

Ten Years of the Enactment of the
Stabilisation and Association Agreement

Acknowledgements

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Foreword

As a candidate country, membership to the European Union (EU) remains a strategic economic and security priority for the citizens of the Republic of Macedonia and we are eager to start the negotiation process alongside Turkey, Montenegro and Serbia as recommended five times by the European Commission. Macedonia's economy, businesses and citizens will benefit from EU membership through higher living standards, safer consumer goods and the promotion of democratic values and fundamental rights.

This year marks the tenth anniversary of the entry into force of the Stabilisation and Association Agreement (SAA or Agreement) with the European Union. The SAA was meant to be fully implemented within ten years of Macedonia achieving full association status and we are keen to move into the second phase of its implementation in recognition that sufficient progress has been made in my country's fulfillment of its political, economic, administrative and regional commitments.

This monograph will inform stakeholders about the life cycle of the Agreement, including negotiations, organisation of the state institutions for its implementation, the main challenges, achieved results and practical steps necessary to ensure the Agreement is fully implemented.

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Macedonia aspires to become 'united in [the] diversity' reflected in the 28-nation bloc. Evoking the European values of peace, opportunity and stability, together we must overcome the roadblocks which impede my country's path to full membership of the European Union and NATO, finding solutions which unite instead of divide; that encourage participation rather than partition; and, foster inclusion instead of exclusion.

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Introduction: What is the SAA? Goals, summary and implementation of the Stabilisation and Association Agreement

Ten years of implementation (2001/2004-2011/2014)

The Stabilisation and Association Agreement between the European Union and the Republic of Macedonia (SAA) was signed on 9 April 2001 in Luxembourg and it entered into force on 1 April 2004 after a three-year process of ratification by all EU Member States and an agreement given by the European Parliament. The ten-year anniversary of its implementation was marked on 1 April 2014. Around the same time, the Interim Agreement on Trade and Trade Related Matters between the European Union and the Republic of Macedonia was signed on 9 April 2001 and this Agreement entered into force on 1 June 2001. When the Interim Agreement came into force, it became an integral part of the SAA and its implementation proceeded. As of 1 June 2011 the Interim Agreement has been implemented for ten years.

The content and objectives of the SAA must inevitably be considered in the light of the historical and political period preceding the Agreement (1989-2000), the period in which it was negotiated and signed (2000-2001) and the period of its implementation (2001-2014).

Historical and political context

The process of enlargement, that is the establishing democracies and economies oriented towards the markets of Central and Eastern Europe began after the fall of the Berlin Wall (1989) and the fall of the Soviet Union. In the last decade of the twentieth century, the countries of this part of Europe intensively progressed the process of democratic consolidation and political and economic integration into the EU (European Communities or the European Union), through a new generation of the so-called European agreements (association agreements with a perspective of full membership), and the new financial instrument to support European reforms, PHARE. Apart from the unification of Germany (East and West Germany), Sweden, Finland and Austria became full members of the EC (EU) in 1995.

European Communities (hereinafter referred to as the European Union or EU) gradually developed a legal and political framework for the accession of new countries, including the establishment of criteria to be met before the country could be accepted as a full member. The Copenhagen criteria for membership were established in 1993, and were upgraded in Madrid in 1995, as political and economic criteria, with a commitment to fully accept and respect European law (European Acquis) and to establish and build competent institutions with the capacity to implement this law on a national level.

In the same period, after the dissolution of Yugoslavia (1991), the stratified and emphasized national, but also nationalist issues between the countries of the former Yugoslavia were being resolved through devastating and bloody military conflicts (1991-1995), and as a result the whole region was forced out of the unique historical enlargement process. The priorities of the then Member States of the EU, the international community and the newly-formed states focused on conflict resolution, repairing damages, security issues, humanitarian and financial aid.

The Republic of Macedonia, from the moment of its declaration of independence (1991), although it managed to avoid military conflict with Yugoslavia in January 1992, obtained a positive opinion from the Arbitration Commission (lead by R. Badinter), and it was immediately intercepted by a series of challenges and obstructions to the recognition of the country by some EU Member States (over the constitutional name issue), as well as to our membership in the UN. However, in April 1993, the Republic of Macedonia was admitted to the UN as 181 member state, under the temporary reference and not under its constitutional name. Unfortunately, this question remains an unbridgeable problem until now, and, still, at times slows down and blocks the country's progress towards the EU (and NATO). With the mediation of the international

community in September 1995, the Republic of Macedonia and Greece reached a mutual agreement (Interim Agreement), after which they established diplomatic relations and a new perspective for our EU integration appeared.

The European Union, which was faced with historical geopolitical challenges regarding its expansion, led two parallel processes.

The first process was for countries of Central and Eastern Europe (CEE), which on the basis of the Copenhagen and Madrid criteria, within the legal framework of the European association agreements and with financial support through the PHARE programme were preparing themselves for accession negotiations. The EU had, in a timely way, consolidated its policy towards CEE and defined the so-called Agenda 2000 as a two-way platform for the preparation of the existing EU Member States for the admission of new members and the preparation of the new members for functioning within the EU. The historic expansion occurred in 2004 with Poland, Hungary, the Czech Republic, Slovakia, Latvia, Estonia, Cyprus, Malta, and Slovenia (as the first EU Member State which emerged from the former Yugoslavia) and in 2007 when Bulgaria and Romania became members of the EU.

The second process was for the countries of South Eastern Europe (SEE or later, the Western Balkans), where after the signing of the Paris Peace Accords (1995), that was consolidated in Rome (1996), and the launch of the Royaumont Process and towards the development of stability and good neighbourly relations in South Eastern Europe, an effort was made to accelerate the process of integration and to reach the status of the CEE countries. The EU, in order to specify the preconditions for progress in the EU integration of the SEE countries, defined a regional policy approach (1996), that is a regional cooperation and EU conditionality strategy (1997) which contained political and economic preconditions for the development of bilateral EU relations with the SEE countries. However, it turned out that the consequences of the bitter conflicts that happened in the Balkans were complex and deep, and that the political climate in some countries in the region was not ready for a fast track EU accession together with the CEE countries, with the exception of the Republic of Macedonia. Namely, after the normalisation of relations with Greece in 1995 and the establishment of diplomatic relations with the EU in December 1995, the Republic of Macedonia has developed its own trajectory in the process, which can be marked by the fact that in 1996, the Republic of Macedonia established contractual relations with the EU through the Cooperation Treaty (in force since 1998) and the Agreement on Transport, we also got access to the PHARE programme (1996-1999). Thus, the Republic of Macedonia began a regular political dialogue with the EU.

Towards the end of the decade (1999), the NATO intervention in Serbia and the Kosovo crisis, as well as the changes in Croatia and the fall of the Milosevic regime in Serbia, opened a space for a new political impulse of the SEE approximation to the EU. The international community (UN, Council of Europe, OSCE, and NATO) launched the Stability Pact for SEE in Cologne – Germany in 1999. This was a political and later economic platform for the establishment and recovery of the torn political and economic trade links between the countries of SEE. As its contribution to the Stability Pact, the European Union, using the positive momentum, soon after this in 1999, defined the legal, institutional and financial framework for the SEE countries approximation to the EU in the form of the Stabilisation and Association Process (SAP). Key elements of the SAP included the new generation of stabilisation and association agreements and the new financial instrument CARDS (2000-2006) to support the implementation of reforms needed in order to join the EU. The establishment of a functioning legal framework for the development of bilateral political, economic and trade relations between the EU and SEE countries was and still remains the objective of the SAP. The Open Door Policy for EU membership for the countries of SEE was confirmed by the conclusions of the European Council in Madrid and S.M. de Faria in 2000.

The Republic of Macedonia was an active partner in the Stability Pact, an honest factor within the Regional approach and consistently met all obligations of the EU Conditionality Strategy. As a result of that positive attitude of the country, the

EU decided the Republic of Macedonia is the first country in the region that will make a step forward in the stabilisation and association process and initiated the negotiations for a stabilisation and association agreement. The EU prepared a special report (Feasibility Study, 1999) on the country's readiness to start negotiations for an SAA, then adopted directives for the positions of EU negotiations (2000).

On 5 April 2000, the Republic of Macedonia, as the first of SAP countries, started negotiations with the EU on concluding the SAA and was the first to finish in an extremely short period of time, through three rounds of negotiations and five meetings at expert level. On 24 November 2000, on the sidelines of the Zagreb Summit, the EU and the Republic of Macedonia agreed on the first SAA. The negotiations on trade arrangements and concessions were an integral part of the SAA negotiations, and these resulted in agreement about the Interim Agreement (Trade and Commercial Relations) on 16 February 2001. The Stabilisation and Association Agreement between the European Communities and the Republic of Macedonia and the Interim Agreement on trade and trade relations were officially signed on 9 April 2001 in Luxembourg. On 12 April, just three days after signing, the SAA was ratified in the Assembly of the Republic of Macedonia. The Interim Agreement entered into force on 1 June 2001, while the SSA has gone through the process of ratification of the European Parliament and all EU Member States and entered into force on 1 April 2004.

Unfortunately, from February to August 2001, the Republic of Macedonia passed through an internal political and security crisis of ethnic character that ended with the signing of the Ohrid Framework Agreement – OFA, which was assisted by the US, EU and NATO. The transference of OFA provisions into the Constitution and national legislation led to the creation of conditions to divert the political energy towards EU perspectives and continuing reforms.

EU efforts to succeed in its expansion in the SEE continued with acceptance of the conclusions of the European Council and the so-called Thessaloniki Agenda in June 2003, during the presidency of Greece. The positive energy was reflected through a strengthened political dialogue (at the highest level between the EU and SAP) and the definition of specific guidelines, in the form of European partnerships (later for some countries, these transformed into accession partnerships). At the same time, under the CARDS programme, for the first time, SAP countries obtained access to the Twinning and TAIEX instruments, and it became possible for them to participate in EU programmes and potentially participate in the work of some agencies of the Union.

The Republic of Macedonia, as the act of confirming its strategic orientation, in accordance with Article 49 of the Treaty for the Establishment of EU, and after adopting a Declaration in the Assembly of the Republic of Macedonia, officially submitted an application for EU membership on 22 March 2004 in Dublin, during the Presidency of the Republic of Ireland of the EU Council. The largest enlargement with 10 new Members took place that very year. On 1 April 2004, the Stabilisation and Association Agreement officially came into force, and the National Strategy of the Republic of Macedonia for membership of the European Union was also adopted in 2004. The first meeting of the Stabilisation and Association Committee (3 June) also took place in 2004, as well as the meeting of the Stabilisation and Association Council (14 September). The then President of the European Commission, Romano Prodi, in his second official visit to the Republic of Macedonia in October 2004, presented a comprehensive questionnaire for assessing the readiness of the country to acquire the status of candidate for membership. In February 2005, the questionnaire responses were submitted to the European Commission, which then submitted its opinion and detailed assessment of the country to the EU Council for review. During the UK Presidency, the European Council passed a positive decision on 16 December 2005, and the Republic of Macedonia became a candidate for membership, but unfortunately, no date for the start of the accession negotiations was given. Meanwhile, a new tool to support the enlargement process was defined, the IPA Programme (2007-2013) and €11.5 billion was allocated to this programme. The Republic of Macedonia successfully built the structure for its decentralised implementation.

The Republic of Macedonia continued with an almost impeccable record of implementation of all obligations under the SAA and all supporting acts, while correctly accepting the amendments to the SAA because of the EU enlargement (with ten new members in 2004, with two new members in 2007 and with one new member in 2013). In 2008, the Partnership was transformed into an accession partnership and key benchmarks were defined as conditions for further progress in the process. The Republic of Macedonia, despite the psychological impact and the injustice inflicted during the NATO summit in Bucharest, when the deserved membership did not materialise, implemented its obligations regarding the EU integration process systematically and completely. The negotiations on visa liberalisation were taking place at the same time. The end of 2009 brought success for the Republic of Macedonia. Namely, in October 2009 the European Commission concluded that the conditions for the start of accession negotiations have been met and recommended to the Council of the EU to set a date and make a decision to start accession negotiations. Unfortunately, the Council was faced with an obstruction, and it was then impossible to achieve the consensus necessary to pass a decision to start negotiations. On the other hand, on 20 November 2009, the Council passed a decision on the movement of the Republic of Macedonia's citizens in the Schengen zone countries without visas.

The Republic of Macedonia found itself in an unusual situation and facing inevitably a 'gap' in the decision-making process within the EU institutions. The European Commission regularly every year since 2009 (and for the next five consecutive years to 2013), estimated that the conditions were ready to start accession negotiations and the Council of the EU could not make a decision to start accession negotiations with the Republic of Macedonia.

In order to use all instruments available within the practice and observance of international law, the Republic of Macedonia presented the case of Greece's obstruction in the process of the admission of the Republic of Macedonia to international organizations, in accordance with the Interim Agreement signed between the two parties: to the International Court of Justice – ICJ, in the Hague. The ICJ on 5 December 2011 adopted a clear and precise decision in favour of the Republic of Macedonia. Unfortunately, the verdict has still not materialised in the case of the Republic of Macedonia securing membership in NATO, nor in starting of the accession negotiations with the EU.

In March 2012, the EC made another attempt to move the accession process of the Republic of Macedonia, through the launch of a high-level dialogue which set specific goals and priorities. That same year, in December, Commissioner Füle proposed a conclusion to the Council which meant a de facto parallel occurrence of the opening of accession negotiations and the continuation of negotiations with Greece over the name issue, under the jurisdiction of the UN. Unfortunately, this attempt was obstructed in the Council of the EU and the Republic of Macedonia was left without the desired result, despite the extraordinary Spring Report of the Commission for the Republic of Macedonia in April 2013, and the fifth EC recommendation to start accession negotiations in October of the same year.

Meanwhile, in July 2013, Croatia became the twenty-eighth member of the EU (the second former Yugoslav state that entered the EU); Montenegro started accession negotiations in 2012 and Serbia in January 2013; Albania received conditional candidacy in 2012; Kosovo launched their SAA negotiations in December 2013; Bosnia and Herzegovina has signed an SAA which is not yet in force and has been stalled; while Turkey continued its accession negotiations with a delayed pace and, Iceland has decided to withdraw from negotiations. A new programme IPA2 was defined within the EU budget for 2014-2020 to support the EU integration process, and €11.7 billion was allocated within this programme.

The European Union, after overcoming the worst financial crisis (2008-2010), which had profound political consequences and caused tectonic movements in its economic policy, entered the historic elections in May 2014 with a dose of optimism. These elections will elect a new European Parliament, a new President of the European Commission and the European Council and a new European Commission. The unforeseen and extremely complex problems which the EU is

faced with on the border with the Russian Federation, primarily in Ukraine, represent another challenge and a test for decision-making mechanisms in the EU, but also an opportunity for greater cohesiveness among the – at times divergent – interests of 28 EU Member States.

Macedonia has no other alternative but to continue with maximum commitment to work towards meeting its strategic objectives, towards membership in the European Union and NATO.

Objectives and Content of Stabilisation and Association Agreement between the European Union and the Republic of Macedonia

Background and objectives of the SAA

The Stabilisation and Association Agreement (SAA), as a complex international legally binding act, in 2000 (when it was negotiated) and in 2001 (when it was signed), put Macedonia among the countries with prospects of EU membership, politically speaking, while from an economic perspective, the agreement opened the door to one of the largest and most powerful financial markets in the world. At the time of the signing of the SAA, the EU consisted of 15 Member States (2001), later of 25 (2004), 27 (2007), and by 2013 it consisted of 28 Member States.

It is right to state that the SAA will be an incentive to accelerate the restructuring of the economy of the Republic of Macedonia and to adjust to new market conditions, and at the same time this will provide the opportunity to accelerate social and economic development, as well as to establish and maintain permanent political and economic relations with all EU Member States.

The SAA, as a preferential agreement, with major concessions in favour of the Republic of Macedonia was also to contribute to the economic and political stability of the country and the region (stabilisation), and to establish permanent political and economic relations between Macedonia and the EU (Association). The goals of the SSA were defined in terms of:

- Bringing the region closer to full integration within the structures of the European Union,
- Supporting a rapid consolidation of democracy, rule of law, economic development and structural reforms, appropriate administrative structure and regional cooperation,
- Establishing a formalised framework for political dialogue on bilateral and regional level,
- Promoting economic relations, trade, investments, entrepreneurship policy, transport and development and cooperation in the field of customs, with a perspective towards closer integration into the world trading system, including a possibility to establish a free trade zone, once progress in economic reforms has been achieved,
- Providing the basis for cooperation in the field of justice and internal affairs, and
- Providing the basis for economic, social, civic, educational, scientific, technological, energy, culture cooperation and cooperation in the field of the environment, by supporting the process of approximation of national legislation with the European Union legislation.

Content and structure of the SAA

According to its content and legal structure, the Agreement includes: a preamble, a text of the treaty (128 provisions in ten chapters), seven annexes, five protocols (the number of protocols increased later), and joint and unilateral statements. The text of the Agreement is divided into ten chapters, starting from general principles, political dialogue, regional cooperation, free movement of goods, movement of workers, establishment of businesses, services and capital, approximation of legislation and law enforcement, justice and internal affairs, cooperation policy, institutional and financial cooperation and general provisions.

The preamble defines the mutual intentions of the Republic of Macedonia and the EU, as well as the basis on which they make the agreement, considering the acts and decrees of the international community in certain areas that are negotiated within the framework of the Stabilisation and Association Agreement. The so-called 'evolutionary clause' which out of political reasons was considered as an extremely important moment in the negotiation of the SAA is also defined in the preamble. This clause is calling on the EU's readiness to integrate the Republic of Macedonia to the greatest extent possible into the political and economic mainstream of Europe and to define its status as a potential candidate for EU membership.

Regarding the general principles of the SAA, it points out the grounds on which the Agreement is based and it highlights the principles defined by the regional approach and the Stabilisation and Association Agreement with respect to the achievements of individual countries on a political, democratic and economic level. This section defines the time needed to achieve full association, through the establishment of a transitional period of a maximum of ten years. The period is divided into two phases, so that the provisions are to be implemented progressively, whereby in the first stage, the focus is on the areas of regional cooperation, free movement, harmonisation of legislation and application of regulations, along with justice and internal affairs. Under the terms of the SAA, the Stabilisation and Association Council shall assess the progress four years after the Agreement comes into force and shall decide on the start and duration of the second phase. In 2009, the European Commission, on the basis of detailed analysis and evaluation of the SAA implementation, proposed to the EU Council to give a positive opinion for the Republic of Macedonia to move onto the SAA's second stage. The EU Council, as a result of an obstruction by Greece has not realised its obligation until today.

The SAA confirms the commitment of the EU and the Republic of Macedonia to intensify the political dialogue, especially, on issues of international importance which have a significant impact on the parties, regional cooperation, as well as on the common views for a safe and stable Europe. It is defined that the political dialogue can be held, on ministerial level, within the Stabilisation and Association Council and, on parliamentary level, within the Parliamentary Committee on Stabilisation and Association.

Regional cooperation has a special importance in the SAA, mainly because of the experiences before 2000, but also because of the need to establish and or restore the torn ties and relations between the countries of the region. The SAA emphasises the need for cooperation between countries that have signed the SAA (obligation to follow the Convention on Regional Cooperation), between SAP countries, and between SAP countries and the then candidate countries (i.e. countries which have signed the so-called European agreements). This chapter of the SAA was entirely acceptable for the Republic of Macedonia from the beginning, but later it was found to be one of the most problematic for other countries in the region which negotiated the SAA after Macedonia, especially during the Croatia and Serbia SAA negotiations.

The part of the SAA (the Interim Agreement) that governs the free movement of goods is the most comprehensive and most detailed (annexes, protocols) in terms of its volume and had a direct impact on the dynamics of the development of our economy, industry and the direction of our commercial relations to the EU. The approach was asymmetric, which meant that our products (steel, other industrial products, agricultural, fishery products, sugar, textiles, etc.)

had immediate free access to the European market without customs duties and quantitative restrictions or small and temporary restrictions (except for baby beef meat, wine and alcoholic products), while our market opens to European products with a gradual reduction of customs duties and other restrictions for a period of ten years. This approach was intended to give an opportunity to Macedonian producers to invest in new technologies and methods of production and thereby improve their productivity and competitive capacities. In addition, IPA and other EU funds could (and still can) be used. This asymmetric approach, at the end of the transition period (ten years), established a free trade zone between the Republic of Macedonia and the European Union. This goal was achieved on 1 June 2011.

The part of the SAA related to the free movement of workers defines terms, modalities and the treatment of persons – Macedonian nationals working in EU countries – which should be observed, namely, working conditions, social benefits, dismissal procedures, access to labour market for spouses and children of workers, providing social security, pensions, etc., applicable to nationals of EU Member States. Regarding the establishment of enterprises, it defines the methods of the establishment and functioning of legal entities – companies, subsidiaries and subsidiary companies in the territories of both sides. Regarding the provision of services, it defines mutual obligations aimed at the further liberalisation of transport services in the area of land, air and water transport and mutual access to markets on both sides. The parts of the agreement covering current payments and movement of capital define the terms of payments and transfers on the accounts between the EU and the Republic of Macedonia.

