more municipalities and of Local Youth Councils, the development of local Youth strategies.

North Macedonia's commitment to nurturing and empowering its young population is evident through these comprehensive strategies and the youth guarantee. However, the successful implementation of these plans and the fulfilment of their objectives will require continued collaboration, allocation of resources, and sustained efforts from all stakeholders involved with an emphasis on co-design and co-management

principles with young people and youth civil society organisations.

III.A. SUMMARY OF FINDINGS – I. SUMMARY OF FINDINGS – OUTH

North Macedonia is **partially aligned** with the EU *acquis* on Youth. Substantial progress has been achieved. The country's commitment to nurturing and empowering its young population is evident through comprehensive strategies and the youth guarantee. However, the successful implementation of these plans and the fulfilment of their objectives will require continued collaboration, allocation of resources, and sustained efforts from all stakeholders involved with an emphasis on co-design and co-management principles with young people and youth civil society organisations.

V. SPORTS

a. Country presentation

The Agency for Youth and Sport of North Macedonia is a state administration body responsible for matters in the field of **sports**, established in accordance with the Law on the Organization and Operation of State Administration Bodies. It was established in December 2000 as an independent body of the Government of North Macedonia. North Macedonia signed an international legal solution with the obligation to implement it in 2008 - the Law on Ratification of the UNESCO International Convention against Doping in Sports ("Official Gazette" no. 103/2008). Accordingly, within the Law on Sports, there are provisions with which the country foresees the establishment of a National Anti-Doping Commission, which monitors new developments in the sphere of doping in sports. A new Law on Anti-Doping and establishing an Agency for Anti-Doping was adopted in March 2024. A New Strategy for Sport Development for period 2024 – 2028 is being prepared.

b. Commission assessment

North Macedonia has been an active participant in the Europe-wide #BeActive campaign, including the organisation of the European Week of Sport (EWoS), which aims to get citizens moving and make them lead healthier lifestyles.

In 2023, North Macedonia organised 93 events, which reached about 9 800 participants during the EWoS, a slight increase from 2022 with 84 events with 9 500 participants.

North Macedonian sport organisations make use of Erasmus+ funding opportunities and have been coordinating 18 projects since 2018.

V.A SUMMARY OF FINDINGS – SPORTS

North Macedonia **makes good progress** in the field of sports and is invited to continue alignment with the EU Sports *acquis*.

V. CULTURE

a. Country presentation

North Macedonia has a separate ministry in charge of culture. The Ministry is responsible for the implementation of the National Strategy for the development of Culture and for monitoring, analysing, and proposing acts and measures for cultural development and promotion. The Strategic Plan of the Ministry of Culture (2023-2025) determines the implementation of cultural goals and priorities. Furthermore, there was a National Strategy for the development of Culture for 2018-2022 based on two general goals: (1) Enabling Equal Cultural rights for everyone; (2) Encouraging the diversity of creativity and cultural identifies. A new National Strategy for development of culture for 2025-2029 has been drafted. It is expected to be finalized by the end of 2024. North Macedonia is drafting a new Law on Culture to align

with all the European *acquis* on culture. Furthermore, the priorities of the European Agenda for Culture are already incorporated in the Ministry of Culture strategic and programme documents.

The budget of the Ministry of Culture is the primary source for financing of the cultural programmes. A significant priority in cultural policy regulation is the protection, management, and revitalization of cultural heritage. Another specific body within the national structure is the Film Agency, which supports, encourages, and develops the film industry. The National strategy for the protection and use of cultural heritage reflects the basic principles and priorities for heritage protection. The UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions was ratified by the Assembly of the Republic of North Macedonia on 2 April 2007.

b. Commission assessment

The Ministry of Culture and other relevant institutions need to strengthen their capacity to create and manage cultural policies based on sound public administration principles.

Further efforts are needed to reinforce institutional response and interinstitutional cooperation to protect cultural heritage and prevent unauthorised construction/building projects that can damage historical or natural sites. This includes the protection of cultural heritage sites of “particular importance” as per national law, such as lake Ohrid and the Skopje Old Bazaar. The country’s cultural heritage is not sufficiently safeguarded.

