

Annex III**to the Commission Implementing Decision approving the second release of funds to Albania, Montenegro and North Macedonia under the Reform and Growth Facility for the Western Balkans****Assessment of the Conditions for Payment – North Macedonia****1. Commission assessment of the preconditions for Union support*****Effective democratic and rule of law mechanisms***

North Macedonia has a multi-party parliamentary system. According to the findings and conclusions of the OSCE's ODIHR, the latest parliamentary and presidential elections of 2024 were competitive and fundamental freedoms were respected, and election legislation provides a suitable framework for holding democratic elections ⁽¹⁾. Campaign rules, access to the media and distribution of State funding need to be adequately regulated, and the Electoral Code merits revision to address inconsistencies, gaps, and ambiguities that could compromise legal certainty. North Macedonia should also address outstanding OSCE/ODIHR recommendations.

North Macedonia has undergone several waves of judicial reform and in December 2023 adopted a new justice strategy aiming to improve the independence, efficiency, and professionalism of the judiciary. The independence and accountability of the judiciary needs to be improved. External and political interference remain a serious concern. Further efforts are needed to address external and political interference, and to increase transparency and institutional capacities to prevent undue influence or intimidation. The rising deficit in human resources impacts the quality and efficiency of justice and needs to be addressed. In spring 2025, 97 judges and prosecutors were elected from the 8th generation of graduates from the Academy for Judges and Prosecutors. Meanwhile the admission procedure and initial training for the 9th and 10th generations have stalled, with efforts underway to allocate financial resources in the 2026 state budget for the training of the 9th generation. A comprehensive national anti-corruption strategy is in place, whose implementation needs to be accelerated. Significant corruption risks persist across various sectors. The institutional framework on the fight against corruption is in place and is satisfactory in terms of preventive measures, though the track record in the fight against corruption and the law enforcement aspect need to be improved. Amendments to the Criminal Code in September 2023 have weakened the legal framework and negatively affected the prosecution of corruption, especially in high-level corruption cases. These amendments were challenged by the Constitutional Court in March 2025, giving the Parliament six months to review the contested provisions, after which they may be annulled or repealed. In parallel, the Ministry of Justice formed a working group to draft corrective amendments on a new Criminal Code, in line with the EU *acquis* and European standards, which is foreseen to be adopted by the end of 2025.

¹ <https://www.osce.org/files/f/documents/5/e/576648.pdf>

Respect for all human rights obligations

The legal framework of North Macedonia on the protection of fundamental rights is partially aligned with the EU *acquis* and European standards. The country continues to meet its general obligations on fundamental rights, though legislation and pertinent strategies need to be implemented in a systematic manner. The country has ratified most international human rights instruments. It needs to develop a comprehensive monitoring and data collection system to assess the level of implementation of human rights legislation, policies, and strategies and to fully benefit from its observer status in the European Union Agency for Fundamental Rights (FRA). While overall prison conditions remain a serious concern, prison infrastructure has been renovated and several prison facilities have been improved. The parliament needs to adopt an amendment to the Law on the Ombudsman's Office in order to upgrade its 'B' accreditation status, based on the Paris Principles.

The preconditions are confirmed as met.

2. Commission assessment of the general conditions for payments

a) Assessment of the macro financial stability

GDP growth accelerated in 2024 compared to 2023 reaching 2.8%, driven by investment and public consumption, with the latter partly reflecting a strong rise in public sector wages. Gross capital formation increased by 9.1% in 2024, after declining in the preceding year. Though supported by increasing real incomes and easing credit conditions, household consumption growth remained subdued. In the first half of 2025, GDP growth strengthened further, driven by household consumption and investment. Exports of goods and services, which had declined in 2024 in real terms compared to the preceding year, picked up gradually throughout the first two quarters of 2025. The contribution of the external balance to growth turned negative due to slowing exports, largely reflecting the weakness in key export destinations and sectors, in particular the automotive industry. The current account moved back into deficit in 2024 (-2.3% of GDP), driven by high energy import costs, deteriorated merchandise trade balance, and a drop in remittances. In the first half of 2025, the current account deficit widened further. Well-calibrated monetary policy and abating foreign price pressures supported the slowdown in headline inflation in 2024, to 3.5% on average. However, headline inflation has been rebounding since September 2024, driven by rising food prices, despite the government's temporary price controls and stood at 4.4% in August 2025. Core inflation remained sticky amid rising labour costs and jumped over the summer.

Inflation picked up again as of September, yet largely reflecting base effects arising from the withdrawal of previous temporary controls on basic food prices. In May 2025 it rose to 3.3%, the fastest pace in three months, driven by food prices and global market uncertainties. Core inflation remained sticky with second-round effects of high energy and food prices on other sectors receding only slowly. In the first half of 2025, the current account deficit widened further, as the surplus in the services balance diminished further and private transfers from abroad continued to decline. The central bank lowered the key policy rate in several steps as of September 2024, from 6.30% to 5.35% in February 2025, and has kept it unchanged thereafter. At 4.4% of GDP, the general government fiscal deficit remained below its revised target (4.7%) in 2025, helped by under-implementation of capital expenditure, arrears, and protracted VAT refunds. The deficit is likely to narrow gradually this year and next, but fiscal consolidation will remain sluggish overall, mainly as the government needs to define precise

revenue-enhancing measures, while mandatory spending is increasing. A deficit of 4.3% of GDP is projected for 2025. Capital expenditure is projected to rise gradually from 3% of GDP in 2024 to 5.7% in 2026. The country has a good track record of servicing its debt. Financing needs are elevated with another Eurobond repayment looming in 2026, against the background of a rise in debt levels, as well as in sovereign borrowing cost and interest expenditure in recent years. Net FDI inflows were high in 2024 (around 7.1% of GDP) but are constrained by bureaucratic hurdles and political uncertainty. Structural constraints remain, contributing to low productivity growth. Private investment is hampered by bureaucratic inefficiencies and regulatory uncertainty. Medium-term growth projections suggest a gradual increase to 3-3.3% annually, contingent on successful structural reforms and the EU integration progress.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy, and the general condition is met.

b) Assessment of the soundness of the Public Financial Management system(s)

The 2022-2025 PFM Reform Programme (PFM/RP) is credible and relevant, though system improvements are still needed. The implementation rate of the Programme has been low due to delays in adopting key legislation, weak monitoring, and insufficient political oversight. The Sector Working Group met in July and the new PFM Reform Programme, covering the period 2025-2028, was formally adopted by the Government in September 2025. Key weaknesses in the PFM system are regularly identified by international assessments, including PEFA, SIGMA, and EU country assessment reports. The most recent PEFA assessment was conducted in 2021, based on data from fiscal years 2018, 2019, and 2020 ⁽²⁾. The latest SIGMA assessment was published in December 2024 ⁽³⁾. The PFM/RP 2022-2025 is structured around eight pillars, addressing the main weaknesses identified in these assessments. The Ministry of Finance's institutional capacity remains limited, as it struggles to attract and retain qualified staff. The budget process is well established and organised. Budget credibility has improved, supported by the operationalisation of the Fiscal Council, enhancements to the fiscal strategy, and progress in monitoring fiscal risks. However, concerns persist regarding the credibility of macro-fiscal projections. A new Organic Budget Law (OBL) was adopted by Parliament in September 2022, with the related implementing legislation underway. However, the development of an Integrated Financial Management Information System (IFMIS) has been postponed. Public investment planning remains weak. Some progress has been made in public investment management (PIM), including the establishment of a new PIM Department within the Ministry of Finance. A new PIM Decree regulating the entire investment management cycle and fulfilling Reform Agenda conditionality was adopted in April and the Ministry of Finance has started to deliver capacity building to budget users for its application.