One of the key pillars of the SAA, which penetrates into the core of the EU integration process is certainly the part that determines the scope and pace of harmonisation of our legislation with the European Union, as well as of the provision of an institutional basis for implementation. It is a huge volume of regulations, directives, decisions and recommendations (*acquis communautaire*) that is gradually being incorporated into our legislation, that is, it is transposed into our national legal system. According to the SAA, the harmonisation of legislation is scheduled to take place in two phases, the first of which begins immediately after the signing of the SAA, and the second is related to the decision to officially move to the second phase of implementation of the SAA. From a priority perspective, the first phase of the process of harmonisation incorporates the harmonisation of regulations regarding the Single European Market (four basic freedoms) and regulations from the area of trade, and then gradually moving onto other areas of the SAA. Deadlines for full or partial compliance with European law are defined for the especially important segments, for instance: competition, including state aid, accreditation and standardisation, public procurement, intellectual and industrial property rights and data protection. It is particularly important in the process of legislative harmonisation to note that it is not enough to transpose EU regulations, but it is also necessary to ensure a healthy and institutional structure that will allow the application of new legislation. In this context, the need for the reform of the judicial system is emphasised in order to improve its efficiency, as well as for reforms aimed at creating a competitive and professional state, local and public administration.

In our SAA, the EU, for the first time since the adoption of the Amsterdam Treaty (1999), in an association agreement, inserted a chapter which regulates cooperation in the field of justice and internal affairs, including the strengthening of institutions and rule of law, visas, border control, asylum and migration, prevention and control of illegal immigration, readmission (governed by separate agreements), fights against money laundering, preventing and combating crime and other illegal activities, and cooperation in the fight against illegal drugs.

A special chapter of the SAA is devoted to providing a possibility for cooperation in almost all EU sectoral policies through institutional connectivity, transferring EU policies in our national policies and building on the compatibility and complementary elements of our systems in all subject areas of the SAA, ranging from economic cooperation, statistical cooperation, cooperation in the banking and financial services, promotion and protection of investment, industrial cooperation, cooperation in the segment of small and medium enterprises, tourism, customs, taxation, social cooperation,

education, cultural cooperation, information and communications, audiovisual collaboration, telecommunications and information society, to the areas of consumer protection, transport, energy, agriculture and agricultural-industrial sector, regional and local development, cooperation in research and technological development and environmental protection and nuclear safety.

The framework, and the kinds and conditions of financial cooperation were defined in the SAA and this should provide considerable support for the realisation of the obligations arising from the Treaty in the field of investment and additional expenses that will inevitably derive from the process of reform and transformation through which our system had to pass. The SSA anticipated that financial cooperation may take the form of grants (grants through the CARDS programme, later IPA), in the form of loans (EIB), macro-financial assistance and on-budget support. Pursuant to the provisions of the SAA, while using the financial resources it is necessary to ensure effective coordination with other sources of financial aid, which is obtained through bilateral EU Member States and other donor countries or through international financial institutions. The two side of the Agreement have an obligation to exchange information about all of this.

The final chapter of the SAA refers to institutional and final provisions that define the establishment and the work of individual institutions which should jointly monitor the implementation of the Agreement: the Stabilisation and Association Council (at ministerial level) supervises the implementation and enforcement of the Agreement and if necessary passes decisions and guidelines for the implementation of certain provisions; the Stabilisation and Association Committee which has seven sectoral subcommittees and a special group for monitoring of the reform of public administration, precisely monitors and guides the implementations of the SAA and prepares the work of the SA Council; and, the Joint Parliamentary Committee on SA which is a forum where members of the Assembly of the Republic of Macedonia and the European Parliament exchange views on issues of common interest.

In accordance with the final regulations, the Stabilisation and Association Agreement is concluded for an indefinite period of time and remains in force even after the tenth year of its implementation, that is it is valid until one of the parties requests a withdrawal. The SAA will be valid until it is replaced with an access agreement, when the Republic of Macedonia becomes a member of the EU.

Implementation of the Stabilisation and Association Agreement

Continuity in Implementation

The continued and consistent implementation of the Stabilisation and Association Agreement and the Interim Agreement on trade, in the last ten years or more, has established these legally binding documents in all their aspects in the foundations of our political and legal system, has steered economic and trade policies and has defined key sectoral policies. The reforms of the highest priorities, those of political, economic or sectoral character, for example, those for the creation of a free market economic system and an environment of social equality, respect for fundamental human rights reforms in the judicial system and the police, public administration reform, etc., were the focus of all government and parliamentary compositions, regardless of political and coalition platforms.

Meeting the political and economic criteria

The consistent implementation of the SAA, respecting all international legal obligations and the Copenhagen political criteria, including the Ohrid Framework Agreement and active participation in all the regional initiatives and meetings of economic criteria, have contributed to the fact that the Republic of Macedonia looks significantly different today than it did in 1991 or 2001. The political dialogue with the European Union and its member States is used as a platform for a better understanding and articulation of our views and interests, and being defined by political criteria are guided

and dictated reforms in the political and legal system of the country, with visible progress which resulted in a general conclusion of the satisfactory interception of the Copenhagen political criteria. The implementation of the SAA in the area of economic and trade relations moved the reforms that bring the country towards meeting the Copenhagen economic criteria. National economic policies are directly 'linked' with the EU economic policies, including the adaptation to new tools for coordination and monitoring especially after the global financial crisis. During the implementation of the SAA as a result of our continued progress in the European integration process, the Republic of Macedonia gained a candidate status in 2005, gained freedom of movement, such as visa liberalisation in the Schengen zone in 2009, and received a recommendation to start accession negotiations from the European Commission in 2009 (repeated in 2010, 2011, 2012, 2013).

Improving trade relations

There is no doubt that the implementation of the SAA and the Interim Agreement on trade and trade relations with the EU contributed to the acceleration of development of our economy and our industrial and agricultural production, as well as the increasingly important service provision. In general, our relations with the EU economy have been strengthened and deepened, and the orientation of trade relations is predictably redirected to the EU market, and in the period from 2001 to 2011, there was the gradual establishment of free trade zone between the Republic of Macedonia and the European Union. To illustrate the effects of the SAA, only in light of the volume of trade (source: Eurostat, 2012), it can be noted that in 2002, exports from the Republic of Macedonia to the EU amounted to €613 million for 2007 (only three years after the SAA entered into force and six years after the Interim agreement entered into force) is tripled and it amounted to €1.859 million, and in 2012 it reached €2.126 million, which is an increase of 247 per cent, measured in the period 2012/2002. At the same time, imports from the EU to the Republic of Macedonia in 2002 was €1.404 million, and in 2007 it reached €2.080 million, and in 2012 it amounted to €3,300 million, an increase of 135 per cent. It is evident that while we still have a trade deficit with the EU, the dynamic growth of our exports to the EU is moving with a significantly faster pace than the growth of imports from the EU, which was due, among other things, to the preferential conditions offered by the SAA. The statistics of our trade exchange (export-import) also speak about the effects of the implementation of the SAA (source: Eurostat, 2012 data), whereby 54.5% of the total volume of our exports are directed towards the EU market, 12.2% towards Kosovo, 7.6% towards Serbia, 3.3% towards Ukraine, 3.0% towards China, and 74% of our imports come from the EU Member States, 7.9% from Serbia, 4.9% from Turkey, 2.2% from Croatia, 1.6% from China, etc.

Harmonisation of legislation

The implementation of article 68 of the SAA, clearly requires alignment of the entire existing and future national legislation with the one of the EU (acquis communautaire), and in parallel with this process, the building of the institutional capacity for its effective implementation. The harmonisation of legislation of the Republic of Macedonia with the EU results in a gradual absorption of the entire body of the acquis communautaire, which provides a legal basis for active participation of the Republic of Macedonia in the future development of EU law, after gaining full EU membership. Immediately after the signing of the SAA and the Interim Trade Agreement, the Republic of Macedonia, in a continuous, systematic, organised, and consistent manner, entered in the approximation process, which resulted in the transposition of over 2,300 EU regulations (regulations, directives, decisions) into our national legislation, and in over 350 new laws and over 1,800 regulations. The clear commitment to approximate the national legislation with the EU legislation was instituted in the Law on the Government of the Republic of Macedonia, the Rules of Procedure of the Assembly and the Rules of Procedure of the Government, and the Secretariat for Legislation was given a new responsibility to assess the compliance of regulations with the EU legislation. Drafters of the legislation, which is to comply with EU law, have to add a statement that the regulations are compliant with the acquis communautaire. The Republic of Macedonia has taken EU legislation as a reference model when drafting any new legislation. In addition, the inclusivity of the process, that is the participation of

the academic community, judges, prosecutors, economic entities and NGOs, provided a more effective implementation of the legislation. The results of the process of harmonisation of our law with EU law would have undoubtedly been better if the EU Council reached consensus about our progress to the second phase of SAA implementation or if the long deserved decision for the Republic of Macedonia to start accession negotiations, was adopted.

Translation of EU law

The success and the dynamics of the progress of legislation harmonisation depend on the quality of the translation of European regulations. The Republic of Macedonia, from the outset, established a functional and effective system of translating EU legislation, which is actually the preparation of a Macedonian version of the *acquis communautaire*, which will be built into the national legal system. Through the implementation of the SAA, and primarily for the purpose of speeding up the process of the transposition of EU law into our national system, the Republic of Macedonia provided highly professional translations of over 8,000 EU legal acts (regulations, directives, decisions, etc.), or the translation of about 87,000 pages of legal text from the EU member languages to Macedonian.

Planning and Monitoring

On an annual basis, the Government of the Republic of Macedonia prepares a programme for the approximation of the national legislation with the *acquis* (NPAA). The programme gives a detailed overview of the approximation activities, the EU measures which are subject to transposition into national laws, the responsible institutions and the implementation deadlines. In the initial phase of implementation of the SAA, the harmonisation programme was simpler and with fewer activities and then it matured and evolved into a comprehensive, complex, detailed plan that determined the framework of actions by the Government in all its departments and its institutions, and it also dictated the pace and scope of work of the Assembly. Our national economic policy, as a platform for dialogue with the EU, is directed through three-year pre-accession economic programmes. The monitoring of the process of legislation harmonisation and its implementation, that is the monitoring of the implementation of the National Programme for Alignment with the *Acquis* (NPAA), is a good example of the established system operating with direct operative effects. The implementation of the Programme, including the SAA, is a regular item on the agenda of sessions of the Government, as a generator of its activities and a corrector of its directions and priorities.

Competent and efficient administration

The SAA could not be successfully implemented without a competent and professional administration, and the constant strengthening of the capacity of institutions is a key factor for the effective application of EU law within the national legal system. The ultimate goal is making a public administration which will be able to bear the burden of integration into the European Union, and then of the obligations arising from membership. This is a top priority, which binds all sector reforms horizontally in the process of European integration and is an essential factor in their success. The Republic of Macedonia implements reforms in public administration continuously, strategically and systematically, including specialised training to develop specific skills needed for the SAA implementation, such as the application of European law and good practices. Reforms include state, local and public administration, the justice system and bodies that implement laws, police and inspection services.

Informing the public

The SAA implementations and reforms that are continuously carried out inevitably require decision-making that affects the political, social and economic system and significantly affect the manner and quality of life of all citizens. Therefore, it is extremely important that the public is fully informed about adopted decisions in a timely fashion, along with the

reasons for their adoption, their benefits and costs. In this way, the public is encouraged to participate in the process and to be proactively engaged and involved. Currently, the vast majority of the population supports full membership in the European Union, despite some variations in recent times under the impact of adverse developments in and around the EU and the Monetary Union.

Management and Implementation of the Stabilisation and Association Agreement

Over the past years, the implementation of the complex Stabilisation and Association Agreement (2004) and the Interim Trade Agreement (2001), defined specific competencies of existing relevant institutions, established new national institutions and bodies, defined procedures for inter-institutional cooperation and coordination and established joint bodies of the Government and the Assembly of the Republic of Macedonia with the European Union, the European Commission and the European Parliament, in order to monitor and direct the SAA implementation. Institutionally, the structure for managing the process of European integration began to develop almost twenty years ago. The continuity and professionalism, as the basis for the accumulation of knowledge and experience, enabled the process's stability and scale in order to expand and deepen the powers and tasks, but also to improve its operation and efficiency. In 2001, the existing system naturally assumed the responsibility for coordinating the SAA implementation and performed that function successfully during the entire period. In addition, the structure fully corresponded to all state institutions and functions, which was achieved through the incorporation of the SAA in all constitutional and legal responsibilities and in the areas that affected segments of the SAA implementation.

Specific responsibilities

The President of the Republic of Macedonia, as the highest institution with responsibilities in the area of foreign policy, through securing the 'one voice' policy, has an important role and impact on the European integration process, including the SAA implementation. The Assembly of the Republic of Macedonia plays a crucial role in the adoption of new legislation, and as such it was given the responsibility to ensure that laws are fully aligned and harmonised with the EU legislation. In this process, the Assembly is supported by its Committee on European Matters, which among other things, is responsible for monitoring the fulfillment of obligations arising from the contractual relationship between the Republic of Macedonia and the European Union. The National Council for European Integration also supports this process, as a special body which oversees the process of European integration and is chaired by a representative of the opposition, by providing opportunities for participation of civil society representatives as a platform for ensuring inclusiveness of the process. The Government of the Republic of Macedonia, undoubtedly, plays a central role and is the most responsible in the European integration process and it is tasked to determine strategic priorities, which are then incorporated in its annual programme and provides financial support from the Budget of the Republic of Macedonia and other sources to implement these goals. The Government is also a direct partner in communication with the relevant EU institutions. As a confirmation of its commitment to the integration process and the SAA implementation, the Government appointed a Vice President of the Governments in charge of European Affairs (from 1996 onwards), which gives a high political weight to the overall process of European integration and the SSA implementation. The Deputy Prime Minister responsible for European Affairs is a minister responsible for the management and coordination of the European integration process. The Secretariat for European Affairs provides professional and administrative support. The Ministry of Foreign Affairs is responsible for promoting our foreign policy goals, affirming the achieved results and ensuring external political support for the integration process of the Republic of Macedonia. In this regard, it is necessary to have a timely provision, but also a transfer, distribution and presentation of all political, strategic and operational information and positions related to European integration, through the Mission of the Republic of Macedonia to the EU in Brussels, to all our structures in EU member states, to all the embassies of EU Member States in the country and to all other European structures. The MFA provides support for the foreign policy aspects of the integration, with a special emphasis on the political dialogue,

regional cooperation, contractual relations with the EU and its Member States, accession countries which are now new members, candidate countries, neighbouring countries, and members of the stabilisation and association process. The Sector for European Integration, and later, the Secretariat for European Affairs, under the direct jurisdiction of the Deputy Prime Minister for European Affairs, has the task of organizing, coordinating and synchronising the process of European integration. The most important activities of the Secretariat are related to the monitoring of the implementation of the agreements with the EU, the horizontal coordination of approximation of the national legislation with the EU legislation, the support and guidance of the process of preparing the institutions to function in the EU, the translation of European regulations, the streamlining of EU funds and the coordination of foreign aid, as well as information and publicity about the EU and the European integration process.

Inter-ministerial coordination

The Government has established an institutionalised system of inter-ministerial coordination of the European integration process on multiple levels. Besides the regular responsibilities of the Government, the Deputy Prime Minister for European Affairs and the Ministry of Foreign Affairs, in order to provide a coordinated and synchronised approach in the implementation of our obligations under the EU integration process, including the SAA implementation and established new and fully operational and functional bodies. The Working Committee for European Integration, chaired by the Deputy Prime Minister for European Affairs and composed of state secretaries of all ministries, and representatives of other key state agencies (Public Revenue Office, Customs, National Bank of the Republic of Macedonia, Bureau of Statistics, etc.). The Working Committee functions as an operational structure which reviews important issues of European integration (implementation of agreements with the EU, monitoring of the stabilisation and association process, harmonisation of legislation, translation of legal documents, coordination of foreign aid) and considers proposals and solutions for intensifying the integration process. A sub-committee of the Working Committee for European Integration for approximation of legislation to that of the European Union is also established and it coordinates the operational guidelines for implementing the Government's Programme, in synchrony with the NPAA, the SAA implementation and the EU funds usage. Special working groups and sub-groups on harmonisation with the *acquis communautaire* are also established, according to the structure of the thirty-five chapters of the *acquis*. Their composition includes representatives from ministries, research institutions, the Chamber of Commerce, the Secretariat on Legislation and other entities.

Joint bodies which monitor the SAA implementation

After SAA entered into force, on 1 April 2004, in accordance with its terms, joint bodies have been formed between the Republic of Macedonia and the European Union: the Stabilisation and Association Council, which meets once a year in Brussels at the level of ministers of foreign affairs as a forum for political dialogue on the most sensitive political issues related to the integration and SAA implementation; the Stabilisation and Association Committee, which also meets annually, alternately in Brussels and Skopje; seven subcommittees as subsidiary bodies which cover different areas of the SAA to monitor all the detailed technical aspects of the SAA implementation; the Special Group on Monitoring the Public Administration Reform; and the Joint Parliamentary Committee on Stabilisation and Association of the Republic of Macedonia and the European Union which is a forum where parliamentarians discuss and exchange views on certain issues and consider the prospects for the Republic of Macedonia's integration into the European Union.

Costs and financial support for implementation of SSA

The SSA caused direct and indirect financial consequences on our national budget and on our economy, that is, economic operators. It is almost impossible to calculate the cost of the SAA implementation, and, generally, of the achievement of our strategic goal of full integration into the EU, but it is clear that it is extremely high. The burden on the national

budget, in the form of direct costs for reforms implementation, the definition of new sectoral policies, the translation of European law, the drafting of new regulations, the preparation of existing and the establishment of new institutions and the opening of new jobs, and the connection with the European infrastructure network requires high State investments. We need to add the cost of investment and the economic operators as indirect costs to the overall economy, which has consistently and vigorously invested in meeting high standards for safety and the quality of products, the introduction of modern technologies and the improvement in the competitiveness of their products on the domestic, regional, and European markets. We also must take into account the loss of revenue in the form of duties, taxes and excises, as a result of the liberalisation of trade relations with the EU and the opening of our markets to European products as part of the cost of integration, that is the implementation of the SAA and the Interim Trade Agreement.

Most of these costs are covered by the national budget and by the economic operators, while a smaller part is compensated through EU funds which support the integration process. The SAA implementation was supported initially through the PHARE programme (1991-1999) with about 25-20 million per year, and then through the CARDS program (2000-2006) with about 40-45 million per year and through the IPA (2007-2013) with about 80-85 million per year. Under certain conditions, at the beginning of the SAA implementation we used grants and loans to provide a balance of payments and macroeconomic stability, and at the time of the Kosovo crisis and internal tensions, we used on-budget support and funds to cover the crisis consequences and to implement the Ohrid Framework Agreement. Assistance through EU funds is targeted at preferentially-focused technical assistance and investment in order to meet the increased costs of reforms implementation and the meeting of political and economic criteria. Instruments like TAIEX, Twinning arrangements and participation in European Community programmes and agencies of the Union are also used for the harmonisation of legislation and administrative preparation for future membership in the EU, as well as for improving the infrastructure. The support for the SSA implementation through EU funds continues with the IPA2 Programme (2014-2020), and its potential for usage is 85 million per year.

During recent years several implementation of EU funds, a complex national system for planning, programming and monitoring, as well as for decentralised implementation of available EU funds has been successfully established. The system is complementary to the functions of the EU Delegation in the country and from year to year it shows progress in the level of absorption of available resources.



Anna Lindh, Minister for Foreign Affairs of Sweden and President of the European Council spoke with the Ljubco Georgievski, Prime Minister of Macedonia and Srgjan Kerim, Minister for Foreign Affairs of Macedonia and Christopher Patten, Member of the European Commission prior to the signing of the Stabilisation and Association Agreement. Macedonia was the first country of the Western Balkans to have successfully concluded negotiations on and signed such an Agreement with the EU.



Representatives from the European Union and the Republic of Macedonia front row (l-r) Srgjan Kerim, Ljubco Georgievski, Anna Lindh, Javier Solana, Christopher Patten, back row (l-r) Bedredin Ibrahim, Zoran Krstevski, protocol, Arben Xhaferi, Risto Gusterov, Branko Crvenkovski gathered for the official signing of the Stabilisation and Association Agreement in Luxembourg.

Responses from the Questionnaire



Fatmir Besimi, Ph.D,

Deputy President of the Government of the Republic of Macedonia for European Affairs

Please describe how the SAA supported the efforts of Republic of Macedonia to meet the political criteria for EU accession.

The signing of the Stabilisation and Association Agreement (SAA) happened during the politically most turbulent year for Macedonia. The same year, on one side, with mediation from the USA, the EU and NATO, the Ohrid Framework Agreement was signed as the new foundation for development of internal interethnic relations, and on the other side, the Stabilisation and Association Agreement was signed, which opened the perspectives of the country for full integration within the European Union. To date, in the framework of the SAA, Macedonia works hard and persistently on the fulfillment of the Copenhagen Political Criteria, which also includes the fulfillment of the agreed objectives in the Ohrid Framework Agreement. I strongly believe that the fulfillment of the political criteria is not just a goal in itself, but a historic and essential necessity for the further development of the Macedonian multinational and multi-religious society.

Furthermore, the implementation of the Agreement reflects the strong effort for the enhanced development of our democratic society, the initiation of the public administration reform process, as well as the implementation of the overall reform of the judiciary. The increased cooperation with the EU in the area of justice and internal affairs, contributed to the prevention and combating of corruption and organised crime and towards strengthening the principles of the rule of law, in general.