North Macedonia continued to fully participate in the EU Creative Europe programme's media and cross-sectoral strands. Authorities amended the national legislation in order to align it with the 2018 Audio Visual Media Directive, which is a prerequisite for country’s continuous participation in the programme.

C. SUMMARY OF FINDINGS – CULTURE

North Macedonia is **partially aligned** with the EU *acquis* culture. Further efforts are needed in particular to reinforce institutional response and interinstitutional cooperation to protect cultural heritage and prevent unauthorised construction/building projects that can damage historical or natural sites.

VI. FIGHT AGAINST CORRUPTION - EDUCATION AND CULTURE

a. Country presentation

North Macedonia has a Law on Prevention of Corruption and Conflict of Interest as well as a National Strategy for Prevention of Corruption and Conflict of Interest 2021-2025 with a corresponding Action Plan. The National Strategy is adopted by the Assembly of the Republic of North Macedonia. Otherwise, prevention of corruption and conflict of interest are also covered by several other legislation on the different levels of education. North Macedonia reported on several measures taken both in the field of education, culture and sports in this respect. This included as an example awareness campaigns among students. A State Commission for prevention of Corruption was put in place to conduct, among other tasks, anti-corruption review of the legislation. The State Commission acts upon its own initiative and based on received reports. Several weaknesses in the system with regard to the prevention of corruption and conflict of interest in the areas covered by this Chapter were identified by the State Commission, notably in the field of education and sports. The Ministry of Education and Science is a signatory to the Integrity Policy, with a nominated integrity officer, to ensure the implementation of the Integrity Policy's elements.

The National Strategy for Prevention of Corruption and Conflict of Interest 2021-2025 currently does not include Culture.

b. Commission assessment

North Macedonia has made progress in the field of fighting corruption. Nevertheless, several weaknesses were identified by the State Commission in the field of education and sports. It is important that North Macedonia is up on these weaknesses and ensures a good level of autonomy and transparency of public

administration.

C. SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

North Macedonia **has an institutional framework to fight corruption.** It is important that North Macedonia follows up on the weaknesses identified by the State Commission in the field of education and sports, and ensures a good level of autonomy and transparency of public administration

I) CHAPTER 29 – CUSTOMS UNION

The Treaty on the Functioning of the European Union establishes in Art. 3 that the Customs Union is an exclusive competence of the European Union. However, the Customs Union as an exclusive competence of the Member States plays an important role in the implementation of this policy.

The Customs Union *acquis* mainly consists of legislation which is directly binding on the Member States. It ensures the functioning of the customs union and the effective protection and control of its external borders. It includes the Union Customs Code (UCC) and its implementing legislation, the Combined Nomenclature, common customs tariff and provisions on tariff classification, customs duty relief, duty suspensions and certain tariff quotas, and other provisions such as those on customs control of intellectual property rights infringing goods, drugs precursors, cultural goods, as well as on mutual administrative assistance in customs matters and transit.

The Union Customs Code (UCC) - Regulation (EU) No 952/2013 lays down the Union Customs Code. It is complemented by the Commission Delegated Regulation (EU) 2015/2446 and the Supplementing Regulation (EU) No 952/2013 as Regards Detailed Rules Concerning Certain Provisions of the Union Customs Code (Delegated Regulation) and Commission Implementing Regulation (EU) 2015/2447 laying down Detailed Rules for Implementing Certain Provisions of Regulation (EU) No 952/2013 (Implementing Regulation).

Member States must ensure that the necessary implementing and enforcement capacities, including links to the relevant EU computerised customs systems²⁰ are in place. The customs services must also ensure adequate capacities to implement and enforce special rules laid down in related areas of the *acquis* such as external trade, health, and security provisions.