Budget execution is well structured. The Government operates a zero-balance Single Treasury Account on a daily basis. Expenditure controls at commitment level and monitoring of State-Owned Enterprises and Municipalities should be strengthened to prevent arrears.

Public Internal Financial Controls (PIFC) remain weak, despite some progress following the adoption of the PIFC Law in December 2024 after four years of parliamentary procedures -

² <https://www.pefa.org/node/5117>

³ https://www.sigmaweb.org/en/publications/public-administration-in-the-republic-of-north-macedonia-2024_071bad9d-en.html

another Reform Agenda conditionality. The new law is expected to facilitate essential reforms, including strengthening administrative capacity, reducing the fragmentation of Internal Audit Units, and reinforcing Financial Management Controls.

Public procurement legislation is broadly aligned with the EU *acquis*. Despite North Macedonia's 'A' rating in the last PEFA assessments, practical implementation challenges persist, including low competition, exposure to corruption, and underdeveloped Public-Private Partnerships (PPPs). Addressing these issues is critical to improving procurement transparency and efficiency. The use of the Most Economically Advantageous Tender (MEAT) criteria remains rare, with approximately 96% of tenders awarded based solely on the lowest price.

The State Audit Office (SAO) is considered operationally independent, but its official status as an independent institution has yet to be recognised in the Constitution. The SAO fully implemented its 2024 audit programme, which included 88 audits. However, its institutional capacity remains insufficient. Parliamentary oversight of audit reports remains weak, as there is no established practice of following up on individual audit findings.

In conclusion, the soundness of the public finance management system (including the relevant reform strategy) is sufficiently confirmed, and the general condition is met.

c) Assessment of the transparency and oversight of the budget

The Executive's budget proposal and the final approved budget are published in a timely manner on the websites of both the Parliament and the Ministry of Finance. The main budget documents, including the annual budget, the Fiscal Strategy, the Debt Management Strategy, and the Final Accounts, are generally available to the public. However, the publication of recent Fiscal Strategies has faced significant delays, adopted behind schedule - those for 2023–2027 were postponed due to the energy crisis, while the 2025-2029 strategy was delayed due to elections. The Ministry of Finance has continued its efforts to enhance budget transparency by publishing quarterly data on the revenue and expenditure of public institutions, local government authorities, and state-owned enterprises. However, the comprehensiveness and accessibility of this data could be improved.

In the 2023 Open Budget Survey (OBS), North Macedonia scored 35, a slight decline from its score of 36 in 2021. The country makes five out of the eight key budget documents monitored by the OBS publicly available within a timeframe consistent with international standards. To enhance budget transparency, the timely publication of the Citizens Budget, Mid-Year Budget Review, and Fiscal Strategy needs to be prioritised. According to the latest OBS, there is only limited oversight throughout the budget cycle. The government should ensure that the draft budget is submitted to Parliament at least two months before the start of the fiscal year, allowing for in-depth budget policy debates before adoption. Opportunities for public participation in the budget process remain limited. The Ministry of Finance should further promote public engagement at all stages of budget preparation, execution, and reporting.

The State Audit Office's (SAO) audit of the government's final accounts is currently limited to compliance issues. It does not yet provide an audit opinion on accuracy and fairness based on a financial audit methodology. However, such opinions will be required once the new Organic Budget Law (OBL) comes into force.

In conclusion, budget transparency and oversight of the budget are sufficiently sound and the general condition is met.

The general conditions are confirmed as met.

3. Commission review of the achievement of the steps in the Reform Agendas

The Commission has reviewed the information provided by the beneficiary and has no indication that the implementation of the steps contravenes the general principles outlined in Article 4 and 11(4) of Regulation (EU) 2024/1449 and Article 3 of the Facility Agreement, or the ‘Do No Significant Harm’ principle (DNSH).

Reform 2.1.1.1. Align with electricity integration package to enable electricity market coupling of the EU and North Macedonia: establish the day ahead electricity market, operationalise the package in line with the market coupling operator integration plan by the end of 2025.

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| The step under review | <i>Complete transposition of the electricity integration package and continue its implementation, in line with Energy Community requirements.</i> |
| Baseline | 0 (2024). (Law not adopted) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>The Electricity Integration Package (EIP) includes four key acts (Electricity Directive (EU) 2019/944, Electricity Regulation (EU) 2019/943, Risk-Preparedness Regulation (EU) 2019/941, and ACER Regulation (EU) 2019/942) and five Network Codes and Guidelines governing market and system operations. The new Law on Energy was adopted by the Parliament on 14 May 2025, and published in Official Gazette of the Republic of North Macedonia No. 101/2025 on 21 May 2025. The Law on Energy aims to align primary legislation with all four core acts and the Capacity Allocation and Congestion Management Guideline (CACM), with the remaining network codes and guidelines to be addressed through secondary legislation. The Energy Community Secretariat provided comments during the drafting of the new Energy Law, which were reportedly taken into account to a large extent.</p> <p>While the current step focuses on the alignment of the legislative framework, it is complemented by a future step within the same Reform 2.1.1.1. aimed at completing market coupling, by joining the EU day-ahead market, which requires the adoption of secondary legislation. These missing acts should be accompanied by a formal report from the Energy Regulatory Commission and Tables of Concordance (ToC) of the remaining acts under the EIP, in line with Annex I to the Reform Agenda.</p> <p>On this basis, the Commission considers this step as not achieved. North Macedonia must complete the alignment process by adopting the necessary secondary legislation.</p> |

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| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - The adopted Law on Energy, as published in the Official Gazette of the Republic of North Macedonia No. 101/2025 on 14 May 2025; - Tables of Concordance for three main acts (with the exception of the ACER Regulation) and for one guideline of the Electricity Integration Package; - Regulatory impact assessment; - Decision on the designation of the operator of the organized electricity market as the nominated electricity market operator – NEMO – in the Republic of North Macedonia (Government Decision No. 50-5657/3, adopted on June 5, 2025.) <p>As part of its assessment, the Commission reviewed all submitted documentation, including the joint letter from the Commission and the Energy Community Secretariat to the Energy Community Contracting Parties regarding the verification procedure for the Electricity Integration Package, dated 7 August 2025.</p> <p>The Commission held regular meetings with the Ministry to monitor the state of play, including a meeting on 15 April 2025. Additionally, a videoconference was organised by the Commission on 21 May 2025, also including the Energy Community Secretariat, to discuss the progress of the reform.</p> |
| Double funding | Contributions from third parties were identified in support of the achievement of this step. USAID assisted North Macedonia in the initial gap analysis and work on the new Energy Law and its secondary legislation. Following USAID's withdrawal from the project, the Ministry of Energy finalized the drafting, consultation, and adoption process using its own resources. On the basis of the Commission's assessment, the degree of such contributions does not constitute a case of double funding, as the support was primarily focused on the preparatory work and enhancing expertise, while the beneficiary delivered the main objectives of the step. |
| Clear conclusion on the achievement of the step | Not achieved. The 'grace period' runs until 30 June 2026. |

Reform 2.1.1.2. Gradual electricity price adjustments to market level accompanied with measures to address energy poverty.