Please describe how the SAA supported the harmonisation of our national legislation with the EU legislation, including the building of administrative capacities for the implementation of the new laws.

Shortly after the signing of the SAA, the process to harmonise our legislation with the EU acquis was launched, which gradually changed the physiognomy of our society. It was a massive process, that practically left no one out, from the Government and the overall executive branch of power that rearranged the whole system through to new policies and legislative projects. There were hundreds of legal regulations that passed through the Assembly, including reform of the judiciary and the administration, up to the wide engagement of the academic and expert community, along with civil sector stakeholders. Through these years, the whole country worked through the integration and the SAA wording and mechanisms. Although massive, the process of harmonising the legislation was well planned through the National Programme for Adoption of the Acquis Communautaire (NPAA); it was well monitored through the working bodies and the committees at the Government and the Assembly, and in my opinion it was well organised and managed by the Secretariat for European Affairs. The approximation of the national legislation with the EU acquis communautaire was confirmed in the last Strategy on Enlargement, where it is stated that the country had achieved a high level of approximation with regard to its position in the negotiations process and has achieved progress in the improvement of the capacity to fulfill the obligations for full membership. Macedonia has since long proved that it is politically mature and institutionally prepared for the next step, and that is the start of the accession negotiations.

Please describe how the SAA promoted harmonic economic relations and gradually developed the free trade area between the EU and the Republic of Macedonia.

The SAA and the Interim Agreement on Trade, through the preferential asymmetric treatment of our products, on one hand, ensured favourable conditions for our products within the EU market, and on the other hand, it ensured that the competitive blow to our domestic market by the EU's highly technologically-developed production was softened. It meant buying the time required to make investments for improved productivity of our producers, as well as for the development of the respective sectoral policies to stimulate the development of products with certain comparative advantage on the EU market. Following the signing of the SAA between the Republic of Macedonia and the EU, one can note the growth in the scope of goods exchanged between the Republic of Macedonia and the EU Member-States. In 2005, exports into the EU amounted to USD1,084,151,000, while in 2010 exports amounted to USD2,025,241,000. In 2005, the share of EU Member-States in terms of exports was 53.1% and in 2010 this grew to 61.3%. Also, foreign direct investments marked a major growth from €100.4 million in 2003 to €506.0 million in 2007, before the start of the global economic crisis. The harmonisation of our economy with the EU economy is in progress and will certainly continue into the future, given that the EU economy develops and changes, i.e. it necessarily adjusts to global economic trends. Through the SAA bodies, Macedonia maintains a regular and stable dialogue with the EU and European Commission about our economic policies and their continuous direction towards the EU economic policies, by using the pre-accession economic programme as a base.

Please describe how the SAA enabled regional cooperation in the areas covered by the Agreement.

The fact that all countries in the region signed the SAA, except for Kosovo, where the negotiations with the EU are ongoing, and the fact that one of the main chapters in all agreement is the one that refers to the regional cooperation on a harmonised platform, unequivocally speaks about the importance of regional cooperation. Furthermore, a necessary precondition for further development of relations among the countries of the region and the EU was the conclusion of cooperation agreements with each of the countries from the Stabilisation and Association Process after the signing of the Stabilisation and Association Agreement. Such agreements were concluded with Croatia, Serbia, Albania and Montenegro, and they cover cooperation with regard to the political dialogue, the establishment of free trade zone among the parties, mutual concession in terms of the movement of workers, the foundation of associations, service provision, current payment operations, capital movement and cooperation in other areas etc. After the wars and destruction of the last decade of the past century, the first decade of the new century in the region was marked by renewed relations, fresh communication, new regional infrastructure projects and better understanding. Indeed, the consequences of the conflict can neither disappear overnight, nor can damage be repaired by itself. Only a long-term vision, goodwill, willingness for forgiveness and compromise may result in development for each of the countries individually, and accordingly the development of the whole region. One cannot forget that all countries in the region are small in terms of territory and numbers of citizens, and our micro-economies are only an insignificant part of the percentage of total EU trade exchanges. However, the SAA offers space for our economies through regional cooperation and the use of individual or regional trade preferences in order to accelerate their own development.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion of structural funds in the future.

The SAA, considered through the financial instruments which were developed throughout these past years (PHARE, CARDS and IPA), managed to stimulate the development of our administrative capacities for planning and the absorption of available funds. The obligations and reforms that were prescribed by the SAA in all areas, encouraged us in recent years to define dozens of new strategies and action plans, to set the order of priorities and to direct the available national

and EU funds towards the realisation of our strategic goals. It was inevitable to develop the capacities for the planning, coordination and implementation of big and complex projects, regardless of whether or not they referred to infrastructure or deep systemic changes. Indeed, the process of building the institutional capacities and the acquisition of new methods and techniques will continue because each new phase of the integration process provides new opportunities as well as posing new challenges. We will direct our energy towards the more efficient implementation of available assets, as well as towards preparations for the next challenge. That is the best way to use structural and cohesion funds in the future.

What are your general impressions on the implementation of the SAA which has been signed between the EU and the Republic of Macedonia?

A comparison of living standards among the EU Member-States and the Western Balkan countries reveals many differences. In 2008, GDP per capita in the eurozone countries amounted to €30,000, while GDP per capita in the Western Balkan countries was around €5,000. In addition, there are significant differences in unemployment rates. The average unemployment rate in the eurozone is 8-9%, while the average unemployment rate of the Western Balkan countries exceeds 21%. These statistics point out the significant differences between the countries of the Western Balkans and the EU Member-States. In 2000, before the signing the SAA, the unemployment rate in Macedonia was 32.2%, and declined to 30.5% in 2001 and 28.6% in 2013, respectively. In order to be brought closer to the economies of the EU Member States, the Western Balkan, including Macedonia, should develop at a faster pace and become more competitive.

I would like to underline that the stabilization and association process that was launched in 1999, was imposed as a mechanism to ensure that the European perspective of the Western Balkan countries and the EU policy for the Western Balkan were to be fully realised. In this way, the countries were involved in a progressive partnership aimed towards stabilisation of the region and creation of a free trade zone.

The consistent implementation of the SAA for the past ten years and the realisation of all our obligations undertaken cannot be considered as not being a success. The established functional institutional mechanisms ensured a smooth and continuous dialogue at all levels of the EU and the directions for the definition and implementation of comprehensive and thorough reforms in all areas covered by the SAA. The use of financial instruments – in particular through the system of decentralised implementation – which also increased our ownership over funds, assisted in the successful implementation of numerous projects which had very visible results. The complete trade liberalisation created space for new investments and increases in production and exports. The completely positive impressions created from the ten-year implementation of the SAA require further greater effort and industry in order to ensure the formal entry into the second phase of the SAA, which shall also enable the complete realisation of all agreed obligations. I firmly believe that we will start the long-awaited accession negotiations in the shortest possible time, because I am convinced that the Republic of Macedonia has no other option but to become a member of the European family. . . where in fact it belongs.



Nikola Poposki, M.Sc.

Minister for Foreign Affairs of the Republic of Macedonia

Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

The Stabilisation and Association Agreement in Chapter VII – Justice and Internal Affairs stipulates the key agreed obligations and directions regarding the fulfillment of political criteria – strengthening the institutions and rule of law with special focus on ensuring the independence of the judiciary, the promotion of its efficiency and training for judges and prosecutors. In the past ten years, the dialogue between RM and the EU for the fulfillment of the political criteria was ensured on a regular basis (including through the SAA bodies, the Council, the Committee and the sub-committees).

Macedonia carried out a thorough reform of the judiciary in the period from 2004 to 2010, which also included significant changes to the Constitution, adoption of the Law on Courts and the Law on the Judicial Council, the establishment of the Academy for training judges and prosecutors, the introduction of stricter professional criteria for the judicial and prosecutorial function, the establishment of the Administrative court, the enforcement of court decisions by professional enforcement officers, the reduction of the caseload, the introduction of free legal assistance and mediation, the introduction of automated management system for court cases and E-justice, as well as the complete reform of criminal legislation and reform of the police.

With regard to the anti-corruption policy, the legal framework was largely completed and passed through the repeated rounds of GRECO evaluation in the period from 2002. Numerous national bodies and agencies were established to be involved in the fight against corruption and their administrative capacity was strengthened. There is a developed file of achievements for initiated criminal procedures, filed indictments and verdicts reached by the law enforcement agencies and the courts and for preventive activities of the State's anti-corruption commission.

The Law on Civil Servants was adopted in 2000, which regulates the status, rights, obligations, responsibility and salary system for civil servants. There is an ongoing reform of the public administration system, which is based on the principles of transparency, merit and fair representation. The administrative legislation is improved on a continuous basis (Law on General Administrative Procedure, Law on Administrative Courts, Law on Administrative Inspection).

The constitutional and legal framework of the RM is in compliance with the European convention for the protection of human rights and fundamental freedoms, which is in force since 1997 in the RM. The Office of the Ombudsman was established in 1997, while the legislation on the protection of personal data came into force in 2005 when the Directorate for Personal Data Protection was established.

The implementation of the Ohrid Framework Agreement, which was signed in 2001, was accompanied with the adoption of fifteen constitutional amendments and changes which were also made to the Preamble of the Constitution. About 170 laws were adopted where the principles of the agreement were implemented.

In the last five consecutive recommendations given by the EC for the start of negotiations with the EU, it is concluded that the country has fulfilled the political criteria and that continuous progress has been made in all priority areas with regard to democracy and the rule of law.

Please describe how SAA supported the harmonisation of national legislation with EU legislation, including the building of administrative capacities for implementation of the new laws.

The SAA offered a systematised framework for the reconciliation of national legislation with the EU acquis and for institutional restructuring in accordance with the key administrative structures of EU. The priorities for legal harmonisation as established in the SAA were guiding the process of legal approximation, which was given consistent priority in the European/accession partnerships.

The mechanisms/national plans for harmonisation of the legislation and the building of institutions were developed on the basis of SAA. Since the candidate status was awarded, every year the Government prepares an updated National Programme for Adoption of the Acquis Communautaire, which defines the dynamics of adoption of the acquis, the strategic directions, policies, reforms, structures, resources and deadlines that need to be realised so that RM can fulfill the requirements for EU membership.

Macedonian institutions have demonstrated high levels of functionality and self-initiatives with regard to the legislative programming. The EC, in its progress reports, concluded that the RM has already reached a high level of harmonisation in terms of its current stage in the accession process and that it makes continuous progress in the improvement of its ability to undertake the obligations from EU membership.

The implementation of the SAA instigated changes in the existing institutions in the country, as well as the establishment of many new institutions. Those have been already established and the focus is on the generation of a credible file of achievements in the implementation of their competencies.

Please describe how the SAA promoted harmonic economic relations and gradually developed the free trade area between EU and Republic of Macedonia.

Foreign trade was completely liberalised once the SAA came into force. The entry into force of the Interim Agreement (which was being implemented prior to the ratification of the SAA by all EU Member States) and the later implementation of the Protocols that regulated the mutual trade with the European Union, contributed to the advancement and enhancement of the trade exchange between our country and the Union. The free economic trade with the EU was established on 1 January 2011.

The elimination of state monopoly in the field of telecommunications and the protection of market competition was strengthened in the first phase from the implementation of the Stabilisation and Association Agreement. First, the Monopoly administration within the Ministry of Economy was established, which following the adoption of the Law on Protection of Competition was transformed into a Commission as an independent State authority that is competent for the protection of competition in the Republic of Macedonia. Since 2006, the Commission took control over State assistance.

The entry into force of the SAA also meant liberalisation of the regulations on opening an enterprise. The entry into the second phase of the SAA implementation (which according to the EU internal procedures, requires consent by

the EU Council) shall mark the enhanced liberalisation for opening enterprises by foreigners. The second phase in the implementation of the SAA shall also mark the liberalisation of the majority of financial services.

The implementation of the Stabilisation and Association Agreement had positive effects on the economy of the Republic of Macedonia. Trade liberalisation, regulation of state monopolies and establishment of equal conditions for operation of economic entities contributed to the fact that the Republic of Macedonia is considered as a 'de facto' functional market economy (this status of the Republic of Macedonia was recognised by the World Bank, and not by the EC).

Please describe how the SAA enabled regional cooperation in the areas covered by the Agreement.

The SAA gave strong impetus and a new dimension in the development and enhancement of regional cooperation. In accordance with the provisions of Article 12 of the SAA, the agreed framework for cooperation with each country of the stabilisation and association process was expanded in the past 10 years, following the signing of the Stabilization and Association Agreements with the EU. The agreements include elements of political dialogue, the establishment of a free trade zone among the parties, mutual concessions regarding the movement of workers, the foundation of companies, service provision, current payment operations and capital movement, cooperation in other areas, etc.

The conclusion of the Cooperation agreements in the context of the accession to membership of the EU with Croatia, Serbia, Albania, Montenegro and Turkey has opened a wide field for exchanging experiences about the European integration process. Thus, the political dialogue and the bilateral relations of the countries gained new quality. The agreements stipulate institutional mechanisms on their implementation and serve as excellent tools to enhance cooperation about EU matters and tackling the challenges in the process of accession to the EU.

The Republic of Macedonia has undertaken active participation in regional initiatives, including the South East European Cooperation Process, Regional Cooperation Council, Central European Free Trade Agreement (CEFTA), Central-European Initiative (CEI) and SEKI centre in Budapest, MAARI Centre in Skopje, signed the facultative protocol for further liberalisation of agriculture according to the CEFTA Agreement, and the Treaty establishing the Energy Community and the Common Aviation Area Agreement (ECAA). The RM continued to give its contribution to the EU ALTEA Mission in the Republic of Bosnia and Herzegovina. The seat of the SEE Health Network, the Secretariat of the Network of Associations of Local Authorities (NALAS), Regional and Rural Development Standing Working Group (RRD SWG) have their seats in the Republic of Macedonia, and the country through its representatives participates in the Regional Cooperation Council. The Republic of Macedonia has the status of observer in the Danube Cooperation Process, and fully supports the macro-regional approach towards cooperation that is promoted by the European Union and its submitted request to join the EU Macro-regional strategy for the Adriatic-Ionic region.

The EU through the financial assistance instruments has been continuously supporting cross-border cooperation. The of Macedonia implements joint projects with the Republic of Greece, the Republic of Bulgaria, Albania, and since recently an agreement for cooperation was concluded with Kosovo through IPA cross-border cooperation.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in future.

The utilisation of EU funds is closely related to the approximation of the national legal framework of the Republic of Macedonia to the EU acquis, which was one of the basic objectives of the SAA. Accordingly, it turns out that the dynamics of harmonisation of the legal framework influences the absorption capacity of the state to utilise the EU funds.

Being driven partly by the agreed framework, the RM developed an institutional structure that enables the efficient use of EU funds. As a candidate country for membership since 2005, the Republic of Macedonia has access to all five IPA components since 2007 and has decentralised the management of IPA funds for all components, except for component II. In order to meet the requirements for the delegation of the managerial competencies by the European Commission, the Republic of Macedonia established a complex, but at the same time a functional system of bodies and managers.

The further development of the abilities to design comprehensive and detailed mid-term and long-term developmental plans and programmes (i.e. economic programming) shall be a critical condition for the successful utilisation of the available funds and the EU cohesion and structural funds after acquiring the membership.

Which are your general impressions on the implementation of the SAA which is signed between the EU and the Republic of Macedonia?

On 1 April 2014, we marked the tenth anniversary since the entry into force of the Stabilisation and Association Agreement between the Republic of Macedonia and the European communities and their member-states (SAA). The implementation of the SAA in the past ten years enabled the Republic of Macedonia to reach a satisfactory level of harmonisation with the *acquis communautaire* and to implement the European standards in the areas stipulated in the SAA, which is crucial for the process of integration within the European Union.

Although the perspectives for membership are not specified as direct objective in the document, the SAA serves as a guide to the realisation of the strategic objective – membership of the European Union. The political importance of the Agreement is reflected in the fact that the implementation of its provisions is an important element in the evaluation of the progress of the Republic of Macedonia by the European Commission.

Andrej Lepavcov, Ph.D,

Ambassador of the Republic of Macedonia to the European Union



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

Admittedly, from a political and historical angle, the Stabilisation and Association Agreement can be seen as the turning point for the approximation of the country towards the realisation of the strategic goal for EU membership. The first ten years (1991-2000) from our independence passed making the effort to achieve recognition of the state, accompanied with obstructions and blockades, consolidation of the internal political system and efforts for the establishment of functional institutions and the creation and development of our market economy. The next ten years (2001-2010) and after the signing of the SAA, passed in an effort to harmonise inter-ethnic relations and build a functional multi-ethnic and multi-religious society with full respect and fulfillment of the Copenhagen political criteria for EU membership. Our constitution was the basis with clear political orientation, while the SAA was the generator and the guide for the necessary reforms in all areas, supported by the available EU funds. It has been proved that reforms can be easily implemented under conditions when there is a clearly established goal, a productive framework and financial support for increased costs (each reform has its costs).

Please describe how SAA supported the harmonisation of national legislation with EU legislation, including the building of administrative capacities for the implementation of new laws.

The legal grounds for the harmonisation of our legislation with the EU acquis, which are defined in the SAA, and following its ratification by the Assembly, became constituent parts of the national legal system. The process was completely accepted and respected on a continuous basis by the Government of RM and the Assembly of RM. The Government prepared a detailed plan for the harmonisation of the legislation and the fulfillment of the criteria for EU membership became constituent parts of each governmental session. This is how the efficient monitoring mechanism was developed, which followed each and every regulation and its approximation to EU legislation. Hundreds of regulations have passed and still pass through this filter and thousands of EU legal acts have already been successfully transposed into our national legal system. The process was inevitably accompanied with appropriate strategy and plans to reform the state and public administration, aimed at developing the institutional mechanisms for consistent and correct implementation of the new regulations.

Please describe how the SAA promoted harmonic economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia.

The enhanced and systematised political dialogue in the framework of the SAA was in parallel accompanied by the enriched economic dialogue. At all meetings of the SA Council, the SA Committee and in particular the sub-committee on economic and financial matters, observation was made on economic topics that have directly affected the manner and dynamics of harmonisation of the national economic policies with the EU economic policies. Accordingly, due attention is paid to the everyday changes that happen within the EU, considering the impact of the financial crisis and the need to consolidate the EU economies, as well as an improvement of their competitiveness on a global level. Trade relations were kept along the line of the agreed framework within the SAA and the Interim Agreement, which in a period of 10, i.e. 14 years resulted in a liberalised trade zone being put in place between Macedonia and EU. In this period, there was an obvious multiple increase in the balance of trade, but now work should be undertaken to improve the structure of the trade exchange.

Please describe how SAA enabled regional cooperation in the areas covered by the Agreement.

If the beginning of the 90s was marked by wars in our region, the end of the 90s was marked by the increased efforts of the international community and EU for setting the foundations for regional cooperation, while the beginning of the new century and the launch of the stabilisation and association agreements were the sign of concrete measures with concrete goals, along with concrete funds for support by the EU. What was considered as hardly achievable before the SAA, became reality after the signing of the SAA by almost all countries in the region. The European perspective offered by the SAA, but only under the condition of open regional cooperation which is one of the pillars included in the SAA, is the impetus for the establishment of the broken relations among the countries of the region and the building of new relations. Nowadays, we are witnesses of numerous successful regional initiatives, mechanisms and projects. One can note that Macedonia is perhaps the only country in the region that throughout this whole period, since the independence until nowadays, despite the occasional obstructions, remained to be most consistent and committed in running the policy for regional cooperation.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in future.

Each country that aspires to become an EU Member-State, especially the group of small and economically weak countries to which Macedonia belongs, hopes to gain more rapid access to the EU cohesion and structural funds. The access to these major funds means an acceleration of the development and decline in economic disparities, on a national level, in the region and within the wider EU. During recent years, SAA offered space and possibility for the development of our national capacities for access to the use of EU funds – first the funds such as PHARE, CARDS, IPA, and then the structural and cohesion funds. The development of the capacities to plan and direct funds is of crucial importance, and then their full absorption aimed towards the reformation of the political and economic system, opening new jobs and improving the living standard of the population. In past years, Macedonia has been successfully developing its national system for the coordination, guidance, management and the decentralised implementation of EU funds, aimed towards taking full ownership and responsibility for their use.

What are your general impressions on the implementation of the SAA which has been signed between the EU and the Republic of Macedonia?

The past ten to fourteen years since the implementation of the SAA, including the Interim Agreement on trade and trade-related matters, are undoubtedly of major importance for the direction of all the reforms that Macedonia passed through and is currently undertaking. The SAA accomplished its goal and task, set the direction, the pace of dynamics, established mechanisms for political and economic dialogue, as well as for harmonisation of the national legislation with the European acquis, started the building of institutional capacities for the implementation of legislation and for the absorption of European funds. What the SAA successfully set as a foundation, now through the process of accession negotiations should serve for building the politically stable, secure and economically prosperous country which will be a constituent part of the EU and its global policies. It is high time that the EU reaches the crucial and the only just decision for the start of accession negotiations with Macedonia, thus providing Macedonian citizens with equal and just treatment in common with all other citizens from our region.