I. CUSTOMS LEGISLATION

I.A General Customs Rules

a. Country presentation

On general customs rules, the core pieces of customs legislation are the Customs Law (OG 39/05, 110/21) and the Law on Representation Activities in Customs Procedures (OG 180/2014...89/2022)²¹. Seven other laws, covering areas of administrative, tax and criminal procedures, administrative disputes, misdemeanours, and seizure of property, and six implementing legislation acts complement the legislation in this area. The EU *acquis* includes provisions of the UCC Delegated Regulation and Implementing Regulation.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* in this area. Provisions that are not aligned with the *acquis* regarding the registration and identification of economic operators, right of economic operators to a hearing before a negative decision by Customs, suspension of authorisations for procedures with economic effect, and the system for Customs decisions. Full harmonisation with the Customs decision system and with rules on registration and identification of economic operators is expected in 2028-2030 (national application in 2024-2025).

²⁰ For example: the Integrated Tariff Environment (TARIC), the New Computerised Transit System (NCTS), export and import controls (ECS – Export Control System, ICS - Import Control System), etc.

²¹ References to North Macedonia's Official Gazette; main text of the law and the latest amendment, as provided by the authorities during the bilateral meeting.

I.B CUSTOMS DEBT AND GUARANTEES

a. Country presentation

As regards customs debt, the applicable legislation is the Customs Law and the Tax Procedure Law (OG 13/06 247/22), complemented by two implementing legislation acts. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation.

b. Commission assessment

There is a **high level of alignment** with the EU *acquis* on customs debt. Provisions that are not fully aligned with the *acquis* concern: validity period of guarantees; use of guarantee following a control of declared goods; conditions for authorising a reduced amount of guarantee or the waiver of the guarantee requirement; reduced guarantees for Authorised Economic Operators; execution of repayment and write-off, based on EU provisions for Traditional Own Resources – A and B accounts. North Macedonia plans to develop a system for A and B accounts and a guaranteed management system before EU accession.

I.C CUSTOMS TARIFF, CLASSIFICATION OF GOODS AND BINDING TARIFF INFORMATION (BTI)

a. Country presentation

In the area of customs tariff, classification of goods and Binding Tariff Information (BTI), the legislation is comprised of the Customs Law and the Customs Tariff Law (OG 108/2019, 39/22), complemented by 3 implementing legislation acts. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation, Council Regulation (ECC) no. 2658/87 on the Tariff and Statistical Nomenclature and on the Common Customs Tariff and Commission Implementing Regulation (EU) 1998/2022 amending Annex I to the Council Regulation (ECC) no. 2658/87.

b. Commission assessment

There is a **high level of alignment** with the EU *acquis* in this area. Provisions that are not fully aligned with the UCC relate to the EU tariff nomenclatures and to the adoption of BTI decisions (where North Macedonia does not, at present, consult the Commission and Member States). Same stands with the flat customs duty rate which is presently 15% rather than the EU's 2,5%, the relief of duties for importation of goods for the provisioning of certain ships and airplanes and offshore platforms and for certain pharmaceutical products. On alignment with the Regulation No 2658/87, an action plan should be drafted in 2024. Alignment of the national IT tariff system (TARIM) with TARIC is expected by the date of accession. Full alignment of the national system for Binding Tariff Information with the EU system for BTI is expected in 2028-2030.

I.D PREFERENTIAL AND NON-PREFERENTIAL ORIGIN AND BINDING ORIGIN INFORMATION (BOI)

a. Country presentation

In relation to **preferential and non-preferential** origin and Binding Origin Information (BOI), the legislation includes the Customs Law and the Trade Law (OG 16/2004....53/2016), complemented by one implementing legislation act. In addition, it also includes international agreements: in particular the Regional Pan-Euro-Mediterranean (PEM) Convention on rules of origin. PEM rules of origin apply to the country's Free Trade Agreements' (FTA) with the EU, CEFTA, EFTA countries, Türkiye and Ukraine. Similar preferential rules of origin apply for trade with the United Kingdom. EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation, and Regulation (EU) no. 978/2012 Applying a Generalised Scheme of Preferences.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* in this area. While it is highly aligned with the *acquis* on preferential origin, it is only partially aligned with the non-preferential origin provisions. The non-aligned provisions concern specific rules of origin. North Macedonia does not apply a system of Generalised System of Preferences (GSP). Upgrade of the national module of the IT system for management of economic operators (MEOPS) is planned for 2024, with the full alignment with the EU IT systems in 2028-2030.