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| The step under review | <i>Gradual decrease of public intervention in the price-setting for the supply of electricity in line with Article 5 of the Directive 2019/944 on common rules for the internal market for electricity.</i> |
| Baseline | 85% (2024) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | During the Eightieth Session of the Government of the Republic of North Macedonia, held on 4 July 2025, the Government decided to set the price and to compensate the difference between the production cost of electricity from AD ESM (the State-owned |

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| | <p>electricity producer in North Macedonia) and the electricity price determined by the Government, with which AD ESM will supply 100% of the total needs of the universal supplier for July–December 2025.</p> <p>This decision contravenes what was planned in the Reform Agenda for this step and is not aligned with the objective of the EU Electricity Directive (EU) 2019/944 to achieve market-based supply prices. Furthermore, the beneficiary has not provided any plans on when and how this reform will be implemented. This ought to be addressed through a notification to the Energy Community Secretariat, together with an explanation and description required by the Directive.</p> <p>On this basis, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | A desk review of the available information was conducted, which includes the Government decision from the Eightieth Session of the Government of the Republic of North Macedonia, held on 4 July 2025. |
| Double funding | No contributions from third parties were identified in support of the achievement of this step. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 2.1.5.1. Implementation of the Energy Performance in Buildings and Energy Efficiency Directives.

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| The step under review | <i>Three-year Renovation Plan for Central Government Buildings to be adopted aligned with the annual 3% renovation target.</i> |
| Baseline | 0 (2023). No plan in place, and no renovated public buildings under the Central Government in 2023. |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | <p>The Draft Renovation Plan for Central Government Buildings with the annual 3% renovation target was developed but has not been adopted by the Government yet. The process should be inclusive, timely, and take into account the preliminary feedback from the Energy Community Secretariat (EnCS).</p> <p>On this basis the Commission considers the step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | A desk review of the available information was conducted, which includes the draft plan aligned with the 3% rate, email communication with the Energy Community Secretariat as well as data provided by the State Cadastre Agency. However, the Plan has not been adopted yet. |

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| Double funding | Contributions from third parties were identified in support of the achievement of this step. The development of the three-year Renovation Plan for Central Government Buildings was supported by the EU-financed project <i>Supporting Energy Reforms</i> . The Commission will assess whether the degree of such contributions constitute a case of double funding when the step will be reported by the beneficiary as fully achieved. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 2.2.1.1. Setting up a comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions).

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| The step under review | <i>Adopt and implement cybersecurity legislative framework that is fully aligned with EU cybersecurity policy and EU cybersecurity acquis, i.e. the Law on security of networks and information systems and updated Cybersecurity Strategy.</i> |
| Baseline | 0 (2024). (Law not adopted) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>The Law on Security of Networks and Information Systems was adopted by the Parliament on 27 June 2025 and published in Official Gazette of the Republic of North Macedonia No. 135/2025 on 4 July 2025. The new law aligns with Directive (EU) 2022/2555 (‘NIS2 Directive’) and introduces, among other provisions, cybersecurity requirements for essential and important entities, a supervisory authority with enforcement powers, and the establishment of Computer Emergency Response Teams/Computer Security Incident Response Teams (CERTs/CSIRTs). To achieve this step, only alignment at the level of primary legislation is required. Full implementation of the reform, including the adoption of 15 bylaws, falls under subsequent steps within the same reform. These bylaws consist of methodologies, manuals, and guidelines essential for operationalizing the structures foreseen in the three sequential steps.</p> <p>The Commission’s review of the legislation notes that alignment has been achieved, except for a limited number of provisions that remain partially harmonised. The beneficiary provided an explanatory note, clarifying that some provisions are already covered in other laws and that any remaining gaps will be addressed through secondary legislation. Hence, although the Law on Security of Networks and Information Systems does not fully align with the EU cybersecurity policy and EU cybersecurity <i>acquis</i>, the Commission concludes that, for the purposes of this Reform Agenda step, North Macedonia has reached sufficient alignment with the NIS2 Directive and that this constitutive element of the step is achieved.</p> <p>Regarding the other deliverable foreseen under this step, the Government adopted the National Cybersecurity Strategy 2025–2028 and its accompanying action</p> |

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| | <p>plan on 21 January 2025, with clearly defined actions, costs, and references to budget sources. The strategy and action plan are publicly available: https://mdt.gov.mk/mk-MK/regulativa/strategija-za-sajber-bezbednost.</p> <p>The adopted strategy identifies priority areas in alignment with Article 7 of the NIS2 Directive and the wider NIS2 framework. The accompanying action plan 2025-2028 ensures implementation of the strategy and each objective is broken down into granular-level action items, with identified deadlines, and estimated costing.</p> <p>Based on the above, the Commission considers this step as achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - the adopted Law on Security of Networks and Information Systems as published in the Official Gazette of the Republic of North Macedonia No. 135/2025 on 4 July 2025, accompanied by the Table of Concordance; - Regulatory impact assessment and several analyses that informed the drafting and implementation of the legislation. <p>In addition, the beneficiary submitted an explanatory note addressing the Commission's initial feedback, which was reviewed concluding that alignment of North Macedonia's legislation with NIS2 is not complete yet.</p> <p>As part of its assessment, the Commission reviewed all submitted documentation, as well as it analysed the requirement for secondary legislation against the NIS2 Directive and Reform Agenda steps under Reform 2.2.1.1.</p> |
| Double funding | <p>Contributions from third parties were identified in support of the achievement of this step. The drafting of the Cybersecurity Strategy benefited from technical assistance facilitated by the United Kingdom through its International Development Programme. On the basis of the Commission's assessment, the degree of such contributions does not constitute a case of double funding, as the support was primarily focused on enhancing expertise, while the beneficiary delivered the main objectives of the step.</p> |
| Clear conclusion on the achievement of the step | Fully achieved. |

Reform 2.2.2.1. Secure Digital infrastructures roll-out.

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| The step under review | <i>Adoption of the new Law on Electronic Communications, alignment of national legislation with the relevant EU Acquis to align it with the EU Acquis and the Gigabit Infrastructure Act, upon entry in force in EU.</i> |
| Baseline | 0 (2024). (Law not adopted) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |

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| Commission assessment of results | <p>The new Law on Electronic Communications was adopted on 27 June 2025 and was published in the Official Gazette No. 135 on 4 July 2025. In line with the step's description, it aims to align the national legislation with "the relevant EU <i>acquis</i>", namely two key EU legal acts: Directive (EU) 2018/1972 establishing the European Electronic Communications Code (EECC), and Regulation (EU) 2024/1309 establishing the Gigabit Infrastructure Act (GIA).</p> <p>To achieve this step, only alignment at the level of primary legislation is required. The law specifies a 15-month deadline for the adoption of the bylaws, due to the technically demanding nature of its implementation. Accordingly, the Gigabit Infrastructure Act sets an 18-month deadline for the adoption of secondary legislation at EU-level. Additionally, while the act entered into force on 11 May 2024, it will only become fully applicable for EU Member States as of 12 November 2025, with certain provisions taking effect even later, in February and May 2026, as outlined in Article 19 of the GIA Regulation. Therefore, the adoption of bylaws, the establishment of institutional capacities, and any additional requirements are not foreseen under the current step, which focuses on the alignment of primary legislation. The secondary legislation will be verified as part of the conditionality linked to future steps in the reform area.</p> <p>The Commission's review of the legislation notes that significant harmonisation gaps remain, primarily because the alignment work was based on the Commission's proposal rather than the final adopted version of the Gigabit Infrastructure Act. This presents a challenge, as further amendments to the law will be required.</p> <p>On this basis, the Commission considers this step as not achieved. While bylaws are not required under the current deadline, the adopted primary legislation does not sufficiently align with the relevant EU. Significant harmonisation gaps remain, which would need to be addressed through targeted amendments of the law.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - the adopted Law on Electronic Communications as published in Official Gazette of the Republic of North Macedonia no. 135 on 4 July 2025, accompanied by the Tables of Concordance; - Analysis of the national legal framework and gap analyses that informed the drafting process. <p>In addition, the beneficiary submitted a roadmap on the implementation of legislation, listing the required bylaws and the corresponding deadlines for adoption.</p> <p>As part of its assessment, the Commission reviewed all submitted documentation, as well as it analysed the requirement for secondary legislation against the EECC and GIA and the Reform Agenda steps under Reform 2.2.2.1.</p> |
| Double funding | <p>Contributions from third parties were identified in support of the achievement of this step. The Ministry of Digital Transformation received support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for the preparation of the following technical-level documents: (1) an analysis of the legal framework for electronic communications in the context of the new EU legal acts; (2) a gap analysis of alignment with the EECC; and (3) a gap analysis of alignment with the GIA. On the basis of the Commission's assessment, the degree of such contributions does not constitute a case of double funding, as the support was primarily focused on the</p> |

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| | preparatory work to inform the drafting of the new law and on enhancing expertise, while the beneficiary delivered the main objectives of the step. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 2.2.2.2. Digital Public Services.