Teuta Arifi, Ph.D,

former Deputy President of the Government of the Republic of Macedonia for European Affairs

Describe how the SAA has supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

With the signing of the The Stabilisation and Association Agreement (SAA), the Republic of Macedonia moved to a category of states that have taken the first formal step towards the perspective for full EU membership. This agreement has provided the opportunity, first, for a much more stable relationship, joint and bilateral, between the European Union and its Member States on the one hand and the Republic of Macedonia on the other. The largest measures were taken in the governance of the country, they were discussed, negotiated and set together with the EU structures and the member countries. With the signing of the SAA we have actually started to work and learn at the pace and the logic of the European Union. And if at the time before the signing of the SAA our relationship with the EU has been on recommendations for legislation, with its signing we have accessed a joint level of working, based on a relationship with an obligatory legal character which must be respected.

Describe how the SAA has supported Macedonia's alignment of its national legislation to that of the European Union, including building administrative capacities for enforcement of its new legislation.

The SAA has laid the basis of an agreement elevated to a higher degree, already conceived as a partnership, a contract, a comprehensive cooperation between our country and the EU. Bearing in mind that the signing of the SAA is a legal contract, an obligation stems for the Republic of Macedonia to harmonise its national legislation with the EU, while providing technical assistance and monitoring of the implementation and of the provisions it has impacted positively on increasing administrative capacities for the practical implementation of local legislation in harmony with EU requirements.

Describe how the SAA has promoted harmonious economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia.

The Stabilisation and Association Process has affected the acceleration of the transition to a market economy, the promotion of regional cooperation, an EU membership perspective and the ability of our country to build capacities for the adaptation and implementation of European standards, to deepen cooperation with other countries of the region and to increase the country's ability to be competitive in the European market. The SAA has helped Macedonia in its efforts to create a functioning market economy and to gradually develop a free trade area between the Community and Macedonia.

Describe how the SAA has fostered regional cooperation in the fields covered by the Agreement.

The SAA has initiated neighbourly cooperation and good relations among countries in terms of the free movement of persons, goods, capital and services as well as the development of projects of common interest, particularly those related to combating organised crime, corruption, money laundering, illegal migration and trafficking.

Describe how the SAA has prepared the Republic of Macedonia for the efficient use of the current EU funds and Cohesion and Structural Funds in the future.

The Stabilisation and Association Process is based on progressive partnership, where the EU provides various types of trade concessions, economic and financial assistance (Instrument for Pre-Accession) and contractual relationships (Stabilisation and Association Agreements). This method of EU aid to countries of the Western Balkans is to create a positive competition between them in meeting the conditions for membership and in parallel with the administrative reform processes it develops its local capacity to effectively use EU funds.

What are your general impressions about the implementation of the SAA signed between the EU and the Republic of Macedonia?

The implementation of the SAA and the European agenda in general has had a positive impact on post-communist transition processes and social, political and economic modernisation and the building of democratic institutions in Macedonia. The dynamics of further implementation of the contractual framework between the EU and Macedonia dictates the timeframe within which the Republic of Macedonia will become a full member of the EU. However, in addition to continuing the reform process of good neighbourly relations and especially the resolution of bilateral disputes should be the focus of political action in order to move the process forward and of completing the country's European agenda.

Zlatka Popovska, Ph.D,

former Deputy President of the Government of the
Republic of Macedonia for European Affairs



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

Since the very beginning when the Republic of Macedonia gained its independence, the country opted for a democratic society and a market economy. The country also opted for the goal to integrate into the EU. On the way to its full integration, the SAA was accepted as the 'bridge' that leads towards the goal. Political criteria were being realised by an activist approach towards changes that imply democratic development, the rule of law, human rights protection and the protection of minorities. The cornerstone of such an activist approach was the widespread support of the citizens and their enthusiasm for EU membership, and this was the driving force to overcome the numerous temptations. However, nowadays, having not crossed the 'bridge', due to the lack of response to enter the second phase of the SAA implementation, surely this affects the driving force, and one cannot avoid the fact that the long-sustained activist attitude has declined. The practice of efficient forms of political dialogue is indispensable.

Please describe how the SAA supported the harmonisation of our national legislation with EU legislation, including the building of administrative capacities for implementation of the new laws.

The harmonisation of the national legislation with the EU legislation does not only assume the extent of capacities to draft and adopt laws, but also the capacity for their implementation and monitoring until they are transformed into an efficient regulatory system. Therefore, the contribution of the SAA is very significant for the promotion of modalities to monitor the implementation process. The clear phasing of the changes, that is the realisation of obligations arising from the SAA within agreed deadlines, is an assumption for an integral approach towards strengthening the capacity for the harmonisation of the national legislation.

Admittedly, the administrative capacity is important, but it is only one part of the overall capacity. The support from the SAA is beneficial, but the danger of the 'fatigue' of the administration due to the 'deceleration' or 'awaiting' of the new phase of changes, may depreciate the invested efforts and expand the gap between the achieved and desired results.

Please describe how the SAA promoted harmonic economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia?

During the transitional period, the Republic of Macedonia accomplished thorough reforms in the areas of liberalisation and deregulation. These two interdependent processes gained momentum with the effect of the SAA in the function of the development of a new climate for economic cooperation, out of which one expected an effect in increased trade and investments. The national market was drastically expanded through access to the EU market, as well as through access to the markets of other countries (regional and bilateral agreements). According to the SAA, complete liberalisation

of the import of industrial products was accomplished and numerous activities were taken in the field of the import and export of goods and services also in other domains, which are important for the promotion of economic relations. The main intentions of these activities were the changes that mean an intensification of restructuring and increasing the competitiveness of Macedonian products according to the criteria of the European market. In other words, the liberalisation, that is free trade, is only the beginning in enabling the economy to become competitive. The support to strengthen the integrative processes in the domains of the capital and labour markets is indispensable.

Please describe how the SAA enabled regional cooperation in the areas covered by the Agreement.

Cooperation remains one of the most important ‘invaluable’ factors of growth at the beginning of the twenty-first century. The processes of networking (production, finances, trade, technology, etc...) among the economies on a global level make any position to prevent links and the intensification of cooperation with neighbours to be absurd. The Republic of Macedonia primarily strives to enrich forms of cooperation on a regional level and to expand them in the wider context. In this regard, the SAA gave a strong impetus. The expansion of the agreed framework also enriched the domains and forms of regional cooperation. Free movement of capital, labour force, goods and services also means an expansion of the channels for the transfer of experience and knowledge among the countries in the region. At the same time, they serve to exchange the knowledge about integration processes in the EU, which strengthen the political dialogue and the openness for joint solutions to the new challenges. The increase in the number and expansion of projects for regional cooperation can have an additional stimulating role for connecting these countries regarding European integration.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in the future.

The importance of the extent to which current funds are efficiently utilised is verified by the successful implementation of agreed projects. The size of this extent depends on the capacity to integrate the domestic resources in the completion of tasks, as well as in the dynamics of the transfer of knowledge and experience, which is programmed in the realisation of the SAA in this regard. Funds are not only significant from the aspect of the amount of finances, but also from the aspect of the kind of transfer of knowledge and experience that is conducted and the channels that are being used for wider diffusion. Overcoming the existing weaknesses aims to alleviate access to the cohesion and structural funds, which can give a strong impetus to accelerate the restructuring of the Macedonian economy and its faster adjustment according to the criteria of the European market.

Which are your general impressions on the implementation of the SAA which was signed between the EU and the Republic of Macedonia?

Given all the circumstances in which the Republic of Macedonia is passing its transitional way, it is an indisputable truth that this is the country that paid the highest price in the development of a democratic society and efficient market economy, in comparison with other countries. Despite the realisation of all obligations arising from the first phase of the SAA implementation until 2009, in 2014, the Republic of Macedonia is still awaiting a response from the EU Council about the start of the second phase of association. ‘Postponement’ only increases the already high societal price for the transitional changes. The SAA is not a timeless programme; agreements cannot change the starting conditions in the middle of the implementation, nor the determination for EU integration cannot be a vision without result. ‘Waiting’ creates ‘fatigue’ as well as a feeling among the people that the EU does not use its mechanisms to unblock and accelerate the process. By remaining further on the road towards full integration, the Republic of Macedonia continues the changes that mean the adoption of European values and standards in many areas of society.

Srgjan Kerim, Ph.D,
former Minister of Foreign Affairs of the Republic of Macedonia



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

In 2001, the Republic of Macedonia and the European Union synthesised the experiences gained from their cooperation and partnership through the Stabilisation and Association Agreement – a development that created major perspectives in relation to joining the EU. Our country was the first one among the former Yugoslav republics, with the exception of Slovenia, that signed the Stabilisation and Association Agreement with the EU in 2001. It did not happen by chance; rather it was due to the fact that Macedonia was the only country among the former Yugoslav republics that peacefully and without military action gained its independence after the dissolution of Yugoslavia. In addition, the multi-ethnic model of cohabitation and the democratic development of the country passed the test of time, including the conflict and tensions in the first half of 2001 that resulted in the signing of the Ohrid Framework Agreement. Associate membership is the last and decisive step before gaining full membership within the EU. The signing of the SAA underlines the prime importance of stabilization and implies the strengthening that this process ensures, thus taking into account that firstly this dimension of stability had to be more evident in the south-eastern region of Europe.

Please describe how the SAA supported the harmonisation of our national legislation with EU legislation, including the building of administrative capacities for the implementation of new laws.

For almost 20 years, there has been consensus among political circles in Macedonia regarding the accession to the European Union. On the one hand, the signing of the SAA between the EU and Macedonia aimed to recognise the achievements of Macedonia in the building of a democratic model of development, and on the other hand, the EU provided encouragement for the development of democratic institutions and for comprehensive reforms of the State and society, so that Macedonia could be fully prepared for EU membership. One of the most important determinants is the process of harmonisation of our legislation with the EU *acquis* through the implementation of the National Programme for Adoption of the *Acquis Communautaire*. Given that the EU has evolved and moved ahead in the past five decades, that imposes an obligation on us to reach even higher standards than the standards set by the EU. The Government and the Assembly work in the legislative sphere of the approximation of our legislation and regulations so that the economy, administration and citizens get the encouragement to be prepared for the European integration process and to become its constituent parts.

Please describe how the SAA promoted harmonic economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia.

People from Macedonia need to know that their future is close to Europe, and such a future deserves to be fought for, and that they need to make every effort to become part of the European family. These are the words spoken by Javier

Solana on the occasion of signing the SAA – words which have not lost their momentum. But we need to be aware that sometimes there is a wrongfully imposed thesis proposed that says that everything we do must be done because of the EU. That is incorrect – we need to reform but we undertake such reforms to create more favourable conditions for attracting foreign capital. Therefore, a special emphasis was placed on the signing of the Interim Agreement on trade and trade-related matters between the Republic of Macedonia and the EU, which practically enabled the country to open its market to the Union and was given the opportunity to conduct trade under more favorable conditions with the entire EU.

Please describe how the SAA enabled regional cooperation in the areas covered by the Agreement.

One of the objectives of the SAA is to foster regional cooperation in all areas covered by the agreement. It is not accidental that the wording of the Agreement emphasises that international and regional peace and stability, as well as the development of good neighbourly relations are essential to the stabilisation and association process. In fact, the key factor between Macedonia and the EU is the obligation of the Republic of Macedonia to establish cooperation and good neighbourly relations. Regional cooperation in its institutional dimension should follow the Scandinavian model of the Nordic Council. This approach was launched during the course of the Summit of the SEE Cooperation Process in Skopje in 2001, and then in May 2013 in Ohrid, The SEE Cooperation Process decided to establish the Parliamentary Assembly, which is a significant step in the institutionalisation of regional cooperation.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and for cohesion and structural funds in the future.

I consider the signing of the SAA to be one of the happiest and most significant moments in my three-decade long diplomatic career.

At that time, immediately after the signing of the SAA, as well as nowadays, I am assured about one conclusion that I heard quoted when I was the head of the Macedonian diplomatic service. It stated that the Republic of Macedonia is now treated as a friend and partner by the EU. This is something that we need to continuously have in mind when we think what the future has in store for us. Is there a better proof that the EU wants to support the reforms taking place in Macedonia, to help us to advance our political system, to strengthen our democracy and the functioning of our institutions, other than the fact that European funds are being put at our disposal?

Which are your general impression on the implementation of the SAA which has been signed between the EU and the Republic of Macedonia?

Although the Stabilisation and Association Agreement was construed and conceptualised in a manner that would enable membership of RM within the EU, unfortunately, its implementation was not sufficient to allow for candidate status, including the accession negotiations. One unprecedented political problem in contemporary international relations was posed before that. It refers to the dispute about the constitutional name of our country – the Republic of Macedonia – with neighbouring Greece. Although the dispute is to be resolved by and through the mediation of the United Nations, as a consequence of the pressures that Greece exerted on the EU it became a condition without which the candidate status and the start of negotiations with the EU could not be pursued. Such conduct by Greece also sounds paradoxical, because it was one of the EU Member-States that made the crucial contribution to the signing of the SAA with RM in 2001. The fact that the European Commission issues its recommendations on a regular basis regarding the start of negotiations for membership of RM within the EU indicates that practically all elements of the SAA have been realised and speak in favour of the maturity, i.e. preparedness of the Republic of Macedonia to negotiate its membership of the Union. Therefore, it would be expedient if the Member-States of the Union called upon the Republic of Greece to remain in solidarity with them and

in this way to open the way for the Republic of Macedonia to move towards full membership of the European Union. If one considers the logic of the behavior of the EU Member-States towards the potential candidates for membership, it is Greece that should act as a gateway for the entrance of Macedonia into the EU, as in the case of Finland for Estonia, and Slovenia for Croatia.

Sasho Stefkov,

former Ambassador of the Republic of Macedonia to the European Union



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

Fulfillment of the Copenhagen political criteria is an obligation of utmost interest for Macedonia, which is defined by the Declaration of the Assembly and opens its way to EU accession, thereby establishing the societal standards of the European family to which it belongs. Admittedly, the Republic of Macedonia made major efforts in the past period through cooperation and support from the EU and clearly expressed its will to fulfill the political obligations that were undertaken by the signing of the SAA and accomplished certain results that were acknowledged by the European Commission and the European Parliament.

Nevertheless, on this occasion, one has to note the fact that ten years after the implementation of the Agreement, due to the Council's blockade, Macedonia did not enter the foreseen second phase which prevented the start of the accession negotiations for EU membership.

Please describe how the SAA promoted the harmonic economic relations and gradually developed the free trade area between the EU and the Republic of Macedonia.

Indeed, one positive benefit from the Agreement is the promotion of economic relations. This is accordingly illustrated by the size of the exchange during the signing of the Agreement and ten years later. Despite the major differences in the size and capacity of economic operators of the parties, as well as the fact that the accession of new Member-States brought about dramatic changes in the economic relations between Macedonia and those countries, one can conclude that the provision from Article 15 on establishment of the free trade zone was realised. The confronting of much more competitive partners was facilitated by the unilateral cancellation of duties for Macedonian products on the part of the EU and the establishment of a transitory ten-year regime for the gradual reduction of duties for EU products in Macedonia. Thus, economic operators were granted relief from additional charges, which have the same effect as duties, as well as accompanying charges which led to significant harmonisation of regulations.

Please describe how SAA enabled the regional cooperation in the areas covered by the Agreement.

Undoubtedly the Agreement gave strong impetus for the establishment of regional cooperation in many areas. Indeed, for many forms of regional cooperation, Macedonia was and remains to be the initiator and continues to strongly influence its promotion. It was an active participant in the Stability Pact, gave significant contribution to the conceptualisation of the Regional Cooperation Council, as well as for the replacement of the numerous bilateral economic agreements with

the regional agreement, CEFTA 2006. One can note that the reservation of the Member-States which was expressed at the signing of the Agreement regarding the constitutional name, did not prevent them showing due respect in another framework of regional cooperation – in the Central European Initiative.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in future.

Macedonia does not significantly differ from the starting position of the new Member-States of the Union regarding the capacity for efficient use of these funds, which was generally low. The Union offers a wide range of training, such as building the necessary administrative capacity through TAIEX and the formation of specialised structures in the State authorities. Certainly, the existence of a comprehensive system to inform the overall society about the size and the structure of these funds in a simple and acceptable manner which is also based on the model of the successful new members, as well as support for drafting proposals and trainings about the procedures to gain access to the funds, would be very beneficial.

What are the general impressions about the implementation of SAA, which was signed between the EU and the Republic of Macedonia?

The implementation of the Agreement should be made more available to the general public, and therefore it would be very useful if adequate methods are identified to inform the public about its purpose and the course of implementation. Often, the biggest problem one encounters is that the media do not consider this matter to be attractive for the general public and therefore it is not sufficiently publicised. Besides the fact that efforts have been made by the Government's Secretariat for European Affairs, MFA and other authorities and organisations, still one should consider the introduction of a specialised public forum that monitors the implementation of the SAA provisions on a continuous basis.

Jovan Andonovski, M.A,
Co-chairman of the Stabilisation and Association Committee and
State Secretary in the Secretariat of European Affairs



Describe how the SAA supported the commitments of the Republic of Macedonia for fulfilling the political criteria for accession into the EU

The signing of the Stabilization and Association Agreement opened and outlined the clear perspective of the country for full integration in the European family of countries. The fact that the Republic of Macedonia is completely and with a high effort dedicated to the fulfilment of the Copenhagen political criteria is also confirmed by the five subsequent recommendations of the European Commission for start of the negotiations of the RM with the EU and in which it has been noted that the country has been continuously making progress in all the priority areas.

The Republic of Macedonia holds a regular political dialogue with the EU, which contributes for the strengthening of the cooperation and trust, and at the same time, it contributes towards the fulfilment of the obligations arising from the European integration process.

Following the dedicated implementation of the SAA, enhancement of the Macedonian legislation, establishment of functional and professional institutions, building of administrative capacities, the public administration reform and the judiciary, I am strongly convinced that the Republic of Macedonia serves as an excellent example of the dedicated realization of reforms brought by the very process of European integration.

Describe how the SAA supported the harmonization of the national legislation with the legislation of the European Union, including as well the building of administrative capacities for the implementation of the new laws

The harmonization of the national legislation with the one of the European Union is not at all as easy process.

The Republic of Macedonia, immediately after the signing of the SAA, has started the harmonization process in a systemic, organized and responsible manner. Until now, thousands of regulations of EU directives have been transposed, as well as regulations and decisions. In this harmonization process, the EU legislation is simultaneously translated into Macedonian.

The process of harmonization of the legislation is coordinated through the Secretariat for European Affairs, planned through the National Programme for Adoption of the Acquis (NPAA), and it has been monitored through the working bodies and committees of the Government and the Assembly, as well as through the working bodies within the SAA.

Numerous laws have been adopted, and also many by-laws have been adopted in the light of their implementation. According to the assessment given in the latest Strategy of the EC for enlargement and key challenges 2013-2014, the countries has reached a high level of harmonization with the acquis regarding its place in the integration process.

Describe how SAA promoted the harmonious economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia

Within the Stabilization and Association Agreement, through the Pre-Accession Economic Programme which the Republic of Macedonia has been preparing for several years now, an economic dialogue has been established for direction of the economic policies of the country.

After the enforcement of the Agreement, the foreign trade was fully liberalized, which at the same time meant liberalization of the Regulation on Establishment of Enterprises. The second phase of the implementation of the SAA will mean greater liberalization for establishing enterprises by foreigners, as well as greater liberalization of a great part of the financial services.

The implementation of the Interim Agreement (which was implemented as well before the ratification of the SAA by all the EU member states) and the later implementation of the protocols on regulation of the mutual trade with the European Union, contributed to the promotion and deepening of the trade exchange of our country with the European Union. The free economic zone with the EU was established on 1 January 2011.

Describe how the SAA reached the regional cooperation in the areas covered by the Agreement

Regarding the regional cooperation (Chapter III), the Republic of Macedonia continued the policy of promoting the bilateral relations with the countries from the region and took active participation in the regional initiatives, including the Cooperation Process in the Southeast Europe, the Regional Cooperation Council, the Central European Agreement for Free Trade, the Central European Initiative, etc. the Republic of Macedonia fully cooperated with the International Criminal Tribunal for the Former Yugoslavia. Agreements for cooperation were concluded with Croatia, Serbia, Albania and Montenegro, according to the condition set in Article 12 of SAA, and at the same time, Agreements for cooperation were concluded with these countries in the context of the process of accession into the European Union. As far as border cooperation is concerned, the Republic of Macedonia implemented joint projects with the Republic of Greece, the Republic of Bulgaria, Albania, and recently, an Agreement for Cooperation was concluded with Kosovo.

Article 3 of the Agreement comprises the political context of the Agreement within the Stabilization and Association Agreement. It determines that the conclusion and implementation of the Agreement is within the regional Approach according to the conclusions of the Council of the EU from 29 April 1997, on the basis of the individual achievements of each country which is included in the regional approach. These conclusions of the Council proclaim the principle of conditionality towards the countries from the Regional Approach, whereas progressive progress has been projected, depending on the fulfilment of conditions. The Regional Approach determined in 1997 has been further developed through the documents of the Stabilization and Association Agreement, the conclusions of the Council (the conclusions from the Feira Summit, 2000, the Thessaloniki Agenda 2003, the Enlargement Strategy), but the foundation remains the policy of conditionality proclaimed in 1997).