I.E Customs Valuation

a. Country presentation

On customs valuation, North Macedonia's legislation is comprised of the Customs Law and its implementing legislation. The World Trade Organisation Agreement on Customs Valuation is directly implemented in the national legislation. The EU legislation on customs valuation is contained in provisions of the UCC, Delegated Regulation and Implementing Regulation.

b. Commission assessment

There is a **high level of alignment** with the EU *acquis* on customs valuation. Provisions that are not fully aligned concern: simplified procedures and customs clearance with temporary data and transport costs in air traffic (lack of provisions for base costs in air traffic). In addition, a national provision for determining the customs value using the first sale for export in a chain of sales, does not exist in the EU *acquis* and will be abolished.

I.F TARIFF MANAGEMENT

a. Country presentation

As regards **tariff management**, the legislation consists of the Customs Law and its implementing legislation act and three additional by-laws for autonomous measures, allocation of goods under tariff quotas and lists of goods under tariff quotas. In addition, in the area of relief from customs duties, customs Law is complemented by 2 other laws of infrastructure projects and Technological Industrial Development Zones and 3 by-laws for relief from import duties, for completing the customs declaration and for the realization of a projects. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation. Furthermore, it comprises 2 Council Regulations, opening and providing for the management of autonomous tariff quotas of the Union for certain agricultural and industrial products and suspending the Common Customs Tariff duties on certain agricultural and industrial products, which are updated every six months to accommodate the needs of the Union. In the field of reliefs from customs duty, the EU *acquis* also includes Council Regulation (EC) no. 1186/2009 setting up a Community System of Reliefs from Customs Duty.

b. Commission assessment

There is a **high level of alignment** with the provisions of the EU *acquis* related to the management of tariff quotas and those concerning the fulfilment of the conditions for the introduction of autonomous tariff suspensions. The non-aligned provisions concern improvements to the management of tariff quotas.

As concerns reliefs from customs duty, North Macedonia is **partially aligned** with Council Regulation (EC) no. 1186/2009. North Macedonia's law does not provide for some of the exemptions that can be found in the EU *acquis* (e.g. for specific categories of goods and for specific categories of legal persons) and for certain existing exemptions values or conditions of duty relief are different (e.g. low value shipments, value limits for passengers in air traffic, allowed quantities of tobacco, alcohol and perfumes in the baggage of travellers). Alignment with Council Regulation on autonomous tariff quotas for certain agricultural and industrial products and with Council Regulation setting up a Community system of reliefs from customs duty is planned by the end of 2024. National legislation will be amended in 2024 and further amended to fully align by the date of the accession.

I.G CUSTOMS PROCEDURES FOR IMPORT AND EXPORT

a. Country presentation

In the area of customs procedures for import and export, the legislation is comprised of the Customs Law and two implementing legislation acts. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* in this area. The non-aligned provisions concern centralised clearance, authorisation for self-assessment, authorisation for the drawing up of banana weighing certificates and Annex B of the Delegated Regulation and Implementing Regulation for data requirement, data structure and data, data model of declarations and entry summary declaration (ENS) and exit summary declaration (EXS). The lack of implementation of ENS and EXS is of particular concern as it is required for the area of customs safety and security. Also, some time limits need to be aligned (e.g. temporary storage). In terms of IT systems, new national import and export systems as well as a new system for arrival notification, presentation notifications and temporary storage are planned to be gradually implemented in years 2026 – 2030.

I.H TRANSIT

a. Country presentation

In relation to transit, the legislation consists of the Customs Law and two implementing legislation acts. In addition, it also includes 2 international agreements, the Convention on a Common Transit Procedure and the Convention on the Simplification of Formalities in Trade in Goods. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation.

b. Commission assessment

There is a **high level of alignment** with the EU *acquis* in this area, given North Macedonia's is party to both conventions. The few, non-aligned provisions concern registration of incidents "en route", transit declaration with a reduced data set, release of railroad bond and provisions of Annex B of the Delegated Regulation and Implementing Regulation. The necessary upgrade of the relevant IT system (NCTS version 5) is ongoing.