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| The step under review | <i>Compliance with the EU Digital Identity Regulation and eIDAS2 Regulation by adoption of updated Law on Electronic Document, Electronic Identification and Trust Services, including compliance with the new EU Digital Identity Regulation, revising the eIDAS Regulation.</i> |
| Baseline | 0 (2024). (Law not adopted) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>The Law amending the Law on Electronic Document, Electronic Identification and Trust Services was adopted by the Parliament on 27 June 2025 and published in Official Gazette of the Republic of North Macedonia No. 135/2025 on 4 July 2025. The new law aligns with Regulation (EU) 2024/1183, which amends Regulation (EU) No.910/2014 (‘eIDAS2’), and introduces the European Digital Identity Wallet. To achieve this step, alignment at the level of primary legislation is required. Full implementation of this reform, including the adoption of 14 bylaws, falls under subsequent steps within the same reform. Some bylaws, particularly those on trust services and e-signatures, are expected in the next step (December 2025), while others, related to the digital identity wallet, are foreseen as pre-conditions under the final step (December 2027).</p> <p>The Commission’s review of the legislation notes that alignment has been achieved, except for a limited number of provisions that remain partially harmonised. These gaps are expected to be addressed through secondary legislation. Although the Law on Electronic Document, Electronic Identification and Trust Services does not fully align with the new EU Digital Identity Regulation, the Commission concludes that, for the purposes of the Reform Agenda step, North Macedonia has reached sufficient alignment with the EU <i>acquis</i>. As of this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the reform that the step represents.</p> <p>Based on the above, the Commission considers this step as achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - the adopted Law on Electronic Document, Electronic Identification and Trust Services as published in the Official Gazette of the Republic of North Macedonia No. 135 on 4 July 2025, accompanied by the Table of Concordance (ToC); |

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| | <ul style="list-style-type: none"> - Gap analysis and the eID scheme feasibility study that informed the drafting process; - Regulatory impact assessment. and the legislation implementation roadmap. <p>In addition, the beneficiary submitted a roadmap on the implementation of legislation, listing the required bylaws and the corresponding deadlines for adoption. It also addressed the Commission's initial feedback on the ToC, which was reviewed concluding that alignment is not of high degree, and there are clear implementation gaps.</p> <p>As part of its assessment, the Commission reviewed all submitted documentation, as well as it analysed the requirement for secondary legislation against the eIDAS2 Regulation and Reform Agenda steps under Reform 2.2.2.2. The list of bylaws was reviewed, along with the adoption status of the Commission's delegated and implementing acts under the revised European Digital Identity Regulation. Twelve acts remain to be adopted by the Commission, after undergoing public consultation in April-May 2025, some of them have recently been adopted and others are expected to be adopted in the course of September 2025 and early 2026. This confirms that the necessary bylaws are to be adopted at a later stage in line with the deadlines set out in the new law of six months following the adoption of the law.</p> |
| Double funding | Contributions from third parties were identified in support of the achievement of this step. The Support for Improvement in Governance and Management (SIGMA) provided technical assistance in conducting a gap analysis, identifying provisions that national law has not aligned with yet. On the basis of the Commission's assessment, the degree of such contributions does not constitute a case of double funding, as the support was primarily focused on the preparatory work to inform the drafting of the new law and on enhancing expertise, while the beneficiary delivered the main objectives of the step. |
| Clear conclusion on the achievement of the step | Fully achieved. |

Reform 2.2.2.2. Digital Public Services.

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| The step under review | <i>Adopt legislation to allow for archiving of electronic documents.</i> |
| Baseline | 0 (2024). (Law not adopted) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>The law on Archival Material and Archival Activity was adopted by the Parliament on 27 June 2025 and published in Official Gazette of the Republic of North Macedonia No. 135/2025 on 4 July 2025.</p> <p>The law addresses the legal vacuum concerning the archiving and processing of electronically generated documents. It formalizes the practice by establishing a</p> |

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| | <p>legislative framework exclusively dedicated to electronic archiving applicable across the public administration. The new law stipulates the use of a unified document management system (DMS) at the central level, aiming to implement it across all central-level institutions. In the absence of specific EU <i>acquis</i>, the beneficiary performed an expert analysis of the current situation, reviewing EU standards, and the possibilities for establishing the data storage infrastructure and e-platform.</p> <p>The law will be applicable as of 1 June 2026, which gives time to complete the necessary implementing legislation (bylaws). These bylaws will specify in more detail the standards to be applied for the security of electronic storage, facilitating digital operations and the storage of archival data. This legal framework and the complete implementation of the DMS will enable institutions to electronically exchange and store documents (for long-term purposes) and deliver electronic services without any need to print documents, as is the case now.</p> <p>On this basis, the Commission considers the step as achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - The adopted law as published in the Official Gazette of the Republic of North Macedonia no. 135/2025 on 4 July 2025; - Regulatory impact assessment and the analytical report on the technical capacities and assessment of current situation. <p>As part of its assessment, the Commission reviewed all submitted documentation, drawing from SIGMA's Principles of Good Public Administration. Technical checks confirmed that the unified document management system, with data storage and electronic record-keeping modules, is partially operational in several institutions.</p> |
| Double funding | <p>Contributions from third parties were identified in support of the achievement of this step. The Regional School for Public Administration (ReSPA) provided technical assistance in analysing the legislative framework. On the basis of the Commission's assessment, the degree of such contributions does not constitute a case of double funding, as the support was primarily focused on the preparatory work to inform the drafting of the new law and on enhancing expertise, while the beneficiary delivered the main objectives of the step.</p> |
| Clear conclusion on the achievement of the step | <p>Fully achieved.</p> |

Reform 4.1.1 Address the informal economy in support of the recently adopted Strategy for Formalization of the Informal Economy.