The regional cooperation has been determined as a key factor in the development of the relations between the countries, whereas an obligation has been undertaken for mutual derogations with the countries from the region regarding movement of persons, goods, capital and services, as well as development of projects of general interest. According to Article 4, the Republic of Macedonia commits itself to establishing cooperation and good neighbourly relations with the other countries from the region. Having in mind that the international and regional peace and stability, as well as the development of good neighbourly relations, are substantial for the stabilization and association process, as well as for the development of relations and cooperation with the European Union, the Republic of Macedonia has established and continuously maintains good neighbourly relations with the countries from the region and the neighbourhood, thus contributing to the stability of the region. The Republic of Macedonia collaborates with the countries to which the stabilization and association process refers, in the areas covered by the SAA, and which are part of the mutual interest. The Republic of Macedonia is a signee of numerous bilateral agreements with the neighbouring countries.

The SAA gave a strong impulse and a new dimension in the development and deepening of the regional cooperation. According to the provisions referred to in Article 12 of the SAA in the past 10 years, the agreed framework for cooperation with each country included in the Stabilization and Association Agreement was enlarged after the conclusion of stabilization and association agreements with the EU. The agreements cover the elements of political dialogue, establishment of a free trade zone between the parties, mutual concessions regarding the movement of workers, establishment of associations, provision of services, current payments and movement of capital, cooperation in other areas, etc.

The conclusion of cooperation agreements in the context for accession in the EU, with Croatia, Serbia, Albania and Montenegro, opened a wide field for exchange of experiences in the European integration process. They gave a new quality to the political and bilateral relations of the countries. The agreements provide for institutional mechanisms for their implementation and represent an excellent tool for deepening the cooperation regarding EU matters and coping with the challenges from the process of accession towards the EU. The conclusion of these kinds of agreements is a fulfilment of the necessary pre-condition for further development of the relations between the Republic of Macedonia and the EU, referred to in Article 12 of the SAA.

Describe how the SAA prepared the Republic of Macedonia for efficient usage of the current funds from EU cohesion and structural funds in the future.

The financial assistance from the Community in the form of irrecoverable grants and loans is extremely important for the Republic of Macedonia for support of the undergoing reforms. The forms of delivering aid, despite financial contribution, have also enabled the process of learning through ensuring sustainability of the effects of harmonization of the EU law into the national legislation and institutions that implement it.

With the release of the CARDS instrument in 2000, there was a necessity for appropriate promotion of the instrument, as well as activities connected to its implementation on a national and regional level. The system of coordination of the implementation of this instrument was established in terms of supporting the process of programming and implementation of the CARDS instrument, while working closely with the European Agency for Reconstruction, which had formal legal mandate for the implementation of CARDS projects in the Republic of Macedonia.

The biggest role in the system of coordination of foreign aid had the Committee of Ministers for Coordination of Foreign Assistance in accordance with key EC documents (National and Regional Strategy Paper and Multi-annual indicative programmes) which provide strategic direction and priorities for funding by CARDS.

In 2007 we introduced the IPA instrument which as a pre-accession instrument offered a wider range of activities and a greater volume of funds for financing projects for strengthening the capacity of the national institutions for implementation of EU law, but also preparing the country for using future financial instruments i.e. Cohesion and Structural Funds. Since 2007, the Republic of Macedonia started building the National decentralized system for implementation of EU assistance which again requires enhanced commitment and building appropriate capacities for the future. The decentralized management system is built by establishing four Operational structures and appointing functions of all head officers of the so-called DIS system through new employments, new bodies for the implementation of IPA, new rules and regulations which were subject to accreditation by the European Commission.

Finally, in 2013, the preparations began for the introduction of the Instrument for Pre-Accession Assistance II for the period 2014-2020. In practice, the new IPA will focus on sectoral approach with emphasis on the additionality rule of EU funds by national budgetary resources to the sectors, and it is expected greater visibility, efficiency, effectiveness and impact of the EU assistance in the Republic of Macedonia. The amount of funds provided for the Republic of Macedonia is on the same scale as the IPA 2007-2013, around 600 million Euros. Also, a novelty is the possibility of using different models of implementation (directly, indirectly, and through international organizations) unlike IPA 2007-2013, when there was an exclusive requirement of establishment of a decentralized implementation system.

What are the general impressions of the implementation of the SAA, which was signed between the EU and the Republic of Macedonia

The Republic of Macedonia is the first state in the region to sign a Stabilisation and Association Agreement, a state that leads in the process of stabilization and association. The Stabilisation and Association Agreement between the Republic of Macedonia and the European Communities and their member-states, is signed on April, 9-th 2001, and entered into force after the ratification process in the Republic of Macedonia and in all EU member-states on April, 1-st 2004. According to Article 5, paragraph 1, it is determined that “The Association will be realized over a maximum of 10 years, which will be divided into two successive stages”. The purpose of this division into two successive stages is that the provisions of the Stabilisation and Association Agreement should be progressively implemented and focuses on areas described in Chapters III, V, VI and VII during the first phase.

The conclusion of the SAA is extremely important for development of the relations between the Republic of Macedonia and the European Union. The contractual relations between the two parties entered a new quality, component association, which includes elements of higher degree of affiliation and unity.

The conclusion of the Stabilisation and Association Agreement had great political significance, since to the Republic of Macedonia was given a status of a potential candidate, which opened the possibility for future accession to the European Union. It is clearly stated in the preamble which confirms:

“The willingness of the European Union to integrate to the greatest possible extent the Republic of Macedonia in the political and economic mainstream of Europe and its status of a potential candidate for EU membership, on the basis of the Treaty of the European Union and fulfilling the criteria laid down by the European Council in June 1993 in Copenhagen, depending on the successful implementation of this Agreement, in particular in terms of the regional cooperation”.

The 01 April, 2014, was a 10 year anniversary of the implementation of the Stabilisation and Association Agreement (SAA) and 13 year anniversary of implementation of the Interim Agreement on trade and trade-related issues. In the past years, the Republic of Macedonia has maintained an impeccable record of implementation. The Agreement set a ten year framework for accession preparations, i.e. it set the perspective that in 2014, Macedonia will be in a later stage of the

accession negotiations. The implementation of the provisions of the Stabilisation and Association Agreement contributed to the promotion of political, economic and institutional stabilization of the Republic of Macedonia, particularly through the development of the civil society and democratization, strengthening of institutions, public administration reform, enhanced trade and economic cooperation, strengthening of national and regional security. Continuous efforts are being made in terms of establishing the necessary mechanisms in the field of justice and home affairs.

The degree of implementation of the Stabilisation and Association Agreement (SAA) on a regular basis is followed by the work of the joint working bodies established pursuant to the Agreement, aimed at intensifying and promoting cooperation between the two parties.

Dragan Tilev, M.Sc,
former Co-chairman of the Stabilisation and Association Committee



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

From an historic perspective, if the Stability Pact is considered as an international platform for the stabilisation of our turbulent region, and the Stabilisation and Association Process is considered as an EU defined framework to direct the collective energy (both on regional level) towards the realisation of our unequivocal strategic goals for EU membership, then the SAA can be considered as the legal basis for the realisation of that goal, which is supported by the EU financial instruments. We have always been fully aware that the fulfillment of the Copenhagen political criteria is the main precondition for making progress in the process towards EU membership. Macedonia has managed, during recent years, to meet the political criteria through the consistent implementation of the SAA in all its segments, showing an improvement in our legislation and in the building of competent and professional institutions, through the use of institutional forms of political dialogue offered by the SAA (on a political and expert level).. In fact, this has also been the conclusion of the European Commission in the past several years.

Please describe how the SAA supported the harmonisation of our national legislation with EU legislation, including the building of administrative capacities for the implementation of the new laws.

One of the fundamental pillars of the SAA is Article 68, which clearly stipulates the harmonisation of the overall existing and future national legislation with the *acquis communautaire*, whereby building the institutional capacity for its efficient application is done in parallel with this process. Immediately after the signing of the SAA, Macedonia entered the approximation process in a continuous, systematic, organised and consistent manner, which resulted in the transposition of more than 2,300 EU regulations (regulations, directives, decisions) into our national legislation, that is more than 350 new legal acts and more than 1,800 sublegal acts. At the same time, EU legislation is continuously translated into the Macedonian language; thereby the Macedonian *acquis communautaire* is created. The process of legal harmonisation brought about the upgrading of existing and the definition of new sectoral policies, and massive training programmes were organised in order to ensure their functioning, while specialised expertise was profiled which was previously unknown to our system.

Please describe how the SAA promoted harmonic economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia.

The SAA with regard to policies for cooperation directly refers to the economic cooperation, while the integration process itself assumes the fulfillment of the Copenhagen economic criteria. Through the SAA as a framework and in cooperation with the IMF and the World Bank, an intensive economic dialogue was established in order to guide our economic

policies, from macro-economic, fiscal and monetary policy to educational and social policy, as well as building a professional and efficient judiciary and administration, which is used to measure the functionality of our market economy. The pre-accession economic programme that Macedonia has been successfully implementing for several years serves as a platform for economic dialogue with the EU. With regard to trade relations, a complete trade liberalisation or free trade zone has been already achieved through SAA. In the past period, that is between 2002 and 2012, our exports to the EU increased 2.5 times and our imports from the EU by 1.5 times. At the same time, the EU is our biggest trading partner, which cannot be compared to any other market, and it absorbs around 55% of our total exports.

Please describe how the SAA enabled regional cooperation in the areas covered by the Agreement.

One of the SAA objectives was to renew broken relations or to establish new relations among the countries of the SA Process. In the period when negotiations were being started with Macedonia, and then with Croatia and other countries of the region, the consequences of the war were still fresh, and mutual animosity strong. The SAP and the SAA defined the criteria for regional cooperation, set the standards of conduct and established mechanisms to direct energy towards interconnection and not towards separation. Each of the countries that signed the SAA was obligated to enter into discussions with another signatory country of SAA and to establish the legal framework, that is an agreement for cooperation (or convention). Macedonia has already completed that process with Croatia, Serbia, Montenegro and Albania, brought to a close discussions with Bosnia and Herzegovina and shall soon expect the results of negotiations with Kosovo about their SAA. Nowadays, the reality is that the countries of the region cooperate through 45 regional initiatives in all areas, ranging from the economy and trade, to security, justice, internal affairs and infrastructure. Many are of the opinion that Macedonia has always been the leader in the openness for regional cooperation, with no reservations in any areas.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and will do so for cohesion and structural funds in the future.

The objectives of the EU enlargement policy are always accompanied with financial assistance. Through the PHARE Programme, in the period 1996-1999, Macedonia used around €24-30 million annually (or around €12-15 per capita). As a legal framework for the achievement of political goals, the SAA was accompanied by the financial instrument CARDS in the period 2000-2006, when Macedonia received assistance of about €40-45 million annually (or about €20-23 per capita), that is in the period 2007-2013 through the IPA instrument when Macedonia had on average about €80-90 million annually (or about €40-45 per capita). The amount of funds, combined with the strategic objectives that need to be realised through the use of those funds served as sufficient motivation to build functional mechanisms for coordination, planning, programming, implementation and monitoring in the course of the SAA implementation itself. Currently, Macedonia has established a decentralised system for the implementation of EU funds, whereby the ownership and responsibility for the funds are transferred on a national level. These processes are completely directed towards the preparations of the country to use the structural, cohesion and agriculture support funds that will be significantly higher than the ones which are currently being used. Simulations show that as an EU Member-State, in the initial period Macedonia would have access to around €250-350 million on average on an annual level (or €125-175 annually per capita).

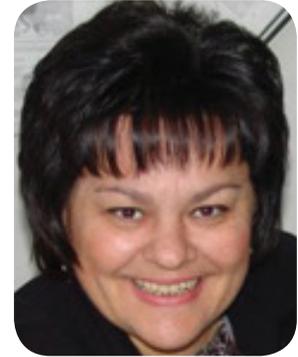
Which are your general impressions on the implementation of the SAA which has been signed between the EU and the Republic of Macedonia?

The SAA implementation in partnership with the EU institutions, but mostly with the General Directorate for Enlargement, has been carried out throughout past years on a highly professional level. The institutional mechanisms function on a routine basis, and the dialogue is open and productive. The established process for the harmonisation of legislation is carried out on a continuous basis and with a high level of expertise. The SAA assisted the guidance of our sectoral pol-

icies and their gradual harmonisation with existing and future European policies. With regard to the economy and trade, the goals have been achieved for the establishment of the free trade zone, with a high level of trade orientation towards European markets and an observation of all the elements that comprise a contemporary functional market economy. Regretfully, the blockade for entering the second phase of the SAA prevents us from mutually completing the agreed obligations and goals. With regard to politics, the SAA ensured an enhanced political dialogue, harmonised external relations, improved security policies to the highest possible level and made progress in the integration process to the level of candidate country, with five recommendations for starting accession negotiations, but without a date to start the actual negotiations. Notably, in this area, the SAA did not accomplish its goals in the course of its ten-year existence.

Malinka Ristevska Jordanova, Ph.D,

former Co-chairman of the Stabilisation and Association Committee



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

The signing of the SAA, unfortunately was not a sufficient impetus to prevent the armed conflict which practically started simultaneously in 2001. The SAA was strong encouragement to fulfill the political criteria for membership, but only after the domestic political entities found the strength for reconciliation and started thorough political reforms by building the European agenda in parallel with the submission of application for membership and candidate status. The message of the European institutions ‘The road to Brussels goes through Ohrid’ was not only a parole, but implied a really dedicated political engagement. Indeed SAA did contribute to the fulfillment of the political criteria for membership, but because there was a clear vision and political will for a new reforming European agenda of the Republic of Macedonia.

Please describe how the SAA supported the harmonisation of national legislation with EU legislation, including the building of administrative capacities for the implementation of the new laws.

The Agreement stipulated the programmed harmonisation with the EU acquis and along with the application procedure for membership, it contributed to significant changes in the approach of the Republic of Macedonia towards the harmonisation with the EU acquis and politics. In fact, major contribution was made with the preparation of the National programme for Adoption of the Acquis, as well as the structured dialogue through the institutional structure for the Agreement – Stabilisation and Association Committee and its subcommittees, as well as the parliamentary committee. Given the situation that neither the negotiations nor the legislation screening process had started, the SAA was practically the only framework for dialogue in the harmonisation process with EU acquis and policies. NPAA and the SAA implementation were crucial for strengthening the capacities of the Macedonian administration to transpose and enforce the EU acquis.

Please describe how the SAA promoted harmonic economic relations and gradually developed the free trade area between the EU and the Republic of Macedonia.

In general, the SAA shifted the trends for trade and economic cooperation in the Republic of Macedonia, which is not largely economically integrated within the EU. However, the fact that the Second phase of the Agreement did not enter in force due to the blockade from Greece, it prevented the integration of the Republic of Macedonia into the EU on a higher level and had negative impact on the motivation for further reforms regarding the EU accession, as well as economic integration.

Please describe how SAA enabled regional cooperation in the areas covered by the Agreement.

The SAA itself, that is the obligation that it stipulated for bilateral agreements with the countries of the stabilisation and association process, was not sufficient to ensure developed regional cooperation because the Agreement has bilateral character, in general. The additional impetus for the regional cooperation was the political stimulus from the EU in that context, the regional sectoral agreements, the establishment of the Regional Cooperation Council, as well as the support from the IPA regional horizontal component. For certain, the essence of the regional cooperation eventually depended on the political will in the region.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in future.

In this context, the SAA an indirect rather than a direct contribution – through the dialogue in the structures of NPAA, which also includes the dialogue for use of pre-accession funds. The use of the pre-accession funds and the preparation of the cohesion and structural funds, on one hand, depended on the domestic capacity and political will, and on the other hand, on the dynamics of the accession process, which was unfortunately very slow for the Republic of Macedonia.

Which are your general impressions on the implementation of SAA which is signed between the EU and the Republic of Macedonia?

The SAA was announced as the key instrument in the accession process of the Western Balkans. For the Republic of Macedonia, it was the main award, primarily for the constructive approach in the regional cooperation, especially during the Kosovo crisis, as well as for its political stability at the time. When it came into force, the SAA was a strong impetus for strengthening the national capacities for the realisation of firmly established political European agendas. Regretfully, the fame of SAA gradually faded, so that ten years afterwards, its second phase is blocked by Greece as well as the recommended negotiation talks for membership. Even more regretfully, there are retrogressive processes in the key areas of democracy in the country. Therefore, the Agreement should be seen and appreciated as one aspect of the accession process and generally about the relations between the Republic of Macedonia and the EU, which has had a different role in different processes of the accession, depending on the political will of one or the other side.

Ermira Mehmeti, M.Sc,

President of the Commission for European Affairs,
Assembly of Republic of Macedonia



Please describe how the SAA supported the efforts of Republic of Macedonia to meet the political criteria for EU accession.

The signing of the SAA and the fulfillment of the Copenhagen political criteria have major importance given the this is our fundamental roadmap and motivation to ensure stable institutions that guarantee the democracy, rule of law, human rights and minorities protection as well as the regional cooperation, good neighborly relations with the aspirant countries for EU membership and the EU member states.

For Republic of Macedonia, besides the classical political criteria, the Ohrid Framework Agreement was and still constitutes an essential part of the political criteria for EU membership (human rights/rights of the ethnic communities, functioning of the legal state, political dialogue, cohabitation, administration and judiciary reforms, including the fair representation). The implementation of the Ohrid Framework Agreement legitimized Republic of Macedonia as candidate country for EU membership.

The necessity to respect the “spirit of the agreement” is continuously present on the agenda of the EU representatives as an obligation that the Macedonian state must fulfill.

Please describe how SAA supported the harmonization of the national legislation with the EU legislation, including the building of administrative capacities for implementation of the new laws.

The SAA provided the legal and institutional framework for harmonization of the Macedonian legislation with the *acquis*.

The SAA implementation instigates the changes in the existing institutions in the country as well as establishment of many new institutions. The process of harmonization of the national with the European legislation was conducted in parallel with the process of strengthening the administrative capacities of the state.

The National program for adoption of the *acquis* was drafted on the basis of the SAA and it is reviewed on annual basis, thereby it follows and reflects the dynamics of approximation of the national institutions with the European administrative structures, as well as the extent of adopted and projected laws.

Being the president and member of the Commission for European affairs at the Assembly of Republic of Macedonia, that monitors the harmonization of the Macedonian with the European legislation, I can confirm that each and every wording of a law with an EU sign that entered into parliamentary procedure invokes the provisions of the SAA.

Please describe how the SAA promoted the harmonic economic relations and gradually developed the free trade area between EU and Republic of Macedonia.

With regard to the SAA and the Copenhagen economic criteria that refer to the functionality of the market economy and the capacity for coping with the competitiveness, one can say that Macedonia is increasingly more integrated in the trade of EU.

In this context, the SAA was also the guide for gradual introduction of the free economic zone, that was established on January 1, 2011 so that not only did the Macedonian economy become free market economy, it gradually underwent the restructuring process and it improved its competitiveness.

The functioning of the Central European Free Trade Agreement (CEFTA) from 2006 has given positive experiences for the free trade in the region, that replaced 32 bilateral free trade agreements in the region, enabled the introduction of complete liberalization of the industrial products trade (with transitional period for several products) and largely liberalized the trade with agricultural products whereby the Macedonian trade exchange with the region increased with a positive balance.

Please describe how SAA enabled the regional cooperation in the areas covered by the Agreement.

Based on the legal requirement from the SAA for regional cooperation and entry into bilateral conventions with the countries that will join the association process through conclusion of SAAs, Republic of Macedonia concluded agreements with Croatia, Albania and Montenegro. With regard to the sphere of infrastructure, it is worth mentioning the regional cooperation based on the Energy Community Agreement that integrates the region of South-East Europe in the common EU market and the Agreement on the Single European Sky, where Macedonia has become a member. The regional cooperation is an important criterion for Republic of Macedonia because it enters into the political criteria and we are also evaluated from Brussels for this particular matter.

Please describe how the SAA prepared Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in future.

Chapter 9 of the SAA stipulates the financial assistance from the Community in the form of irrevocable funds and loans, including the loans from the European Investment Bank. This financial assistance was utilized for the development of the democratic, economic and institutional reforms in the country in order to realize the tasks included in the SAA.

These funds served as base for the preparations of Republic of Macedonia to utilize the new EU instruments for financial and technical assistance, that is the Pre-accession Instrument IPA 1 (2007-2013) and IPA2 (2014-2020), which are accessible to Republic of Macedonia.

Which are the general impression on the implementation of SAA which is signed between EU and Republic of Macedonia?

The respect for the SAA as priority for the state and main benchmark for the European integration processes has proved to be successful.

In the case of Macedonia, the stabilization and association were carried out in parallel. The Commission stated that "Republic of Macedonia reached high level of respect for SAA", on the basis of which in 2009 it concluded that the country has satisfactorily met the Copenhagen political criteria and the stabilization and association process and issued a recommendation to the Council for entry into the second phase of the SAA.

Regretfully, the Council did not confirm the recommendation of the Commission due to the Greek blockade and Macedonia did not enter the second phase although it deserves. This raises the question whether the division of SAA in two phases creates the possibility for political blockades, which in turn has negative impact on the continuation of the European integration processes in the country, as well as on the general attitude of the citizens for the European processes.

Silvana Boneva,
former Vice President of the National Council for EU Integration,
Assembly of the Republic of Macedonia



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

The Republic of Macedonia was the first country that signed the Stabilisation and Association Agreement with the EU (SAA) in 2001. The Agreement came into force on 1 April 2004. The SAA is the permanent legal framework that regulates relations between the Republic of Macedonia and the EU, provides the framework for the strengthening of political dialogue and regional cooperation, the promotion of the market and the expansion of economic relations, while setting the grounds for technical and financial assistance.