I.I SPECIAL PROCEDURES OTHER THAN TRANSIT

a. Country presentation

On special procedures other than transit, legislation includes the Customs Law, the Customs Tariff Law and the Value Added Tax Law (OG 44/1999, 57/2022), complemented by 2 implementing legislation acts and an international Convention on Temporary Admission. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation.

b. Commission assessment

There is a **high level of alignment** with the EU *acquis* in this area. The few remaining differences concern naming of some of the procedures and of types of customs warehouses; the fact that issuing an end-use authorisation is conditional on a submission of a guarantee and that the procedure of processing under the customs control is classified within the framework of inward processing.

I.J AUTHORISED ECONOMIC OPERATORS (AEOS)

a. Country presentation

As regards Authorised Economic Operators (AEOs), the legislation is comprised of the Customs Law and its implementing legislation act. In addition, CEFTA Additional Protocol 5 is also applied. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation.

b. Commission assessment

There is a **high level of alignment** with the EU *acquis* in this area. Few non-aligned provisions concern some of the facilitations foreseen in national legislation for AEO and the reduced data set for entry/exit summary declaration. Upgrade of the national module of the IT system for management of economic operators (MEOS) is planned for 2024 and will further contribute to the alignment of the programmes, with the full alignment with the EU IT systems planned for 2028-2030.

I.K CONTROLS OF BAGGAGE OF AIR AND SEA PASSENGERS

In the area of **controls of baggage of air and sea passengers**, the legislation consists of the Customs Law and its implementing legislation act. The EU legislation includes provisions of the UCC, Delegated Regulation and Implementing Regulation as well as Directive 2004/82/EC on the Obligation of Carriers to Communicate Passenger Data.

b. Commission assessment

North Macedonia is **partially aligned** with the EU *acquis* in this area. The non-aligned provisions concern: the amounts provided for application of oral declaration for the release of goods into free circulation, the conditions for customs declaration for goods in postal shipments and the use of Advance Passenger Information (API) system. As concerns IT systems, Control and Investigation Management System (CIMS) is planned to be implemented by the end of 2025, while an API system by the end of 2026.

I.L RISK MANAGEMENT

a. Country presentation

In relation to **risk management**, the legislation includes the Customs Law and its implementing legislation act. The EU legislation includes provisions of the UCC.

b. Commission assessment

The absence of prearrival information requirements results in North Macedonia being **partially aligned** with the *acquis* in this area.

I.M CUSTOMS ENFORCEMENT OF NON-CUSTOMS LEGISLATION

a. Country presentation

On Customs enforcement of non-customs legislation (legislation that is discussed under other negotiation chapters, including intellectual property rights (IPR), cultural goods, cash controls, drug precursors, dual use goods, EU integrated list of prohibitions and restrictions and other controlled goods) the level of alignment depends on North Macedonia's alignment with the EU *acquis* in the respective negotiation chapters.

Indicatively, North Macedonia harmonised to a large extent largely harmonised its legislation concerning customs enforcement of IPR. On export of cultural goods and on cash controls some further adjustments are needed. As concerns imports of cultural goods, alignment with the relevant EU rules is still to be achieved. There is a partial alignment on drug precursors and dual use goods. Prohibitions and restrictions from the EU integrated list that are already transposed in the national law are implemented by Customs authorities by means of the IT system – EXIM, a Single Window System for import, export and transit licenses.

b. Commission assessment

North Macedonia has **differing levels of alignment** depending on the area.

I.N SUMMARY OF FINDINGS – CUSTOMS LEGISLATION

North Macedonia has achieved **significant progress in its alignment** with the EU customs *acquis*. The country has notably achieved a high degree of alignment on customs tariff, classification of goods and Binding Tariff Information, customs valuation, transit and Authorised Economic Operators.

North Macedonia needs to **further align** its legislation on general customs rules, non-preferential origin, relief from customs duties, controls of baggage of air and sea passengers and on drug precursors and dual use goods. Efforts are still necessary to ensure that generalised tariff preferences are aligned with the EU rules.