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| The step under review | <p><i>The number of inspections is increased for the Labour Inspectorate by 20% and for the Market Inspectorate by 15% compared to the 2020-2023 period average. Inspections are carried on the principle of sectorial risk with a focus on construction, tourism, and agriculture.</i></p> |
| Baseline | <p>5.294 as an average for both institutions (2020-2023)</p> |

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| | <p>Annual average for a period 2020-2023</p> <p>i) 4.817 State Labour Inspectorate</p> <p>ii) 477 State Market Inspectorate</p> |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>The step encompasses two distinct sub-requirements:</p> <p>i. <i>The number of inspections is increased for the Labour Inspectorate by 20% and for the Market Inspectorate by 15% compared to the 2020-2023 period average</i></p> <p>The State Labour Inspectorate (SLI) conducts inspections in two areas: Occupational Safety and Health and Labour Relations, with the latter including undeclared workers. In line with the step's baseline for the number of inspections in the area of labour relations (4,817 as the annual average for 2020–2023), a 20% increase within a one-year period corresponds to over 5780 inspections.</p> <p>In the first period (July to December 2024) SLI conducted a total of 8,280 inspections, including 1,898 regular inspections, 1,725 control inspections, and 4,657 extraordinary inspections. The second period (January to June 2025) records 8,184 inspections, including 1,807 regular inspections, 1,804 control inspections, and 4,573 extraordinary inspections. Therefore, within a one-year period SLI reported 16,464 inspections, representing a 242% increase compared to the target. In addition, SLI issued decisions in administrative proceedings (warnings, fines, prohibition of activity, etc.): 1539 in the first period and 1,840 in the second one. Regarding undeclared work, over the one-year period, SLI conducted 433 inspections and identified 543 unregistered workers, representing an increase of 130% compared to the baseline of 188 inspections and an increase of 208% compared to the baseline of 176 unregistered workers.</p> <p>The State Market Inspectorate (SMI) supervises and conducts inspections for compliance with 37 laws in different sectors, with a focus on the inspections carried out under the Law on Prohibition and Prevention of Unregistered Activities, which is considered for the achievement of this step. In line with the step's baseline for the number of inspections (477 as the annual average for 2020–2023), a 15% increase within a year corresponds to over 548 inspections.</p> <p>In the first period (July to December 2024), SMI conducted 106 inspections and 563 in the second period (January to June 2025), totalling 669 inspections within a one-year period, representing a 40,2% increase compared to the target. These inspections resulted in 20 decisions in the first period and 202 in the second period, totalling 222 decisions issued in administrative proceedings (mandating corrective measures, imposing fines, etc.). These led to the closure of 8 economic operators in the first period and 10 in the second one. In parallel, there were 75 complaints submitted on various grounds from citizens and business entities.</p> |

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| | <p>ii. <i>Inspections are carried on the principle of sectorial risk with a focus on construction, tourism, and agriculture.</i></p> <p>In line with the step's description, coverage of risk-bearing sectors such as agriculture, construction, and tourism should be demonstrated.</p> <p>SLI provides a sectoral breakdown of data related to inspections for unregistered work and the number of detected workers. By aggregating data for all three risk-bearing sectors, it can be noted that over the one-year period, 358 inspections took place in agriculture, construction, and tourism (accommodation facilities and food service), resulting in the identification of 526 unregistered workers. This confirms that almost all efforts were focused on the risk-bearing sectors.</p> <p>SMI covers all sectors under the Law on the Prohibition and Prevention of Unregistered Activity, including agriculture, construction, and tourism. It has extended the practice of screening "unregistered business activity" to other sectoral laws it administers. SMI's reports contain under each law, control-activity checklists and inclusion can be attested. For instance, under the Law on Catering Activity, which mainly targets tourism and hospitality, inspections rose from 1,654 in the first period to 2,679 in the second. Screening for unregistered activity was also incorporated under the Law on Trade (wholesale and retail).</p> <p>Regarding the application of risk-assessment in planning inspections, both SLI and SMI apply their methodologies in line with the Rulebook on the Elements of Risk Assessment and the Frequency of Conducting Risk-Based Inspections (Official Gazette of the Republic of North Macedonia, No. 247/2019). According to the step's description, the provision of a software solution to define the probability as an element of the methodology, as well as a suitable database to increase the efficiency of inspections, would improve the quality of risk assessment through its digitalisation.</p> <p>Based on the above, the Commission considers this step as achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - Two reports relevant for SMI: the first covering July to December 2024 and the second covering January to June 2025. - Two reports relevant for SLI: the first covering the whole year of 2024, and the second covering January to June 2025. <p>In addition, the beneficiary submitted an explanatory note providing a bi-annual breakdown of data in the report of SLI for the year 2024.</p> <p>As part of its assessment, the Commission reviewed all submitted documentation. Additionally, SMI's historical data published on its website has been reviewed to confirm the provided baseline (the average for the period 2020-2023). The explanatory note was used to compare the baselines against achievements within a one-year period covered by the two reports, July 2024 to December 2024 and January 2025 to June 2025.</p> |
| Double funding | <p>No contributions from third parties were identified in support of the achievement of this step.</p> |

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| Clear conclusion on the achievement of the step | Fully achieved. |
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Reform 4.1.3. Foster SMEs development by adopting and implementing the new SME strategy.

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| The step under review | <i>On the basis of the previous mapping of 377 charges and the recommendations of the related EU-funded technical assistance project, 28 such charges are optimized.</i> |
| Baseline | 0 (2024) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | <p>As specified in the Reform Agenda, to achieve this step the beneficiary must proceed with the optimisation of 28 para-fiscal charges identified from the Action Plan for optimisation, consolidation and streamlining of para-fiscal charges for MSMEs, which was developed on the basis of the IPA-funded project “Streamlining the para-fiscal charges”. These are: 19 charges from the Agency for Medicaments and Medical Devices, 6 from Central Registry and 3 from Ministry of Economy and Labour. The project also developed a Standard Cost Model (SCM) for the revision of para-fiscal charges and their optimisation, which must be applied for all 28 para-fiscal charges and other non-tax payments. In line with the step’s description, for the achievement of this step, the following activities are to be implemented:</p> <ol style="list-style-type: none"> 1. Finalization and adoption of the proposed list for optimization of para-fiscal charges and other compulsory non-tax payments; 2. 28 para-fiscal charges and other non-tax payments are streamlined using proposed methodology; 3. Reporting by the institutions with a jurisdiction over the selected para-fiscal charges, based on the calculations from the proposed methodology to include administrative relief in nominal value, and; 4. Reporting by the Ministry of Economy on the implementation of the measure to include administrative relief in nominal value and total percentage of administrative relief as a percentage of GDP. <p>In addition, the beneficiary will proceed with the digitalisation of all 28 para-fiscal charges and of the other non-tax payments, as to make them digitally available.</p> <p>Implementation of this step is not on track. On this basis, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | A desk review of the available information was conducted, including a list of 15 digitalised para-fiscal charges with online links. As part of its assessment, the Commission reviewed all submitted documentation, as well as the deliverables, recommendations, and methodology of the previous IPA project in the area of optimizing para-fiscal charges. |

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| Double funding | Contributions from third parties were not reported in support of the achievement of this step. It is worth noting that the step builds on the groundwork of previous IPA assistance that provided the beneficiary with a comprehensive analysis on para-fiscal charges optimization. While the analysis offered the theoretical foundation, the step focuses on implementation. The Commission will assess whether the degree of such contributions constitute a case of double funding when the step will be reported as fully achieved. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 4.1.3. Foster SMEs development by adopting and implementing the new SME strategy.