In October 2009, the European Commission issued a recommendation to the Council for the start of negotiations with the Republic of Macedonia, and shifted into the second phase of implementation of the Stabilisation and Association Agreement between the Republic of Macedonia and the EU. These recommendations were repeated in 2010, 2011, 2012 and 2013. The Council has still not taken a position concerning the proposals of the Commission.

Given the absence of the process of negotiation, the main forums for the discussion and monitoring of the reforms are the bodies established according to the SAA, as well as the High Level Accession Dialogue established in 2012.

The regular political and economic dialogue between the EU and the RM continues through the SAA structures (Stabilisation and Association Committee and the Stabilisation and Association Council).

The country enjoys close and wide cooperation with the EU in all areas of European legislation and has reached an advanced level of harmonisation of the legislation, both on a strategic and institutional level.

With regard to the fulfillment of the political criteria, and specifically the judiciary and fundamental rights, the Law on Changes and Amendments to the Law on Courts is applied since 1 January 2013, according to which primary court judges are selected only from among the candidates – graduates from the Academy for Judges and Prosecutors. The provisions that refer to the new professional requirements for the election of judges in the higher courts are applied since 1 July 2013. The framework for further implementation of the reforms in the judiciary for the period 2014-2017 has been adopted.

Please describe how the SAA supported the harmonisation of our national legislation with EU legislation, including the building of administrative capacities for the implementation of the new laws.

- **Harmonisation of national legislation with the EU acquis**

The Assembly monitors the harmonisation from the aspect of the Government's dynamics for the proposal of laws to the Assembly, which were part of the annual NPAA review and were accordingly adopted by the Assembly. With regard to the harmonisation of the national legislation with the EU acquis, 33 laws in 2012, 37 laws in 2013 and 11 laws in 2014 were adopted respectively.

- **Building the administrative capacities for the implementation of new laws**

With regard to the administrative capacities built for the implementation of new laws, the Service of the Assembly of the Republic of Macedonia upgrades the knowledge on a continuous basis, acquires new skills and applies them in everyday work accordingly, through several forms of education which are available after the entry into force of the SAA. Namely, within the Directorate for External Relations at the Secretariat of the European Parliament there is a special Department for pre-accession activities (previously named as Department for Relations with the National Parliaments from the Western Balkans) and fruitful and successful cooperation has been established for the past ten years on a continuous basis. Every year, this department organises four seminars on different topics on average, aimed at the parliamentarians and the staff from the parliaments in the countries of the Western Balkans, plus Turkey.

Four parliamentarians and two staff from the line committees and sectors are invited to these seminars, and the topics are always current and based on the needs and initiatives of the invited parliaments. These seminars are an exceptional opportunity for interactive discussion among the parliamentarians from the region, as well as with the representatives of the European Commission, renowned experts in the field, representatives of the academic community, etc.

The Assembly of the Republic of Macedonia hosted such seminars on two occasions. The first seminar for the staff at the Assembly was held on 19 and 20 September 2007, and last year, on 24 and 25 September, the Assembly hosted the seminar on the topic Open parliament: Transparency of Parliamentary Activities, that besides the participants from the parliaments in the region, was also attended by one vice-president of the European Parliament and several renowned European parliamentarians.

The Assembly actively participates in other forms of strengthening its administrative capacities with its partner – the European Parliament. One study visit is organised annually, in particular for the newly-employed civil servants that includes visit to the European Parliament, the European Commission and other EU institutions.

Since last year, another type of training is available – internship in the European Parliament for staff who are selected by the special commission at the European Parliament. Internship lasts for six weeks and all costs are covered. The procedure for realisation of the second internship of one employee from the Service of the Assembly is ongoing, and this should be realised in the second half of 2014.

As part of the ECPRD (European Centre for Parliamentary Research and Documentation), we provide continuous education for the staff, and active participation at their thematic workshops that take place 2-3 times a year. Last week, on 8-9 May 2014, the Assembly of the Republic of Macedonia for the second time hosted the ECPRD seminar on the topic: Structure and procedure regarding the Code of ethics for the parliamentarians and the integrity of the parliamentary service.

Within the 18-month IPA project Democracy and fundamental rights, which was implemented in the period January 2011-July 2012, the main goal was the strengthening of the institutional capacity of the Assembly, in order to further improve its transparency and accountability in front of the citizens. A series of seminars were organised with the presence of the staff from the targeted sectors, thereby ensuring the acquisition of major knowledge and skills as part of the training.

- **Specific objectives of the IPA project:** To improve the professionalism of the leadership and the service of the Assembly, given the challenges that arise from the closer integration to the European Union

The project consisted of three parts:

- **Improved functioning of professional support for the parliamentary committees**

Focus: Working Bodies Department, Legislative Department, Department for support of the National EU Integration Council and Secretariat for the Mixed Parliamentary Committee – Republic of Macedonia and European Union

Implementation of training (the role of the Parliament in the negotiations process, drafting proposals for laws and amendments in the process of negotiations, the role of the Parliament after the Lisbon Treaty)

Study visit for the participants (visit to a parliament of a new Member-State)

Revision of the parliamentary committees' work and giving recommendations for the needs in the process of negotiations for membership of the EU

Review of the scope of work of the parliamentary committees and giving recommendations to improve the efficiency

Design of manual and/or changing the existing manual that will include the necessary procedures that arise from the Rules of Procedure of the Assembly

- **Improving the capacity of the professional staff for drafting analytical reports**

Focus: Parliamentary Institute and Sector for research, analysis, documentation and library

Analysis of all research requests for the process of accession to the EU

Implementation of the training programme and research about EU legislation

Study visit for the participants (visit to a parliament in a new Member-State)

Organisation of a series of seminars for the parliamentarians and the service on matters related to the accession process

Assistance for the staff for the publication of at least six big research projects related to the EU accession process

Presentation of the published research for the parliamentarians and other interested parties

Assistance for the Assembly to develop the managerial structures for research and information requests

- **Improved access to and provision of information for the parliamentarians and the staff at the Assembly, in particular with regard to the EU accession agenda, as well as ensuring the public availability of the information**

Establishment of databases with paid resources for the EU legislation and policies at the EU Centre,

Training for the staff about the use of databases,

Design of technical specification for the procurement of hardware and software for audio-visual archiving of the Assembly sessions with Internet access

Workshops for presentation of EU databases to the parliamentarians and the staff

- **As part of the national co-financing in this IPA project, the EU Centre for that purpose was opened in special premises in the building of the Assembly of the RM**

As part of TAIEX project, which is sponsored by the European Commission and aimed for the civil servants, the Service of the Assembly continuously participates in seminars on topics that the participants propose and provide argument-based explanation about the reasons for requesting particular education.

Please describe how the SAA promoted the harmonic economic relations and gradually developed the free trade area between the EU and the Republic of Macedonia.

The Republic of Macedonia continues the realisation of the obligations from the SAA, including the ones that refer to the first implementation phase of Chapter 5 (workers movement, foundation, service provision and capital). The Protocol for Enlargement of the SAA was signed, after the accession of the Republic of Croatia to the EU.

With regard to the *free movement of goods*, the harmonisation is on a high level. The implementation of the action plan for compliance with Articles 34-36 from the Treaty on the Functioning of the European Union continues, as well as the harmonisation of the legal regulations which are part of the negotiations for conclusion of the AKA Treaty. The total number of adopted European standards as Macedonian standards amounts to 18,350 which is 99% of the total number of European standards. All adopted European standards are notified in the European Committee for Standardization, the European Committee for Electro-technical Standardization and the European Telecommunications Standards Institute. To date, 123 notified bodies are accredited, and there are 21 new applications for accreditation.

With regard to the *free movement of capital*, the harmonisation of national legislation is on the right path. The Republic of Macedonia fulfilled the conditions from the first phase of the SAA, while the further liberalisation of capital movement and payments are foreseen after the shift to the second phase of the SAA. Following the entry into the second phase of the SAA, the National Bank of the RM shall make the required legal harmonisation of the secondary legislation under its competence.

With regard to the revenues from custom fees in the Budget of the RM for 2014, in accordance with the SAA, the effect from reduced custom fees for the import of goods from EU has been included.

The fourth phase of the promotion of the Electronic one-stop system for issuance of import and export permits and tariff quotes (EXIM) was completed.

In the area of international trade relations, in 2014, the Republic of Macedonia will preside the CEFTA and the Sub-

committee for agriculture, sanitary and phytosanitary measures and the taskforce for services. The priorities of the presidency are as follows: future liberalisation of trade with agricultural products and trade with services; extension of the CEFTA implementation for future facilitation of trade; promotion of regional cooperation in the competition policy, rights to intellectual property and public procurements and maintaining the synergy between the implementation of CEFTA and the South East Europe Strategy 2020 in the area of integrated growth.

The Republic of Macedonia has concluded 43 double taxation treaties, out of which 24 are treaties with EU Member-States.

Please describe how the SAA enabled regional cooperation in the areas covered by the Agreement.

The promotion of relations and cooperation with neighbouring countries and the strengthening of regional cooperation are part of the key priorities of foreign policy in the Republic of Macedonia.

The focus of the regional cooperation is on the further proactive participation in the South East European Cooperation Process (SEEC), Regional Cooperation Council (RCC), Central European Initiative (CEI), as well as the Convention of the South East European Law Enforcement Centre (SELEC), that is the Regional SECI Centre in Bucharest. The Republic of Macedonia is the seat of the Migration, Asylum, Refugees Regional Initiative in SEE (MARRI), and will preside with this initiative in the period 2014-2015. The Republic of Macedonia is also the seat of the South Eastern European Network (SEEHN), the Secretariat of the Network of Associations of Local Authorities in South-East Europe (NALAS), Regional Rural Development Standing Group (SWG), where the Republic of Macedonia has its own representatives both in the Regional Cooperation Council and SECI. The Republic of Macedonia has the status of observer in the Danube Cooperation Process.

The Republic of Macedonia fully supports the macro-regional approach to cooperation that is promoted by the European Union and submitted an application to join the Macro-regional strategy for the Adriatic and Ionic region, which is under preparation at the European Commission.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in the future.

Chapter 22 (regional policy and coordination of structural instruments) includes the coordination and cooperation of several institutions in the Republic of Macedonia. The regional development support system, which is coordinated by several ministries and governmental institutions, includes elements that stimulate the cooperation with the non-governmental and the business sector in the planning regions.

The Pre-accession Instrument – IPA is part of the package of EU external actions. The basis for the establishment of the necessary structures and competent authorities in the Republic of Macedonia for decentralised management of the IPA assistance is the Framework Agreement as the fundamental legal act that prescribes the principles of cooperation between the Republic of Macedonia and the European Commission with regard to the implementation of IPA. The Decentralised Implementation System (DIS) for implementation of the IPA components 1, 3 and 4 is established in accordance with the accreditation criteria in the Annex to the EC Regulation 718/2007. The national institutions are responsible for the programming, correct and efficient use of the received funds within the components 4 and 5 (except for IPA component 2 on Cross-border cooperation, which is implemented in a decentralised manner by the Delegation of the European Union). Thirty-two institutions in the country are accredited in the operational structure of IPA components 1, 3 and 4. About 350 people work within the IPA structures in the Republic of Macedonia.

Until 31 December 2013, a total of 77 agreements were concluded in the first IPA component (TAIB 2009 and TAIB 2010), 17 in the IPA component 3 and 24 agreements in the IPA component 4. IPA shall continue to function in the period 2014-2016.

Within the new instrument (IPA II), in the period 2014-2020, the broader focus of the European Commission for the support is placed on socio-economic development, rule of law and good governance, with the following priority sectors:

- Rule of law and fundamental rights;
- Governance and democracy;
- Environment;
- Transport;
- Competitiveness and innovation;
- Education, employment and social policy;
- Agriculture and rural development;
- Cross-border cooperation.

The Republic of Macedonia actively participates in the EU programmes: The Seventh Framework Research Programme, Progress Programme, Entrepreneurship and Innovation Programme, Culture Programme, Europe for Citizens Programme, Fiscalis 2013 Programme, Customs 2013 Programme and Intelligent Energy Europe Programme.

Which are your general impressions on the implementation of the SAA which was signed between the EU and the Republic of Macedonia?

The Mixed parliamentary committee – the Republic of Macedonia and the European Union (EU) was established on the basis of the Resolution of the European Parliament from 10 March 2004, and the Decision of the Assembly of the Republic of Macedonia from 7 December 2004 to appoint an official delegation of the Assembly of Republic of Macedonia to the parliamentary committee for stabilisation and association and on the basis of the Stabilisation and Association Agreement of (Article 114).

The establishment of the Mixed Parliamentary Committee (MPC) is a reflection of the strong commitment of our country for full membership within the EU, as well as the efforts of the Assembly of the Republic of Macedonia to contribute through parliamentary dialogue to the process of European integrations and the reaching of European standards.

In general, MPC is a forum where the members of the Assembly of the Republic of Macedonia and the European Parliament exchange experiences, opinions and positions about the strengthening of the mutual partnership. The Committee represents the formal and efficient strengthening as well as raising the relations and the cooperation between the Assembly of the Republic of Macedonia and the European Parliament on a higher level.

The main goal of the MPC is to consider all aspects of relations between the Republic of Macedonia and the EU, in particular the implementation of the Stabilisation and Association Agreement. On the proposal of the Bureau of the Mixed Parliamentary Committee, recommendations can be submitted to the European Parliament, to the Assembly and Government of the Republic of Macedonia, to the Council of the European Union and the European Commission.

The MPC convenes twice a year – once at the Assembly of the Republic of Macedonia and once at the European Parliament. The sessions of the Mixed Parliamentary Committee end with the adoption of the Concluding Statement,

which, in fact, is a document that includes the common positions on certain topical matters.

In the context of improving the administrative structures and strengthening the administrative capacities, as well as increasing the transparency and accountability of the administration, the coordination of the public administration reform process shall continue in 2014. The Assembly adopted the Law on Administrative Servants and the Law on Public Sector Employees. The development of professional, efficient, accountable, transparent and service-oriented state and public service shall be provided on a continuous basis. A range of activities will be taken to improve the quality of the administration, that is: the introduction of a quality management system according to ISO 9001 in the state institutions, implementation of the Common Assessment Framework in the other institutions, while the capacities of the administration for human resources management shall be strengthened.

The implementation of the Stabilisation and Association Agreement between the Republic of Macedonia and the European communities and its members, the monitoring of the realisation of the accession partnership, the coordination and realisation of the priorities from the High Level Accession Dialogue, as well as the realisation of NPAA will be given special focus.

The benefits from the signing of the SAA are major, with significant qualitative difference in the work before and after the signing of the agreement, given the fact that the state institutions (including the Assembly of the Republic of Macedonia) showed preparedness to accept the new challenges and respond with concrete and visible results.

Simonida Kacarska, Ph.D,

President of the Assembly of the European Policy Institute



Please describe how the SAA supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

In the period when the Stabilisation and Association Agreement was signed, it was crucial for building inter-ethnic consensus for political reforms in the Republic of Macedonia. In the first ten years after the signing of the SAA, and in general the perspective of the Republic of Macedonia's accession to the EU, it was significant for the constitutional changes related to the Ohrid Framework Agreement, and for the constitutional changes related to judiciary independence which came about several years later. In this context, the SAA encouraged the fulfillment of democracy and the rule of law criteria as a first segment of the political criteria for EU accession. This influence was most directly visible in the bodies formed with the SAA, especially the Council and the Committee on Stabilisation and Association.

Please describe how SAA supported the harmonisation of national legislation with EU legislation, including the building of administrative capacities for the implementation of the new laws.

The SAA supported the harmonisation of national legislation through legal harmonisation, as well as the bodies established under the Agreement. On a technical level, the sub-committees were the foundation for drafting strategic documents such as NPAA, and for the advancement of the multi-year planning in the Republic of Macedonia. Given the absence of accession negotiations, harmonisation within the SAA is an opportunity to improve the harmonisation of Macedonian legislation with the EU acquis. The SAA opened the possibility for meetings and exchanging expertise among the officials of the EU and the RM, thereby ensuring the improvement of the national legislation under conditions when the progress of the RM regarding the EU accession is stagnant.

Please describe how the SAA promoted harmonic economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia.

At the time of signing, economic relations were the core of the SAA. While it was expected that the SAA would have an indirect impact on the fulfillment of the political criteria for EU accession, the tangible outcome was in the context of the economic association and free trade between the EU and the RM. Yet, in the context of the RM, due to the priority given to the political criteria, the economic dimension of the SAA was largely neglected by the public. The opening of the second phase was the next step in the promotion of economic relations and the possibilities to improve the free trade between the EU and the Republic of Macedonia; however, it is still not put in place.

Please describe how SAA enabled regional cooperation in the areas covered by the Agreement.

Being one of the key components of the SAA, regional cooperation was improved to a certain extent; however, the different progress of the countries in the region prevented the more essential impact of the SAA in this area. Some visible results can be seen in the areas of trade, transport and energy; however, many other improvements in these areas remain in the context of integration in the region, and in the EU. Similar was the case with the institutions such as the Regional Cooperation Council, which had a limited impact. In addition, one should consider the fact that the condition for regional cooperation in the period of signing the SAA was largely directed towards the reconciliation of the former Yugoslav republics after the conflicts in the 1990s, as well as the return of the refugees, whereby the Republic of Macedonia was specifically on the margins of these matters.

Please describe how the SAA prepared the Republic of Macedonia for the efficient use of current EU funds and the cohesion and structural funds in future.

The signing and the implementation of the SAA was an important step in the promotion of the coordination for use of EU funds on a national level. Planning the activities for the SAA implementation within the action plans, as well the obligations of the SAA bodies was a step forward for the coordination of the national policies with the use of EU assistance. In this context, the planning for the SAA set the ground for priorities in the planning EU assistance. On the other hand, the CARDS programme as the main financial instrument in the period of signing the SAA set the ground for programming EU assistance, that was further promoted by IPA.

Which are your general impressions on the implementation of the SAA which was signed between the EU and the Republic of Macedonia?

The SAA set the ground for further steps in the accession process of the Republic of Macedonia to the EU, such as the submission of the application for membership. The institutional mechanisms established under the SAA were the basis for communication between the Republic of Macedonia and the EU, both on political and administrative levels. While in the first years after the establishment, the SAA bodies were primarily an exercise on the Macedonian side, given the absence of negotiations, but now they represent a means to maintain the European integration process in the country. However, given the current status quo in the accession process, the failure to open the second phase of the SAA puts into question the success of the overall project, as well as its potential to be used as a toll for the improvement of the situation in the Republic of Macedonia.



Stefan Fule,

European Commissioner for Enlargement

As the European Commissioner responsible for enlargement policy, I take the opportunity of the monograph which you are producing on the tenth anniversary of the entry into force of your Stabilisation and Association Agreement, to congratulate you on the ten years of its implementation.

This Agreement, the first to be signed with any country in the Western Balkans, has been, and will remain until your country's eventual EU membership, the cornerstone of our relationship. Its successful implementation continues to guide your reform process and to help your country to prepare for eventual EU membership.

The "association" between EU and your country, achieved through the implementation of the Stabilisation and Association Agreement, has provided - and continues to provide - opportunities for trade, economic development and regional integration. It has already helped to guide your reform process across the entire range of EU-related policy areas and to provide the institutional structures which govern our relationship. In recent years, the Agreement has been complemented by the High Level Association Dialogue, as an additional method of prioritising and encouraging EU related reforms.

I wish you all the best with the preparation of the monograph and with the continued implementation of the Stabilisation and Association Agreement.



Reinhard Priebe,

former member of the General Directorate for Enlargement, European Commission

Describe how the SAA has supported the efforts of the Republic of Macedonia to meet the political criteria for EU accession.

SAA helped to concentrate on the important EU integration matters and therefore should also have provided an incentive to move on with meeting the political criteria. Difficult for me to judge, if this has always happened as expected.

Describe how the SAA has supported Macedonia's alignment of its national legislation to that of the European Union, including building administrative capacities for enforcement of its new legislation.

The Agreement and in particular its regular follow-up of its implementation should have helped to take the right legislative decisions. Administrative capacity is essential, but budgetary constraints put necessary limits to what can be done. This will remain a problem.

Describe how the SAA has promoted harmonious economic relations and gradually developed a free trade area between the EU and the Republic of Macedonia.

I cannot comment on this.

Describe how the SAA has fostered regional cooperation in the fields covered by the Agreement.

All the SAA in the regions contain a clear commitment to foster regional cooperation. I doubt that reality has been as the authors of the Agreements wanted it to be.

Describe how the SAA has prepared the Republic of Macedonia for the efficient use of the current EU funds and the Cohesion and Structural Funds in the future.

I think that taking the necessary steps for receiving funding was facilitated by the SAA framework.

What are your general impressions about the implementation of the SAA signed between the EU and the Republic of Macedonia?

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Group photo following the signing of the Stabilisation and Association Agreement on 9 April 2001 with front row (l-r) Josep Piqué i Camps (Spain), Javier Solana (European Union), Hubert Vedrine (France), Srgjan Kerim (Macedonia), Anna Lindh (Sweden), Ljubco Georgievski (Macedonia), Jovan Tegovski (Macedonia), second row (l-r) Lydie Polfer (Luxembourg), Benita Ferrero-Waldner (Austria), Christopher Patten (European Commission), Robin Cook (United Kingdom), George Papandreou (Greece), third row (l-r) Jozias van Aartsen (Netherlands), Umberto Ranieri (Italy), back row (l-r) Erkki Tuomioja (Finland), Louis Michel (Belgium), Joschka Fischer (Germany), Mogens Lykketoft (Denmark), Brian Cowen (Ireland).