II. ADMINISTRATIVE AND OPERATIONAL CAPACITY

II.A Organisation of the Customs Administration

a. Country presentation

On organisation of the customs administration, Customs Administration of North Macedonia is a separate legal entity within the Ministry of Finance. It is headed by a Director General and, at the end of 2022, employed 1 219 persons. In addition, the Department for Customs Policy in the Ministry of Finance employs seven people. The Customs Administration is divided into five regional customs houses. It is responsible for 20 border crossing points, including two airports (Skopje and Ohrid/Bitola) and 17 inland customs offices. All border crossing points operate 24 h/7 days a week. Out of 897 km of borders, around 50% are with the EU countries (Bulgaria and Greece).

Fees for customs procedures are paid for some services, e.g., clearance outside of working hours of the customs office or outside customs premises.

A Customs Administration Development Strategy (2022-2024) and action plan²² are in place

b. Commission assessment

The country's administrative and operational capacities are adequate to perform current customs law implementation and enforcement tasks. However, in view of increasing responsibilities and future obligations deriving from the application of the EU *acquis*, further capacity building and staff recruitment, in particular in the IT area, is necessary.

II.B Administrative Cooperation

a. Country presentation

As regards **administrative cooperation**, the legal framework includes the Law on Customs Administration (OG 46/2004, ... 122/2021) and the international agreements ratified by the Republic of North Macedonia, including the provisions of the Stabilisation and Association Agreement, Protocol 5 on mutual administrative assistance in customs matters.

The EU *acquis* consists of the Council Regulation (EC) 515/97 on Mutual Assistance Between the Administrations of the Member States and Cooperation between the Latter and the Commission to Ensure the Correct Application of the Law on Customs and Agricultural Matters as amended, Decision 2009/917/JHA on the Use of Information Technology for Customs Purposes, Convention Drawn up on the basis of Article K.3 of the Treaty on European Union on Mutual Assistance and Cooperation Between Customs Administrations (Naples II) and provisions related to the Customs Union EU – Andorra and EU

²² <https://www.customs.gov.mk/content/Strategy.2022-2024.pdf>

- San Marino.

b. Commission assessment

In terms of administrative cooperation with the EU, North Macedonia applies Protocol 5 of the Stabilisation and Association Agreement on mutual administrative assistance in customs matters. It is partially aligned with other EU *acquis* in the area, with the remaining provisions to become applicable with the accession to the EU.

North Macedonia is **partially aligned** with the EU *acquis* in this area. Protocol 5 of the Stabilisation and Association Agreement on mutual administrative assistance in customs matters is fully applied. Regulation (EC) 515/97 and its amendments, Decision 2009/917/JHA, Naples II Convention will be applied with the accession to the EU. Nonetheless, many provisions of these laws are in practice incorporated in the national legislation, in particular as regards the Customs administration competences and powers to act in the national territory, powers to gather information, its processing and analysing. Non-aligned (non-existing in the national law) provisions concern areas specific for the EU customs: powers concerning enforcement of laws in agricultural matters, exchange of liaison officers with other Member States, authorization to the customs officers to cross into another Member State in case of hot pursuit (cross border pursuit of suspects), cross-border surveillance, covert investigations and handling of personal information in the EU's Customs Information System (CIS). Provisions related to the customs unions EU – Andorra, EU-Turkey and EU-San Marino will be applied after the accession to the EU.

II.C IT SYSTEMS IN OPERATION AND IMPLEMENTATION OF THE UNION CUSTOMS CODE IT WORK PLAN

a. Country presentation

In the area of IT systems in operation and implementation of the Union Customs Code IT work plan, the legislation consists of the Customs Law, Law on Electronic Documents, Electronic Identification and Trust Services (OG 101/2019 and 275/2019), Law on Electronic Management and Electronic Services (OG 98/2019) and Law on Personal Data Protection (OG 294/2021).