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| The step under review | <i>Ease the access to lending for SMEs by amending relevant legislation to allow the use of intangible assets as collateral in lending to SMEs.</i> |
| Baseline | 0 (2024) (current legal framework for SME) |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>In line with the Reform Agenda’s objective, this step requires the beneficiary to amend the national legislation to facilitate the use of intangible assets, such as intellectual property, patents and trademarks, as collateral by SMEs for lending purposes. National authorities have assessed the current legal framework and concluded that there are 3 main legal acts that regulate this area. They conducted an in-depth assessment of the legislation and concluded there is no need for any amendment as the step requires. The opinion of the National Bank of North Macedonia also pointed to the discretionary right that commercial banks have in applying their own rules for determination and acceptance of intangible assets as collateral to secure loans. In addition, the Ministry of Finance proposed to organise dedicated trainings addressed to the relevant stakeholders, to promote the use of intangible assets as a collateral. However, the latter is not foreseen as the objective of this step.</p> <p>The evidence provided of the relevant legal acts highlight that such legal framework has already been in place prior to the adoption of the Reform Agenda by the beneficiary. Even though the Ministry of Finance concluded there is no need for any legal modifications, the Reform Agenda requires the beneficiary to introduce amendments to boost the use of intangible assets as collateral. To address this issue, the Ministry of Finance has neither conducted any assessment or study on the use of intangible assets as collateral nor investigated the reasons behind the limited adoption of this tool. To implement this step and other measures that facilitate access to finance, the beneficiary can consult recognized best practices, such as studies and guidance developed by the Organisation for Economic Co-operation and Development (OECD).</p> |

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| | <p>In addition, the proposal for training, which is not a requirement of the Reform Agenda, is not sufficiently elaborated: it lacks a thorough analysis of the underlying reasons for the insufficient use of intangible assets as collateral, and it does not specify the subjects or objectives of education, nor does it provide a timeline or methodology for implementation.</p> <p>On this basis, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ol style="list-style-type: none"> 1. Letter No. 13-2801/2 from 13 May 2025 from the National Bank of the Republic of North Macedonia; 2. Article 1 of the Law on Contractual Pledge (“Official Gazette of the Republic of Macedonia” No. 5/03, 4/05, 87/07, 51/11, 74/12, 92/12, 115/14, 98/15, 215/15, and 61/16); 3. Articles 67, 88, 147, 174, 184, 218 and 244 of the Law on Industrial Property (“Official Gazette of the Republic of Macedonia” No. 21/09, 24/11, 12/14, 41/14, 152/15, 53/16, 83/18, 31/20, and 86/25); 4. Calculating Impairment and Special Reserve, Eligible collateral instruments points 25 to 27 from the Decision on the Methodology for Credit Risk Management (“Official Gazette of the Republic of North Macedonia” No. 57/23 and 27/24). <p>As part of its assessment, the Commission reviewed all submitted documentation, with close attention to the data available on websites and review of relevant legislation referenced by the national authority. In addition, the Commission consulted the Register of intangible assets managed by the Central Registry (https://www.crm.com.mk/mk/za-tsrrsm/osnovni-informatsii-za-institutsijata/registri), which records all intangible assets that are used as collateral by banks, and OECD literature on the use of intangible assets.</p> |
| Double funding | No contributions from third parties were identified in support of the achievement of this step. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 4.1.5. Reform the governance of State-Owned Enterprises with focus on the Railways and Postal services.

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| The step under review | <i>Create a register of SOEs and companies with State participation which is publicly available.</i> |
| Baseline | 0 (2024). |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |

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| <p>Commission assessment of results</p> | <p>The Register of Public Entities was set up and became operational as of 30 June 2025. It is publicly available on the Ministry of Finance website: https://finance.gov.mk/mk-MK/oblasti/registar-na-javni-subjekti/registar-na-javni-subjekti/. However, it pertains to Reform 1.1.3, “<i>Full implementation of the 2022 Organic Budget Law</i>,” and originates from Article 4 of that law. It provides a comprehensive list of public institutions, encompassing not only State-Owned Enterprises (SOEs) and State-Owned Companies (SOCs) but also bodies such as the Presidency, Parliament, Ministries, Municipalities, and others. Although some SOEs and SOCs are included, the register has a limited scope in mapping public enterprises and does not present a comprehensive list, therefore not containing relevant data to inform SOE-related reforms.</p> <p>The submitted register is a different type of registry than the one expected under this step. The register is available in Excel format and includes only four categories of data: the name of the public body, ID number, tax number, and the category of the body. 1404 public bodies are listed in total, out of which 197 are public enterprises. In contrast, the registry of SOEs expected under Reform 4.1.5 should focus exclusively on SOEs and SOCs. It should provide a comprehensive list of public enterprises and include data relevant to SOE-related policy-making, thereby contributing to the main objective of Reform 4.1.5: “<i>to support improved financial performance and operational efficiency in service delivery</i>”.</p> <p>The SOE Registry should also cover enterprises in which the state or municipalities hold a minority shareholding. Whereas the Register of Public Entities has a limited scope, as Article 2(23) of the Organic Budget Law refers to “<i>public enterprises and companies predominantly or fully owned by the state or the municipalities</i>,” which means entities with more than 50% public ownership. In addition, in line with the Reform Agenda’s objective 4.1.5, OECD best-practice principles for SOE corporate governance should be applied. Accordingly, minority holdings should be included where the state retains significant influence or control, either through a relevant ownership percentage or through special rights and arrangements that confer influence regardless of percentage level.</p> <p>While the step’s description refers to the existing Register of Public Entities, established under the Organic Budget Law, indicating that it may serve as a foundation for identifying state-owned entities, it also states that additional information and data relevant to SOEs and SOCs shall subsequently be added by the Ministry of Economy and Labour. In particular, the following could be considered:</p> <ul style="list-style-type: none"> • Enterprise market value and market value of ownership; • The percentage of state ownership / structure of ownership; • Key financial performance indicators, including revenue, expenses, profit/loss, productivity metrics, solvency, liquidity, and other relevant operational data; • Provided budget support, including subsidies or capital injections; • Data on results of external audits; <p>The expected deliverable is a dedicated registry solely for SOEs, which is distinct from the submitted Register of Public Entities. The current list of 197 SOCs, SOEs, and municipality-owned public enterprises should be further expanded to include those with minority state ownership, and key financial performance data should be</p> |
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| | <p>provided. The SOEs Registry represents a key step under Reform 4.1.5, laying the groundwork for upcoming steps. If populated with comprehensive data, it would enable informed, evidence-based policy-making.</p> <p>Based on the above, the Commissions considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <p>The Register of Public Entities in Excel format, evidence of its publication online as well as the link. As part of its assessment, the Commission reviewed all submitted documentation, including previously submitted documentation under the Organic Budget Law step (due in December 2024), and publicly available information, including the 2024 OECD Guidelines on Corporate Governance of SOEs and various reports published either on the Ministry's website or individually by enterprises presenting key financial performance indicators.</p> |
| Double funding | No contributions from third parties were identified in support of the achievement of this step. |
| Clear conclusion on the achievement of the step | Not achieved. The 'grace period' runs until 30 June 2026. |

Reform 4.1.5. Reform the governance of State-Owned Enterprises with focus on the Railways and Postal services.