Analysis of the SAA Implementation

Overview of the implementation of the Stabilisation and Association Agreement between the Republic of Macedonia, on one side, and the European Communities and their Member States, on the other side

Introduction

On 1 April 2014 we mark the tenth anniversary from the implementation of the Stabilisation and Association Agreement, and thirteen years from the implementation of the Interim Agreement.¹ Article 5, paragraph 1, stipulates that ‘the association shall be realised for a maximum period of ten years, which shall be divided in two consecutive stages’. In the past years, the Republic of Macedonia undertook all the necessary obligations regarding the implementation of the agreement, with special focus on the areas from Chapters III, V, VI and VII. The regular monitoring and analysis of the SAA provisions was carried out through established institutional bodies that successfully completed the nine cycles of meetings in the past period.²

As result of the fulfillment of obligations that were envisaged for the first phase of implementation as specified in Chapter V, in 2009 the European Commission submitted a proposal to the Council of the European Union that the Republic of Macedonia should enter the second phase of association. Despite the Commission’s proposal, the Council of the EU has still not approved the proposal for a decision on entry into the second phase of SAA.

Overview of the crucial achievements with regard to implementation of the Stabilisation and Association Agreement to date

The Republic of Macedonia observes the *general principles* specified in the Agreement, which refer to the respect for democratic principles and human rights, international law and rule of law, border inviolability and respect for the territorial integrity of the states, development of good neighbourly relations as well as the principles of market economy. In the context of Article 118 of the Agreement that specifies the measures that ensure the implementation of the Agreement and the Joint Declaration concerning this article, the violation of the essential elements of the agreement shall be considered as substantive violation of the Agreement and ‘case of special urgency’, and may be subject to the taking of special measures by the parties, without implementation of the procedure for consultations on the Agreement. To date, no violations of the essential elements of the Agreement have been concluded. It is worth noting that the basic principles of the Agreement specify that the association shall be accomplished for ten years at the most in two phases.

Political dialogue (Chapter II) on a regular basis has been established with the EU on matters of common interest, and the Republic of Macedonia either unilaterally or upon the invitation of the EU joins the EU common positions, opinions and declarations with regard to different matters of international interest. The establishment of the political dialogue is an important factor in the accession process of the Republic of Macedonia to the European Union and it has brought new quality into mutual relations. The dialogue is carried out in the framework of the Stabilisation and Association Council, both on ministerial level and on diplomatic-expert level with the EU institutions. On a parliamentary level, the political dialogue is carried out within the framework of the Mixed Parliamentary Committee between the Assembly of the Republic of Macedonia and the European Parliament.

¹ The negotiations for the Stabilisation and Association Agreement were realised for a very short period of time, i.e. from April to November 2000 in three rounds of main negotiations and five meetings on an expert level, i.e. technical negotiations. The Agreement was initialed at the Zagreb Summit on 24 November 2000, it was signed on 9 April 2001 in Luxembourg, which marked the start of the ratification process with the ratification by the Assembly of the Republic of Macedonia on 12 April. The Agreement came into force following the process of ratification in the Republic of Macedonia and all EU Member-States on 1 April 2004.

² Regulated in Chapter X of the SAA, institutional, general and final provisions.

With regard to the **regional cooperation (Chapter III)**, the Republic of Macedonia continued its policy for the promotion of bilateral relations with the countries in the region and took active participation in regional initiatives, including the South-East European Cooperation Process, Regional Cooperation Council, Central European Free Trade Agreement, Central European Initiative, etc. The Republic of Macedonia fully cooperated with the International Criminal Tribunal for the former Yugoslavia. Cooperation agreements were concluded with Croatia, Serbia, Albania and Montenegro in accordance with the terms specified in Article 12 of SAA³, and furthermore Cooperation Agreements in the context of the accession process to the European Union were also concluded with those countries. With regard to cross-border cooperation, the Republic of Macedonia implements joint projects with Greece, Bulgaria, Albania and since recently a cooperation agreement was also concluded with Kosovo.

With regard to the **free movement of goods (Chapter IV)**, after the end of the transitional period on 1 January 2011, complete liberalisation of industrial goods imports in both directions was achieved. Furthermore, all obligations that refer to iron and steel products have been successfully realised. All charges have been cancelled for agricultural and fishery products with an origin from the Republic of Macedonia when **imported at the European Union**, except for live bulls, beef – fresh or cold, beef – frozen and wine, and the customs tariff was cancelled for fruit and vegetables, but not the specific charges. Special quotas have been envisaged for beef, and there is an established quota for the export of sugar that originates from the Republic of Macedonia. To date, no adequate measures have been applied to protect the market, as stipulated in Article 30 of SAA. With regard to the **import to the Republic of Macedonia** of agricultural and fishery products that originate from the European Union, customs fees have been gradually reduced. **Wine trading** between the two sides has been regulated by an additional protocol, which specifies the import and export quotas.

Currently, the Republic of Macedonia applies the diagonal cumulating with all Member-States of the European Union, Turkey and the member-countries of CEFTA, except for Kosovo and Moldova. There is an ongoing procedure to include a provision for the implementation of the Regional Convention into the free trade agreements that the Republic of Macedonia has concluded with the EFTA member-countries, CEFTA member-countries and Turkey. During this period, neither measures have been taken to cancel the further reduction of the customs duty for any product, nor measures to increase the customs duty on the importation of any product with an EU origin. Also, the European Union has not introduced such measures at point of import of any product with an origin from the Republic of Macedonia. In accordance with the SAA provisions, based on the notification made by the Republic of Macedonia to the European Union, some interim measures were being introduced for the import or export of certain products (with origins from all countries). So far, the EU has not applied such measures for the Republic of Macedonia.

The Republic of Macedonia fulfilled the necessary obligations from the first phase concerning the **Chapter V movement of workers, foundation, service provision and capital**. According to the obligations arising from Article 44, the Law on Employment and Work of Foreigners⁴ prohibits the direct and indirect discrimination on all grounds in employment of foreigners, while close family members of foreigners that possess work permits are issued with an employment permit which is valid until the validity of the residence permits. Currently, the agreements for social insurance are implemented with eleven (11) Member-States of the European Union⁵ and with the Swiss Confederation, while the conclusion of such agreements is ongoing with Republic of Slovakia, Albania, France and Sweden. With regard to the coordination of the social security systems, the reconciliation of the Decision of the and Association Council is in its final phase with regard to the provisions for reconciliation of the social insurance from the Stabilisation and Association

3 Agreements cover the elements of political dialogue, foundation of free trade zone between the parties, mutual concessions about movement of workers, foundation of companies, service provision, current payment operations and movement of capital, cooperation in other areas, etc.

4 Official Gazette of RM, No. 70/07.

5 Croatia, Austria, Slovenia, Bulgaria, Germany, Czech Republic, Netherlands, Poland, Romania, Luxembourg, Belgium.

Agreement. Citizens of EU Member-States are equal to the citizens of the Republic of Macedonia with regard to social insurance.

Concerning the obligations from Chapter II that refer to the *foundation of enterprises*, the Law on Trading Companies⁶ is completely harmonised with the European legislation, and the definitions that refer to ‘company of the community, branch office of the company, representative office of the company, foundation of company, economic activities and citizen of the community’, are reconciled with the definitions from Article 47 of SAA. There is complete respect for the non-discrimination principle as specified in Article 48 and the treatment which is not less favorable than the treatment of domestic natural persons and legal entities is ensured with regard to the foundation of companies of the Community and with regard to the operation of the branch offices and representative offices of the companies of the Community in the Republic of Macedonia. The second phase of the implementation shall consider the possibility for extending the provisions on the right to foundation by the citizens of the two parties of the Agreement for undertaking activities as self-employed persons.

The Republic of Macedonia has taken important measures to provide equal treatment to the citizens of EU Member-States with regard to the right to ownership. The Law on Ownership and Other Real Rights enables foreign legal entities and naturalised persons from the Community to acquire ownership over real estate, construction land and the long-term lease of agrarian land under the same terms as domestic natural persons and legal entities. The second phase should consider the possibility of expanding the right to acquiring ownership rights over real estate by the representative offices of companies from the Community. The two parties should consider the possibility for expanding the rights of the representative offices of companies from the Community, which were enjoyed during the first phase only by the branch offices of companies from the Community.

With regard to the financial services, according to the existing legal framework⁷, criteria have been introduced about the foundation and operation of financial institutions on a non-discriminatory basis, i.e. foreign investors can establish financial institutions in the Republic of Macedonia under the same terms as domestic investors.

The adoption of the Law on Recognition of Professional Qualifications⁸ which is harmonised with the relevant EU legislation on recognition of professional qualifications, enables the establishment of the normative and institutional system for recognition of professional qualifications. The fact that the second phase on the SAA implementation has not started, affects the process of complete regulation of the system for recognition of professional qualifications from the aspect of sectoral professions, as well as the process of gradual integration of the Republic of Macedonia into the internal market of the Union, due to the non-existence of the possibility for mobility within the labour market. Since the entry into force of the SAA, the Republic of Macedonia has not introduced measures that derogate the provisions from Chapter V of the SAA concerning the right to the formation of a company.⁹

With regard to **Chapter III that refers to service provision**, according to Article 55 of the Agreement, the Republic of Macedonia started the progressive implementation of the measures that will ensure the accelerated service offer by companies from the two parties of the Agreement. The Proposal for Law on Services has been drafted, whereby the Directive on services is transposed and this shall provide the legal framework for the elimination of the remaining barriers in the regulations that hamper the access to and performance of service provision activities in the country by

6 Official Gazette of RM No. 28/2004, 84/2005, 25/2007, 87/2008, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13 and 120/13.

7 Law on Banks, Law on Insurance Supervision, Law on Leasing, Law on Financial Companies etc.

8 The law is published in the Official Gazette of RM No. 171/10, while its application shall start once the Republic of Macedonia becomes a full member of the EU.

9 Possibility given by Article 54 of SAA.

naturalised persons and legal entities from the EU Member-States. To date, the Republic of Macedonia has taken no measures that create conditions for service offers that are significantly more restrictive, thus respecting Article 46 of the SAA. The start of the second phase of the SAA shall bring about the obligation for the EU to take measures for the implementation of the provisions on free service offers by naturalised persons and legal entities from RM on the EU market.

In the past, the Republic of Macedonia, in accordance with Article 57 of the Agreement, has reconciled the legislation, including the administrative capacities in the fields of air and land transport. The Traffic Agreement between the Republic of Macedonia and the European Union from 1997 is valid in the area of land traffic. The Republic of Macedonia has signed bilateral agreements with thirty-four (34) countries in Europe on international road transport of passengers and goods, that aim towards complete liberalisation of passenger and goods transport. The liberalisation of the railway transport market is postponed until the accession of the Republic of Macedonia to the European Union. Having transposed the legislation on air traffic and the liberalisation with the EU, the Republic of Macedonia is in a transitional phase at the European Common Aviation Area. Airline companies are allowed to use the unlimited traffic rules between any place in the Republic of Macedonia and at any any place in any other Member-State of the European Union.

The obligations arising from Chapter IV – current payment operations and capital movement from the first phase of the SAA have been realised. Direct investments and credit transactions have been completely liberalised in both directions. Portfolio-investments have been partially liberalised, i.e. free investment by non-residents has been enabled. With regard to investments in real estate, the investments by residents in real estate abroad is not allowed (except for diplomatic, consular and other representative offices abroad), while the investments of non-residents in real estate in the country is allowed for foreign naturalised persons and legal entities which are residents of the EU Member-States and OECD (except for agrarian land), while the principle of reciprocity is valid for all other countries.

Following the entry into the second phase of the SAA, according to the Law on Foreign Currency Operations, liberalisation shall be made for the the investments in real estate abroad by residents, issuance and introduction of securities abroad and documents for shares in resident investment funds abroad, portfolio investments of residents and issuance of foreign debtor securities with a due date of more than three years. After the completion of the second phase of the SAA, i.e. the entry of the Republic of Macedonia into the EU, residents will be able to open and possess accounts abroad.¹⁰ The capital-financial liberalisation is generally perceived as a positive process, whereby the countries proceed with different dynamics and courses of liberalisation. It is difficult to quantify the potential effects from the entry into the second phase on the capital and financial account of the balance of payments. Potentially, it would cause the outflow of foreign currencies from the Republic of Macedonia to foreign countries. Nevertheless, one can hardly estimate whether and in which amounts those outflows will be realised, because that is not only conditioned by the changes of the legislation, but also by a range of other economic factors both in the country and abroad in the following period. Furthermore, one should consider the possibilities and dynamics of the capital flows in the country. According to Article 60 of the SAA, the Stabilisation and Association Council will have to examine the means that enable the complete application of the rules of the Community for free movement of capital.

According to Article 68 of the SAA, ***the approximation of the national legislation to the EU legislation***, in particular in key areas of the internal market (*competition, intellectual property, public procurements, standardsation, accreditation and compliance evaluation*) and trade-related areas was one of the crucial priorities in the past period. All

¹⁰ Opening an account abroad is allowed to: diplomatic, consular and other representative offices of the RM abroad which are financed from the budget of the RM, naturalised persons with permanent residence in the RM who temporarily stay abroad during their stay in a foreign country; naturalised persons with permanent residence in the RM who have acquired abroad the right to: personal pension, pension from deceased spouse, social assistance, children's allowance, tuition fees due to deceased parent and premiums from life insurance. Other residents who are not authorised can open a bank account abroad if they possess an approval issued by the National Bank in Macedonia.

laws deriving from the obligations from the first phase have been adopted, and secondary legislation was adopted and the institutional capacities were established and strengthened with regard to the implementation of the respective laws.¹¹ According to the evaluation that was made in the last 2013-2014 EC Strategy on the enlargement and key challenges, the country has achieved a high level of harmonisation with the *acquis* concerning its stage within the process.¹²

In addition, according to the obligation arising from Article 68, the Republic of Macedonia prepares the National Programme for Adoption of the *Acquis Communautaire* in order to ensure a well-organised, coordinated and completely consistent approach on a national level towards the fulfillment of the Copenhagen and Madrid membership criteria, as well as the introduction of a mechanism for continuous progress monitoring in the fulfillment of obligations undertaken.

With regard to **Chapter VII *justice and internal affairs***, the Republic of Macedonia has implemented a thorough reform of the judiciary, which included significant changes of the Constitution, the establishment of the Academy for training judges and prosecutors, the introduction of stricter professional criteria for the performance of the functions of judge and prosecutor, the establishment of the Administrative court and the High Administrative court. The enforcement of court decisions was transferred to the enforcement officers, the reduction of the caseload, the introduction of free legal assistance and mediation and the introduction of automated management systems for court cases and E-justice, etc.

Concerning the cooperation about visas, border control, asylum and migration, the Visa Centre and the National Visa Information Centre are functional. The national legislation was harmonised with regard to the border controls and there is an established mobile unit for the fight against illegal migration. There is also an established and operational national coordination centre for border management, and cooperation is established with FRONTEX. The Law on Asylum and Temporary Protection was reconciled with the European legislation¹³, and a shelter for asylum seekers was established. A Readmission Agreement between the Republic of Macedonia and the European Union was implemented without any problems. The legal framework on money laundering has been put in place¹⁴, the Financial Intelligence Directorate is operational, and the Central Investigations Office for Suppression of Forged Money has also been established. The changes to the Criminal Code were adopted in accordance with the European legislation in order to include the alternative sentencing, introduction of criminal liability of legal entities, stipulation of new crimes and strengthening of the penal policy for money laundering, computer crimes, smuggling migrants, human trafficking, terrorism and financing terrorism, child pornography etc. Most of the international instruments that refer to combating different types of serious and organised crime have been ratified.¹⁵ Public prosecutors were given a more active role and the application of special

11 The Law on Protection from Competition, Law on Control of State Assistance, Law on Public Procurements, Law on Protection of Personal Data were adopted; international agreements that regulate the protection of intellectual and industrial property were ratified etc. The Commission on protection from competition was established and is now operational as an independent regulatory body, the Bureau for public procurements was established and actions are taken to combat piracy etc. The Republic of Macedonia adopted many laws and bylaws that refer to technical regulations, building the adequate quality infrastructure that includes the standardisation, metrology, accreditation, compliance evaluation and market surveillance.

12 See COM (2013) 700 final.

13 Council Directive 9/2003/EC from 27 January that prescribes the minimal standards on acceptance of asylum seekers; Council Directive 2004/83/EC from 29.04.2004 establishing the minimal standards for qualification and the status of nationals of third countries or non-citizens, such as refugees or individuals that need international protection for other reasons and about the content of the approved protection; Council Directive 2005/85/EC establishing the minimal standards for procedures of the Member-States to grant and seize a status of refugee, adopted on 1 December 2005.

14 Reconciled with the Third Directive of the EU on the prevention of money laundering and financing terrorism (32005/J0060), amended Strasbourg Convention on money laundering, investigation, seizure and confiscation of criminal proceeds from 2005, as well as with the revised 40 recommendations of FATF on the prevention of money laundering and financing terrorism and nine special recommendations on the prevention of financing terrorism.

15 The UN Convention against international organised crime from 2000 and the respective protocols on human trafficking and smuggling migrants; the protocol on the fight against illegal production and trade with firearms, its parts and components and ammunition, that supplements the UN Convention on the fight against international organised crime; the Council of Europe Convention on computer crime from 2001; the UN Convention against corruption; additional protocol to the Council of Europe Criminal Law Convention on Corruption; the UN Convention on the fight against corruption; the European Convention on the prevention of terrorism, along with the protocol; the international convention for the prevention of financing terrorism; the international convention for the suppression of the financing of terrorist attacks with explosives; the convention on the suppression of acts of nuclear terrorism and the convention on nuclear safety.

investigative measures, witness protection, confiscation of property and criminal proceeds were also enabled. The Agreement on Operational and Strategic Cooperation with EUROPOL came into force. With regard to the fight against terrorism, the cooperation has been intensified with international organisations, and the National Strategy on Combating Terrorism was adopted. The Law on Control of Opiate Drugs and Psychotropic Substances was adopted and completely reconciled with the European and international standards, and the country has good cooperation with the European monitoring centre for drugs and drugs addiction.

The Republic of Macedonia generally has significant cooperation with the European Union in numerous areas of the economic-social sphere, which are stipulated in **Chapter VIII Policy for Cooperation from the SAA**. The harmonisation of the extensive policies and legislation in these areas has been accompanied and supported by the institutional and financial cooperation of the Republic of Macedonia with the EU. In the past, efforts were being made that the EU strategic documents related to the economic development were adequately translated into national strategies related to industrial policy, small and medium enterprise development, creation of a favourable business climate for investments and foreign investment policy, export promotion, innovations, strategy for tourism development etc.¹⁶ The further strengthening of banking regulation and supervision has been provided. Significant efforts were being made to create a favourable business climate for private domestic and foreign investors, through improvement of the legal framework, entry into bilateral agreements for the promotion and protection of investments, having continuous proactive dialogue with the business community etc. The trade policy that has been implemented is in accordance with international obligations undertaken that derive from the membership in the World Trade Organisation (WTO), the Stabilisation and Association Agreement, CEFTA and other free trade agreements.

A high level of compliance with the **customs system** of the Community has been achieved through use of the Customs Single Administrative Document (SAD), the reconciliation of the customs nomenclature with the EU Combined Nomenclature etc. In cooperation with the **tax** administrations of the EU Member-States, several projects have been implemented to modernise the tax administration, improve the PRO services for taxpayers, and support the tax inspectorate for forensic and e-trade controls. The Republic of Macedonia also takes activities for participation in the new EU-FISCALIS programme 2020. Information is exchanged on the basis of concluded agreements to avoid double taxation.

With regard to the cooperation about the **social policy**, significant progress has been made concerning the approximation of the national to the European legislation, in terms of standards for employment, social insurance, working conditions, equal opportunities for men and women and protection of health and safety in the workplace. The Republic of Macedonia cooperated with the EU concerning **education**, primarily through the TEMPUS programme and the European Training Foundation (ETF). It also cooperated regarding the reconciliation of policies relating to **audiovisual policy**, and mostly about media pluralism, the establishment of a regulatory body and its competencies, etc.

As result of the cooperation regarding **electronic communication**, the Republic of Macedonia has developed and liberalised market of electronic communications with several operators. Concerning the development of the **information society** in accordance with European standards, several laws and strategic documents were adopted in the past period¹⁷, and activities have been implemented to achieve interoperability, electronic document management in

¹⁶ The pre-accession economic programme is prepared on a regular basis, the National Council of Entrepreneurship is functioning and the action plan is implemented with measures to improve the competitiveness of the Macedonian economy, 2012-2020 strategy and action plan for innovations, strategy for the development of small and medium enterprises with annual programmes and the 2012-2020 strategy for the development of craftsmanship. The projects on regulatory guillotine and one-stop system are successfully implemented, and the national strategy on sustainable development is applied.

¹⁷ Law on E-Trade, Law on Electronic Management, Law on the Foundation of the Macedonian Academic and Research Network – MARnet, National strategy for e-Government, National strategy for the development of e-content in education, National strategy for e-inclusion.

the state institutions and the development of numerous electronic services which are provided by state institutions, etc.