EU legislation includes Delegated Regulation (EU) 2016/341 supplementing Regulation (EU) no 952/2013 as Regards Transitional Rules for Certain Provisions of the Union Customs Code where the Relevant Electronic Systems are not yet Operational and Amending Delegated Regulation (EU) 2015/2446, Commission Implementing Decision (EU) 2019/2151 Establishing the Work Programme Relating to the Development and Deployment of the Electronic Systems Provided for in the Union Customs Code, Commission Implementing Regulation (EU) 2021/414 on Technical Arrangements for Developing, Maintaining and Employing Electronic Systems for the Exchange and Storage of Information under Regulation (EU) no 952/2013 and Regulation (EU) 2022/2399 establishing the European Union Single Window Environment for Customs and amending Regulation (EU) no 952/2013.

b. Commission assessment

In the area of IT systems in operation and implementation of EU customs systems, North Macedonia is between low level of alignment and partial alignment and continues the development, upgrading and consolidation of its IT systems. The work progresses on providing alignment in line with the EU's Multiannual Strategic Plan for electronic Customs.

North Macedonia **is between low level of alignment and partial alignment** in the area of IT systems in operation and the implementation of EU customs IT systems in accordance with the EU Multi-Annual Strategic Plan for electronic Customs (MASP-C). The 2021-2025 strategy for ICT development, aimed at coordinating the alignment of national IT systems with those of the EU, is implemented. North Macedonia plans to reach a number of milestones related to the IT development in 2024-2026, including on New Computerised Transit System phase five, Single Window System, Integrated Tariff Environment and Control and Investigation Management System. Full alignment and implementation of IT systems is to be

gradually achieved between 2026-2030. The estimated cost for developing and upgrading all remaining IT systems in line with MASP-C is around 34.5 million EUR, while annual maintenance costs run at around four million EUR. North Macedonia plans to employ 15 additional IT experts to complement its existing e-customs group, which counts over 20 persons, including eight IT experts.

II.D SUMMARY OF FINDINGS – ADMINISTRATIVE AND OPERATIONAL CAPACITY

The administrative and operational capacity of North Macedonia **is adequate** to perform the EU customs tasks. Administrative and operational capacities, in particular in the IT area, need to be reinforced ahead of the accession. North Macedonia needs to continue developing and upgrading its existing IT systems, in line with the Multiannual Strategic Plan for electronic Customs, to provide for alignment with the EU customs systems.

III. FIGHT AGAINST CORRUPTION – CUSTOMS UNION

a. Country presentation

In relation to **fight against corruption**, primary legislation includes Law on Prevention of Corruption and Conflict of Interest (OG 12/19), Law on Protection of Whistle-blowers (OG 196/15 and 35/18) and its implementing legislation and specific provisions of the Customs Law. These laws are complemented by a national Strategy on Prevention of Corruption and Conflict of Interest (2021-2025) with Action Plan for its implementation and a sectoral Strategy on Integrity and Fight against Corruption in the Customs administration of the Republic of North Macedonia.

The institutional framework of the Customs Administration addresses corruption through several actions, including preventive measures in 2023-2025 Action plan of the Customs Administration, integrity policy, operational instructions and guidelines, controls carried by the internal audit department and use of an IT solution – integrity module for recording of asset declarations and declarations of interests of the Customs officers. Declarations need to be filled by new customs officials and when their employment ends, but not periodically. The Customs Administration is also using the interoperability platform with 13 different state IT systems, registers and databases to allow for the cross-checking of data. A customs hotline for reporting corruption and smuggling as well as an online form on the Customs website are available 24/7. North Macedonia plans to introduce a body camera for customs officers at the border crossings in the future.

In the last five years, six customs officers were dismissed, while 10 customs officers were suspended on corruption charges. They were subject to the disciplinary procedures by the Customs administration, given that initiation of criminal procedures against Customs employees does not influence their employment status. Amendments to the criminal code to address this issue are not yet adopted.

b. Commission assessment

North Macedonia **has anti-corruption structures and measures in place** to prevent corruption. The standards of professional integrity and anti-corruption are consistently applied.

C. SUMMARY OF FINDINGS – FIGHT AGAINST CORRUPTION

North Macedonia has anti-corruption structures and measures in place to prevent corruption.