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| The step under review | <i>Restructuring plan for state owned railways operator and railway infrastructure manager adopted by January 2025.</i> |
| Baseline | 0 (2024). |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as fully achieved. |
| Commission assessment of results | <p>On 18 March 2025, the Government approved draft Action Plans for the Public Enterprise Railway Infrastructure (PERI) and the Public Enterprise Railway Transport Operator (PERO), which the Ministry of Transport presented to the European Commission on 30 April 2025. The Commission provided preliminary feedback, encouraged redrafting with the support of restructuring experts, and requested revised drafts.</p> <p>PERI's action plan lacks detail and analysis. It does not provide a granular analysis of revenue streams or cost drivers, nor does it assess the feasibility of increasing revenues or optimising costs in order to achieve the Reform Agenda target of net operating income equal to or above zero in the fiscal year 2027. The measures included in the action plan are presented only as titles with indicative timelines, without detailed explanations, sub-step breakdowns, costing or budgeting, or the financial modelling necessary to demonstrate how the proposed actions would generate revenue gains and cost optimizations. Given that the plan lacks sufficient detail and analysis, it cannot be demonstrated that the listed actions</p> |

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| | <p>are sufficient to reach the target. For instance, no reference is made to optimizing major components of operational expenses, such as the gross salary costs, the largest on the cost side. Furthermore, the net operating income indicator is not properly defined in the action plan. Instead, the total loss from the profit and loss statement is presented as the baseline (EUR –10.97 million, equivalent to a loss of MKD – 674,911,000 in the auditor’s report on the 2023 statement). The indicator should be clearly defined to reflect revenues minus expenses from actual operations, thereby providing an accurate picture of the enterprise’s financial sustainability.</p> <p>Similarly, PERO’s action plan lacks detail and analysis. While it sets the goal of eliminating operating losses by 2027 and emphasizes revenue growth, efficiency, and process optimization, it only lists broad actions. These measures are presented without detailed explanations, costing, or financial modelling. Therefore, the plan does not demonstrate how they would generate the revenue gains and cost optimisations required to achieve the Reform Agenda target of net operating income equal to or above zero in the fiscal year 2027. Without an in-depth review, it is unclear whether the listed measures are sufficient. A granular breakdown of sources revenues and costs should be included to assess realistic cost savings and revenue growth potential, including major cost drivers such as gross salaries, the largest component of operating expenses. While new employment is planned, with increasing salary costs, no use is made of retirements and labour force optimization through re-training and reallocation. The submitted action plan reiterates the main measures foreseen in the 2025-2029 Business and Investment plan, which is the main business strategic document of the enterprise. While the same measures are presented in the action plan as achieving a net operating income of zero or above, in the business plan under the financial projections for the year 2027 and beyond, they result in negative outcomes, confirming that the proposed actions are insufficient to meet the Reform Agenda requirements. A detailed definition of the indicator is missing. The indicator should be clearly defined to reflect revenues minus expenses from actual operations, thereby providing an accurate picture of the enterprise’s financial sustainability.</p> <p>The Business and Investment Plan already provides the groundwork for revising the action plan, however, the projected freight revenue increase for the period 2025-2029 lacks supporting evidence given the aged and largely depreciated fleet and the unknown status of new freight contracts. The assumptions are based on an increased demand along the Corridor 10, however this should be explained more in detail. The fundamental issues in the year 2024 remain: high fixed costs, low commercial viability, dependence on subsidies, and an overvalued balance sheet. These issues point to the need for a market-validated freight demand study to justify revenue projections, as well as a revised investment plan to align with actual infrastructure and rolling stock needs, a workforce restructuring strategy, and a phased approach to reduce reliance on public subsidies through performance-based support and to reassess the goodwill on the balance sheet reflecting the company’s true equity position, none of which are present in the submitted document.</p> <p>Moreover, in line with the Reform Agenda, the restructuring plans of both enterprises should also address qualitative criteria. These include addressing skills gaps and optimizing labour costs (based on a workload analysis); identifying capital expenditure needs and planned investments in rail fleet, machinery, and infrastructure; increasing revenues by improving collection and sales; eliminating inefficiencies and reducing costs through process optimization; and pursuing further</p> |
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| | <p>improvements (e.g. market price analysis to support renegotiation of supplier contracts). Liquidity and solvency indicators should also be strengthened, including through reducing arrears and improving the balance sheet. Horizontal criteria include providing a detailed breakdown of actions with proper costing and budgeting, and ensuring sufficient time for implementation of the plans, even beyond 2027.</p> <p>In both cases, the documents submitted cannot be considered restructuring plans within the meaning of the Reform Agenda. They lack analytical depth, proper costing and budgeting, and integrated financial modelling capable of showing how net operating income can reach zero or above in fiscal year 2027. They also fail to address key structural issues such as workforce optimisation, revenue collection, balance-sheet repair, and the phasing out of subsidies. The Commission notes the establishment of a working group with international partners as a positive development, but underlines that this does not compensate for the absence of credible plans.</p> <p>Finally, the step's description refers to the appointment of new board members, which are based on the selection criteria in the Law on Trade Companies and the Law on Public Enterprises. Although most appointments were in line with the current criteria, the selection and appointment criteria do not follow the OECD best practices of merit-based selection and independence. The appointment process is expected to improve with the step "adopt a State Ownership Strategy and a Law for State Owned Companies", due by December 2025 under Reform 4.1.5. The two enterprises should be subject to the new unitary framework for SOEs, when adopted.</p> <p>Based on the above, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>In line with the sources of verification, the following evidence was provided:</p> <ul style="list-style-type: none"> - Two restructuring action plans, one for PERO and one for PERI; - Evidence of formal adoption by the Government, as well as documentations related to the establishment of a working group to work on the revised plans. <p>In addition, the beneficiary submitted the financial statements, audit reports for the years 2023 and 2024, and 2025 business and investment plans of both companies, providing a broader understanding of the financial issues and the strategic direction of the enterprises. The legal basis for the establishing and functioning of the two enterprises was also provided, i.e. the Law on Public Enterprises and Law on Trade Companies.</p> <p>As part of its assessment, the Commission reviewed all submitted documentation.</p> |
| Double funding | No contributions from third parties were identified in support of the achievement of this step. |
| Clear conclusion on the achievement of the step | Not achieved. The 'grace period' runs until 30 June 2026. |

Reform 5.1.1. Review comprehensively the electoral legislation to address existing inconsistencies and further address the recommendations of the OSCE/ODIHR and Venice Commission.

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| The step under review | <i>Electoral code amended in line with ODIHR observations of elections 2024.</i> |
| Baseline | 0 (2024). |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | <p>In June 2025, the Ministry of Justice drafted a package of amendments to the Electoral Code, aimed at addressing a number of ODIHR recommendations. The proposed changes include provisions on the misuse of state resources, campaign finance transparency, and media regulation, including political advertising rules and expanded oversight powers for regulatory bodies. The OSCE Office for Democratic Institutions and Human Rights (ODIHR) is conducting a legal analysis on these proposals. The new Code has not been adopted yet.</p> <p>To achieve this step, the Parliament must adopt a new Electoral Code that fully addresses ODIHR's recommendations from the reports on all conducted elections, as outlined in the step's narrative. The process should be inclusive, timely, and based on broad political consensus.</p> <p>On this basis, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | A desk review of the available information was conducted, which includes the progress report submitted by the beneficiary, as well as official communication with ODIHR and ODIHR's assessment reports. |
| Double funding | Contributions from third parties were identified in support of the achievement of this step. ODIHR is currently conducting a legal analysis of the package of amendments that the Ministry of Justice intends to include. The Commission will assess whether the degree of such contributions constitute a case of double funding when the step will be reported as fully achieved. |
| Clear conclusion on the achievement of the step | Not achieved. The 'grace period' runs until 30 June 2026. |

Reform 5.2.1. Improve judicial integrity by revising the processes of recruitment, selection, appointment, appraisal, promotion, transfer and dismissal of judges and prosecutors.