Progress has been made in the field of **consumer protection**, as well as in the harmonisation of the legislation and the building of institutional capacities for consumer protection.

The **road transport policy** of the Republic of Macedonia in the past ten years since the implementation of the SAA has been directed towards complete liberalisation of transport services and smooth mutual access to the markets by the parties to the Agreement, as well as the facilitation of passenger and goods movement.

The cooperation in the field of **energy** is directed towards the liberalisation of the electricity and natural gas market, the increase in the share of renewable sources of energy in total energy consumption, an increase in energy efficiency, the strengthening of the administrative capacities of the sectors that are competent in this area, etc.

The cooperation regarding **regional and local development** is directed towards the provision of equal regional development, providing dynamics in the development of the country as well as strengthening the internal social and economic cohesion.

With regard to the cooperation in the field of **research and technological development**, the Republic of Macedonia has made major progress in terms of its participation in the framework programmes of the European Union as well as the mobility of researchers through the EURAXESS programme, and the legislative and strategic framework were established in order to reconcile them with the research policies of the EU and the strategic objectives of the European Research Area.

In the recent past, significant progress has been made in the field of **environment matters** in terms of transposing the EU *acquis* into national legislation through the adoption of numerous laws and bylaws, as well as the adoption of planning documents. In future, due attention will have to be paid to the transposing of the legislation into the field of climate change, as well as to ensure the complete implementation of the legislation, strengthening of the administrative capacities both on a national and local level, as well as strengthening regional and cross-border cooperation.

Financial cooperation (Chapter X) with the Community in the form of irrecoverable means and loans is of significant importance for the support of ongoing reforms. Such financial assistance has been implemented through the instruments PHARE, CARDS and IPA that cover all areas of EU legislation that was necessary to be harmonised with national legislation. In the past, work was undertaken on the development of the national decentralised system for implementation of EU assistance. This is built through the establishment of four operational structures and the allocation of functions to all managerial staff, along with new employment, new bodies for IPA implementation and new rules and regulations which were subject of accreditation by the European Commission. There is need for further support both from the aspect of financing the activities and obtaining the decisions for the transfer of competencies to the national authorities, and for the preparation of key documents and projects.

In 2013, preparations were started on the introduction of the Pre-accession Instrument II for the period 2014-2020, which shall focus on the sectoral approach with an accent on the rule on EU fund supplements to the national budget funds for the various sectors. This is expected to bring about greater visibility, efficiency, effectiveness and impact of the EU assistance in the Republic of Macedonia. The amount of funds envisaged for the Republic of Macedonia are in the same proportion as for the IPA 2007-2013, i.e. around €600 million, and there are ongoing final consultations to define the sectors that will be financially supported by IPA funds.

Perspectives and Challenges

Perspectives and challenges

The pacification policy for the European continent, through the establishment of the European Union and its continuous enlargement, is undoubtedly a unique process and a historic possibility for the further peaceful integration of the continent and the expansion of stability and prosperity within Europe. The successes of that policy of compromise are evident on a global level. The number of EU Member-States has reached 28, with over 500 million inhabitants, and represents the biggest single economy worldwide, with a significant place in the global world of decision-making. But the challenges are also numerous.

In the field of security, the developments in the immediate neighbourhood of the EU, in North Africa and the Near East, as well as the developments around Ukraine that have upset the world these days and the open conflict between the United States and the European Union with the Russian Federation, serve as reminders that peace is not a constant and that daily hard work is required to preserve the balance of peace. The deepening of EU relations with Ukraine on an associative basis, thus balancing relations with the Russian Federation, including the energy supply to the EU, is recently the biggest challenge encountered by the EU and NATO foreign and security policy. The escalation of the situation is an everyday direct blow to the EU economy and security, as well as a potential long-term problem with unforeseeable and barely measurable consequences.

In the economic field, during the past several years the EU functioned in a situation of acute crisis, which at times had developed dramatic proportions. Yet the, EU managed to overcome the crises and opened a new perspective for development, with resolute decisions that introduced fundamental changes in the management and coordination of European economies, as well as mechanisms for the control of public finances and excessive borrowing. The positive outcome of the crises is that changes that would have taken years to be implemented under normal conditions were implemented for in a record short time under conditions of crisis.

Although enlargement has been one of the most successful EU policies that has contributed to the strengthening of peace, democracy and stability within Europe, and indeed was the basis on which the Nobel Peace Prize was awarded, yet in recent years (in particular after 2004, such as in 2007) that was not the central interest of EU policy. However, despite unfavorable circumstances in the EU, the process notes some positive shifts whereby Croatia became the twenty-eighth Member-State in 2013; Macedonia fulfilled the conditions to start negotiations in 2009; since 2012 Montenegro and since 2013 Serbia, after a successful dialogue with Kosovo also started accession negotiations; Albania is in the process of making the transformation to conditioned candidate status with the possibility to start negotiations, Turkey, slowly but surely makes progress in negotiations, Kosovo closes negotiations for the conclusion of the SAA, while Bosnia and Herzegovina has not found a solution for the continuation of the process. All countries in the Western Balkan clearly expressed their strategic goal and unequivocally linked their political and economic interests with EU membership. In the next period, one can expect that the EU will raise the level of priority in the enlargement process and make significant engagements and investments to complete the initial process in relation to the Western Balkans.

From a security, political or economic aspect, all the stated challenges require a proactive attitude and decisiveness, and they can be used as signals concerning the need for internal consolidation of the EU along all lines, as well as a foundation to build a coherent and consistent attitude towards more deepened integration (political, economic and monetary union) and further accelerated enlargement towards south-east Europe and Turkey. The new composition of the European Parliament and the European Commission, which is expected after the European elections, will have to immediately confront all the challenges inside and outside of Europe; nevertheless, they will have the chance to project new perspectives and to work on their practical realisation in the following years.

The Republic of Macedonia indissolubly linked the perspectives for its development, security and prosperity to the European Union, whereby it continuously demonstrates its clear and unequivocal aspiration for full integration within the European Union. Any analysis from a historic, geographic, political, economic or cultural aspect about the reasons for the integration of the Republic of Macedonia finally results in the conclusion that the Republic of Macedonia is part of Europe and should inevitably become part of the European Union.

The perspective and goal for the integration of the Republic of Macedonia could be defined in the context of the development of our democratic political system and the promotion of our market economy, the acceleration of social and economic development, the strengthening and enhancing of cooperation with the Member-States of the European Union and the other candidate countries for membership, along with the integration within the European system for common foreign and security policy, the consolidation of the Macedonian position on an international level and the promotion of the Macedonian international identity as a peaceful country which is fully and wholeheartedly oriented towards the integrative processes. If the Republic of Macedonia does not become a full member of the European Union in the foreseeable future, the main negative consequences could be demonstrated by the fact that Macedonia would be outside the EU safeguard mechanisms and solidarity and would have to tackle its international position and its security largely with its own forces. Also, until the Republic of Macedonia becomes a member of the European Union, it is denied the possibility to participate in or is excluded from the decision-making process on crucial matters which either directly or indirectly affect our future and economic development, as well as the development of our region.

The Republic of Macedonia projected its perspective when it was the first country in the region that signed the Stabilisation and Association Agreement and the Interim Agreement on Trade; in 2004 it submitted its application for membership of the EU, and in 2005 it was awarded the status of candidate country for membership. In 2009 (just like in 2010, 2011, 2012 and 2013), the EC proposed to the Council of the EU that Macedonia should start accession negotiations for full membership. As a result of the well known dispute with Greece, negotiations have still not taken place, although Macedonia deserved to begin negotiations a long time ago, as a country that completely meets the obligations from the SAA and the political Copenhagen criteria satisfactorily, as well as making progress in the fulfillment of economic criteria while building a European legal and functional administrative system that is capable of practising European law and legal practice.

The Republic of Macedonia is the only country in the region that mutually recognises the borders with all its neighbours, respects the rights of their communities as well as the equality of all religions, and at the same time does not dispute their names, has no territorial pretensions and runs an active policy of good neighbourhood and regional cooperation. In the same context, despite all the difficulties and challenges, Macedonia remains prepared and proactive in the search for common ground through political and diplomatic ways and open dialogue, to identify the solution to the open bilateral name issue with Greece, which has been an obstacle to our full integration within the European Union for ten years now, and we have also demonstrated an unequivocal willingness for further development of bilateral relations with Bulgaria as an EU Member-State and all other neighbouring countries.

The perspective of the Republic of Macedonia lies in its perseverance and the persistence of to look for mutually acceptable compromise for the conflict with Greece and at the same time to start the accession negotiations for membership to the EU, thus insisting on the respect for international law and the mutual obligations for building good neighbourly relations. The key challenge in this insistence is above all to ensure the continuity, consistency and coordination of our policies, with ensured wide public support, so that our legally and morally sustained arguments can penetrate our neighbours and all EU Member-States and institutions, through the development of mutual dialogue and the building of trust. Thus, our domestic economic reforms should be linked and synchronised with the reforms of the EU economic system

and the harmonisation of our legislation with EU legislation should continue in parallel. At the same time we must enhance the reforms of the judiciary and security structures, proceed with the reforms of the State, local and public administration and build capacities for strategic planning and the utilisation of our domestic budget potential, as well as putting in place the necessary capacities for the planning, programming and absorption of available EU funds.

All citizens of the Republic of Macedonia have an obligation to meet all the challenges, but primarily it is the task, obligation and imperative of all political actors in the state, and certainly of the Government and the Parliament. All of us together bear the responsibility, dictate the pace, and establish the framework and communication channels and we are responsible for the creation of favourable conditions for the realisation of the obligations, that is, the general climate and motivation to make progress in the process.

Throughout the ten-year cycle from the implementation of the Interim Agreement on Trade (2001-2011) and the ten-year cycle from the implementation of the Stabilisation and Association Agreement (2004-2014), strong impetus was given to our perspective for EU membership and the path of political and economic reforms was traced, while our trade relations were given direction and a contribution was made to accelerate the development of the Republic of Macedonia. At the same time, despite the recommendations of the EC, we encountered a strong challenge to our future development, we encountered obstructions regarding the the decision to get a date to start the accession negotiations and the passage to the second phase of the SAA implementation. Such developments prevented the full release of energy for the integration process – the Macedonian administration was partially demotivated and the credibility of the European institutions was put under question.

Under conditions of blockade, the further harmonisation of our legislation with EU legislation has become a major challenge, mostly because of the absence of deepened interaction between the EU and our national experts, under conditions where we have not started the accession negotiations, that is we have only started the screening process. The Republic of Macedonia is still the leader in the region regarding the process of transposing the European law into our national legal system; however, without starting the negotiations, screening, and utilisation of the full capacity and potential of the EU institutions, the process will inevitably become stagnant, the expertise will become obsolete, and the costs for transposition will multiply and partially become unproductive. The same would be the logic behind the process of the establishment and resourcing of new institutions as part of a support mechanism for the implementation of the new European legislation, which means we do not have real partners from the EU institutions until we start the accession negotiations.

The real challenge would also be to provide support from the national budget and coverage for the costs in order to ensure the continuation of the process for the harmonisation of the legislation and the establishment and maintenance of the institutions for the respective implementation under conditions where the dynamics of the process are uncertain and there is strong competition with other current priorities. Namely, the costs for harmonisation of the legislation, the establishment of the necessary institutional structures for the respective implementation, the provision of training for the professionals and their resourcing, as well as the costs for the adjustment of our economic operators to the European quality and safety standards for products which are huge and will be financed largely on our side, bearing in mind that only a small part is compensated through projects which are financed from EU funds (IPA and IPA2). The spirit and the logic of the SAA was that in a period of ten years, through the accession negotiations, in the process of integration we should be brought closer to the structural and cohesion fund, from where we would be partially compensated for the costs of the process of harmonising our legislative and institutional reforms. The slowdown in our integration within the EU impacts the significant decrease in the potential package for support from EU funds. For illustration purposes, rough estimates show that in such a case the Republic of Macedonia would receive five-to-six times more funds than the funds

that are currently received through IPA and IPA2.

The Interim Agreement on Trade and the SAA, as asymmetric preferential agreements in our benefit, ensured the complete opening of the European market for our products immediately (since 2001), and the gradual opening of our market in a period of ten years. The period of asymmetry has passed (2011) and the zone of free trade between Macedonia and the EU has been established (with certain limitations, only for selected products). In the period that was more favorable for us, this arrangement was aimed at enabling our economic operators to invest in their capacities, equipment and technology so that they can gradually prepare for the competitive blow of high quality EU products. Although such investment existed and more ambitious companies managed to prepare, because of the reason that we did not start the accession negotiations in the meantime, the capacity for compensation and assistance to our economic operators from the State and through the EU funds is lower than expected.

Also, the Interim Agreement and the SAA, through the gradual liberalisation of our market, inevitably caused the reduction of our budget revenues, due to reduced revenues from customs duty and partially from taxes and excise as result of reconciliation with EU rules. Once again, the logic and spirit of the SAA meant that the accession negotiations and entry to the EU and the loss of budget funds would be compensated through access to significantly higher structural and cohesion funds. For us, there is a remaining challenge that through acceleration of the EU integration process we can get closer to the funds which can ensure a good base for compensation of the lost revenues from the national budget.

Currently, the GDP level of the Republic of Macedonia is about 33-34% of the average GDP of the EU so there is a need for significantly accelerated development and an increase in the gross domestic product in order to reduce the difference in terms of the EU level. The perspective for accelerated development and the creation of new jobs in the Republic of Macedonia can be achieved only if we ensure political security, healthy economic reforms, a functional social system, an efficient and professional administration, and certainly an increased intensity of foreign direct investments, along with domestic investments and a complete, efficient and productive utilisation of available EU funds (IPA and IPA2). The Republic of Macedonia, the first country in the surrounding area, managed to establish the system of decentralised implementation of EU funds, demonstrating its institutional maturity and preparedness to take responsibility; however, a major challenge ahead of us is the building of capacities for maximum absorption of available IPA funds.

After one-and-a-half decades from the signing and implementation of the SAA, it is clear that the overall success of the process does not and cannot depend only on one side. Further dynamics and the definition of a new functional framework is essential in the near future. The start of accession negotiations and their successful completion are the beginning of a journey with numerous challenges, the overcoming of which will require synergy and maximum engagement, along with goodwill, trust, the taking of many decisions, as well as hard work for their implementation on the part of all involved parties.

Concluding Observations and Recommendations

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Based on the achieved results, one can conclude that the **EU enlargement process is one of the most successful geo-political and economic policies on global level**, which was crucial for the establishment of the world largest economy, with over 500 million citizens, and established principles of rule of law, free movement and safety for all its citizens. Both in the past and nowadays, the process was exposed to a range of internal and external challenges that require pro-active policies, daily reactions and rapid decision-making. With view to any new challenge, the European Union undergoes political, economic and institutional changes, which enhance its efficiency and adjustment to the new situations, and enables it to preserve the **strong attractiveness for criteria-based accession** by all countries which belong within the scope of its geographic and political interest and impact.

The enlargement process towards South-East Europe has been ongoing for quite long period of time and it can be evaluated as successful process which is still in progress. Slovenia (2004) and Croatia (2013) which are already EU member-states, serve as good examples that the integration is also reality for the countries in our region. However, not until all countries in the region, including Republic of Macedonia become full members, the process shall not be completed and one cannot consider it as completely successful. EU has the challenge to find the roads and avenues to overcome the bilateral open issues among some countries of Western Balkan (Serbia and Kosovo are a positive example), i.e. open bilateral issues between an EU member-state and a candidate country, whereby the EU external policy mechanisms are still **powerless** (example of Macedonia and Greece). The ability to solve such complex matters would protect the **credibility of EU** and would ensure the **success of the initiated enlargement process**.

According to the European Union findings, since 2009, the Republic of Macedonia **has fulfilled the criteria to start the negotiation talks** and is completely prepared to start the negotiations. The fact that the **EU Council does not validate the European Commission recommendation for five years in a row**, may have frustrating and demotivating effect for our institutions, administration and citizens; however, our strong political strategic determination has not wavered and the public support has not significantly reduced.

Under such complex conditions, the continuation of the process and its dynamics would require continuous additional efforts, which may also take into consideration the following steps:

- To ensure **wide consensus** through **inclusive political dialogue** and all mechanisms of the state for clear political support for **continuation of the process as state priority**,
- Through **pro-active policy**, by using all diplomatic channels and assets, to ensure an **enhanced dialogue with all our neighbors**, also through numerous mechanisms for **regional cooperation and the Stabilisation and Association Process**, for the purpose of further improvement of good neighborly relations and building trust on all levels, primarily with the neighbors who are EU member-states (**Greece and Bulgaria**), with which we have some open bilateral issues,
- Creation of base to intensify the dialogue with all EU member-states, as actors in the decision-making process in the institutions and policy creators on EU level, as well as opening new **channels for dialogue with the USA**, so as to rapidly improve and affirm the positive image and perception about Republic of Macedonia on international level,
- Systematic and overall realization of all findings and recommendations from EC Reports, as well as reports from

other international factors, with regard to the political and economic criteria for EU membership, including the reforms in the judiciary, state, local and public administration, as well as further realization of the Ohrid Framework Agreement,

- Continuation of the successful reforms in the economy and instituting the functional market economy, stable macro economy, efficient fiscal policy and public finances and healthy monetary policy as foundation for accelerated growth and development, opening new jobs and returning the young people and educated staff in the country,
- Necessity for strengthening the capacities for multiyear strategic planning and giving directions for the national budget funds and the credit potential, which is complemented by further development of the capacities for planning and programming the available EU funds (IPA and IPA2) and through preparation of sound projects, their increased and accelerated absorption throughout the national system for decentralized implementation,
- Continuation of the implementation and full respect for the provisions of the Stabilisation and Association Agreement and all its Protocols and Annexes, including the Protocol to SAA due to the accession of Croatia to EU and changes of the Protocol for origin of goods and adjustment to the rules of the Pan-Euro-Mediterranean Convention. Although ten years have passed since the implementation of SAA, the legal importance of the document continues without any time limitations, and the document still serves as legal framework for mutual regulation of relations in many other areas (visa liberalization, readmission, classified information, crisis management, energy, road and air traffic, steel, textile, sugar, participation in the programs and agencies of the Union, financial protocol for use of EU funds, etc.),
- Necessity to prepare a comprehensive Analysis of the SAA implementation to date, including the application of the decision for exceptional trade measures for our region, along with assessment of the net-effects, as foundation for the dialogue with the European Union about the future perspectives of SAA. Namely, the objectives set in the SAA for stabilization, association and establishment of free trade zone have been fulfilled; however, the key goal to open the negotiation talks and the approximation to the structural and cohesion funds has not been achieved,
- Continuation of the pressure to the EU Council, i.e. to the member-states, for complete respect for SAA and adoption of adequate formal decision for transfer to the second phase of SAA, and based on the Analysis of the SAA implementation to date and the respective assessment, to review the possibility for one-sided application of the SAA provisions which are conditioned by the decision for transfer to the second phase (establishment of companies, property possession, service delivery, financial transactions, etc.),
- Based on and in the framework of the Analysis, also, one should make an assessment of any possible further mutual concessions in the part related to the trade in the SAA, including the effects of the possible continuation of the negotiations for new Protocol on wine, i.e. reciprocal concessions and protection of wine and alcoholic drinks,
- In the context of the analysis of the current implementation of SAA, it is also necessary to assess our engagements in the framework of CEFTA (**and EFTA**), thus taking into consideration the accession negotiations of Montenegro and Serbia with EU, and in particular the EU Stabilisation and Association Agreement with Kosovo, as our direct trade partner, as well as the results from the EU negotiations for association agreements with Ukraine and Moldova, as well as Georgia. The shift in the trade relations and concession arrangements of EU with all these countries, which are also our trade partners, shall inevitably shift our trade relations with EU and the affected countries,
- It would be necessary to enhance the scope of the National Programme for Adoption of the Acquis communautaire

(NPAA), as strategic framework and as an operational mechanism (planning, preparation, financing, coordination, monitoring) to guide the process of approximation of the legislation and building the institutional capacities for the respective implementation. Namely, based on the direct experiences of Croatia, Montenegro and Serbia from their accession negotiation processes (screening procedures and respective sectoral reports), under conditions when we have not yet started the accession negotiations with EU, the dynamics of the process for harmonization of the legislation and the transposition of the current EU acquis can be maintained to a certain extent,

- There is necessity to **provide funding for continuation of the process of translating the EU acquis**, because the dynamics of legislation harmonization depends directly on the dynamics of translation of the legislation in Macedonian language,
- Given the fact that the **common bodies for SAA implementation** (Council, Committee, seven sub-committees, special group for public administration reform, Joint parliamentary committee), completed the ten cycles of meetings on routine basis and largely exhausted the topics arising from the SAA, there is need for essential change of the content of the meetings as well as to intensify the meetings for EU sectoral policies in line with the accession negotiations,
- Although the Republic of Macedonia is still awaiting the decision to start the accession negotiations, **it would be beneficial if the decision is reached for the establishment of the necessary bodies for coordination and negotiation talks**, in order to use the available experiences from Croatia, Montenegro and Serbia, as well as to stimulate the procedures for negotiations. Those bodies and procedures are fully **complementary with the existing structures for coordination of the process for SAA integration and implementation**, and may be productively used without a date to start the negotiation talks.