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| The step under review | <i>Adopt amendments to the laws regulating salaries of judges and prosecutors as well as of the court and prosecutorial administrations.</i> |
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| Baseline | 0 (2024). |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | <p>Two draft laws regulating the salaries of judges and public prosecutors were introduced into government procedure in June 2025: the Draft Law Amending the Law on Salaries of Judges (submitted on 4 June) and the Draft Law Amending the Law on Salaries of Public Prosecutors (submitted on 20 June). The proposed amendments are limited in scope, focusing specifically on increasing salary coefficients, from 2.8 to 3.7, and clarifying the salary base, thereby reversing the 2024 changes that led to significant reductions and returning salaries to their former level. During the government procedure, the Ministry of Finance issued a negative opinion on both draft laws, referring to issues with the costing template. The core concern remains the pressure these measures place on ongoing fiscal consolidation efforts. In line with the Reform Agenda's objective, the level of salary increases specified in the amendments should be maintained, with the agreement of the Ministry of Finance, and the relevant funds are to be allocated in the 2026 state budget, currently under preparation.</p> <p>Regarding the judicial and public prosecutorial services, the current regulatory framework requires approval of the annual employment plans and consents for each employment and promotion from the Ministry of Finance and the Ministry of Public Administration. Given challenges in securing approvals, staffing has been constrained, leading to reductions in personnel, while stalled promotions and reliance on temporary contracts has further reduced the attractiveness of such positions. Amendments to the Law on Judicial Service and the Law on Public Prosecutor's Service were submitted to government procedure on 23 May and 20 June 2025. The proposed amendments establish the functional financial independence of the judiciary, by simplifying the approval procedure, under which the Judicial Budget Council and the Public Prosecutor will approve employment plans and promotions, with the executive branch merely notified. Moreover, the proposed amendments introduce a change in methodology to calculate the basic salary, which may result in modest salary increases.</p> <p>As required by the step's description, the judicial and public prosecutorial services should be exempt from the status of administrative servants under the Law on Administrative Servants. Particular attention should be given to amending the Law on Administrative Servants to explicitly exclude these services from its scope, as already done for certain categories under Article 9 of the same Law. However, despite recent amendments adopted on 10 July 2025, the judicial and public prosecutorial services remain within its scope.</p> <p>Based on the above, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | A desk review of the available information was conducted, which includes the draft amendments to the four laws, the negative opinions issued by the Ministry of Finance, and the most recent amendments to the Law on Administrative Servants from 10 July 2025. |

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| Double funding | No contributions from third parties were not identified in support of the achievement of this step. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 5.3.1. Implement an improved regulatory framework of the Judicial Council in particular to disciplinary and appeal proceedings of judges (in line with the TAIEX peer review mission of September 2023).

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| The step under review | <i>New Law on Judicial Council adopted in line with the ‘peer review’ on the functioning of the Judicial Council, from Sep 2023, and the opinion of the Venice Commission.</i> |
| Baseline | 0 (2024). |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | <p>The new draft Law on the Judicial Council, prepared by the Working Group and submitted to the Government on 26 June 2025, incorporates the recommendations of the 2023 EU Peer Review mission. The Working Group, established within the Ministry of Justice on 16 November 2023, was tasked with this purpose and included representatives from the judiciary, Judicial Council, academia, civil society, and the Ministry itself. Expertise from the IPA Rule of Law Project (ROLAW) was also involved in the process. Additional feedback was requested from the Venice Commission: its opinion, adopted at the 143rd Plenary Session (13-14 June 2025), was incorporated in the draft law. The law still requires Government adoption before proceeding through parliamentary procedure, with particular attention needed to ensure that possible amendments do not undermine the transposition of earlier recommendations.</p> <p>On this basis, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | A desk review of the available information was conducted, which includes the list of recommendations issued by the 2023 TAIEX ‘peer review’ mission, the draft law, the opinion issued by the Venice Commission, adopted at its 143rd Plenary Session (13–14 June 2025), and several analyses drafted by the IPA Rule of Law (ROLAW) project assessing the progress and the degree of alignment of the draft legislation to the recommendations. The Commission provided feedback on the law during its drafting. |
| Double funding | Contributions from third parties were identified in support of the achievement of this step. The groundwork for the new law was laid by the recommendations of the 2023 TAIEX Peer Review mission. The IPA Rule of Law (ROLAW) project provided expertise on the degree of transposition of these recommendations, serving as a useful tool for the ongoing drafting within the working group. Additional input came from the Venice Commission, whose recent Opinion on the Draft Law on the |

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| | Judicial Council, adopted at its 143rd Plenary Session (13–14 June 2025), further supported the drafting process. The Commission will assess whether the degree of such contributions constitute a case of double funding when the step will be reported as fully achieved. |
| Clear conclusion on the achievement of the step | Not achieved. The ‘grace period’ runs until 30 June 2026. |

Reform 5.7.1. Strengthen capacities regarding assets confiscation and recovery in line with the EU *acquis*, establish an Asset Recovery Office ARO in charge of the identification and tracking of criminal assets, in line with the EU *acquis*.

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| The step under review | <i>All vacancies on the Agency for Management of Confiscated Property have been filled.</i> |
| Baseline | 0 (2024). |
| Deadline of the step | June 2025 |
| Conclusion of the review of the step by the beneficiary | The beneficiary considers this step as not achieved. |
| Commission assessment of results | <p>In March 2024, the Parliament adopted amendments to the Law on the Management of Confiscated Property, Property Benefits, and Seized Objects from Criminal and Misdemeanour Proceedings, which aligned the legislative framework with the then-in-force Directive 2014/42 on the freezing and confiscation of instrumentalities and proceeds of crime. These amendments introduced additional responsibilities and have significantly increased the Agency’s workload. To meet these new obligations, the updated systematisation act foresees a total of 79 positions, of which 39 were filled as of early 2025.</p> <p>To achieve this step, which commits to ‘all vacancies being filled,’ the Agency should build on its systematisation act, by requesting and securing Ministry of Finance approval for the foreseen employments and then finalizing a transparent, merit-based recruitment procedure to ensure that positions are filled by the most qualified personnel. This number should be backed by a workload analysis, a best practice in staffing reforms providing additional assurance of actual needs. As for merit-based recruitments, these should be supported by additional sources of verification, such as the legal basis outlining the selection criteria, the published job descriptions, and the employment justification forms. Special attention should be given to the latter, which should be duly filled for each reported recruitment, clearly outlining the candidate’s background, experience, and the rationale for their selection.</p> <p>In the second half of 2024, the Agency requested approval for 40 employments under the 2025 annual plan to the Ministry of Finance, which issued a negative opinion due to concerns over the fiscal implications of additional employments, and a revised request for six new employments and one promotion, which was also rejected. Subsequent requests in late 2024 and in the first half of 2025 were limited to fewer positions, by means of internal transfers and temporary employments, but these too</p> |

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| | <p>were rejected by the Ministry of Finance. After the step deadline, the Ministry of Finance approved on 8 August 2025 one of these requests, for 13 temporary employments, to be employed till the end of the year 2026. However, the focus should be on securing permanent hires and conversion of the temporary position to permanent, in line with the step's description to fill all vacancies.</p> <p>On 14 April 2025, the request of the Agency for five permanent positions was approved. This includes four administrative servants (two Heads of Department, one Junior Associate, one Senior Associate Archivist) and one support staff (driver). Recruitment procedures are ongoing, with public announcements issued in July 2025.</p> <p>Based on the above, the Commission considers this step as not achieved.</p> |
| Checks performed and evidence used in the verification of the step and related findings | <p>A desk review of the available information was conducted, which includes the systematisation act of the Agency, the subsequent employment requests to the Ministry of Finance for permanent positions as well as the four subsequent requests for temporary positions. The public announcement for the positions opened on 4 July 2025 is available online at the following link: https://www.fakulteti.mk/news/04072025/agencija-za-upravuvanje-so-odzemen-imot-vrabotuva-3-sluzhbenici. The Commission also consulted the employment procedure for public servants, including the requirement for providing justification over new employments.</p> |
| Double funding | <p>No contributions from third parties were identified in support of the achievement of this step.</p> |
| Clear conclusion on the achievement of the step | <p>Not achieved. The 'grace period' runs until 30 June 2026.</p> |