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THE REFORM AGENDA UNDER SCRUTINY: MONITORING THE IMPLEMENTATION

First *Ex Post* monitoring report

January 2026

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Monitoring report

What have we accomplished by December 2025? Who is responsible for the success? How much funding can we expect for the success of the reforms?

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I. EXECUTIVE SUMMARY

This first *ex-post* monitoring report assesses the current state of implementation of the Reform Agenda 2024–2027 as of 31 December 2025. Unlike *the ex-ante* phase, which had an early warning function, this analysis represents **a verification assessment of what has actually been achieved**, on which the activation of funds from the Growth Plan and the European Union Reform and Growth Facility directly depends. The analysis covers **a total of 39 reform steps**, including those placed under grace period. The total expected payment related to their full implementation amounts to **approximately 183 million euros**. However, as of December 2025, **only 5 reform steps have been fully implemented**. This is the key finding of the report. Based on the fully implemented measures, a payment of **approximately EUR 29 million can realistically be expected**, while the remaining funds remain subject to additional assessment, operationalization, or the risk of prolongation in the grace period and complete loss.

Structurally, the reform dynamics in 2025 are characterized by **significant normative progress**, but with *uneven and insufficiently confirmed functional implementation*. In several areas, legislative solutions have been adopted or initiated, but their real institutional effect remains limited. Positive steps are noted in some of the thematic areas, especially where the legal framework is completed and operationalized. However, in a significant number of cases, reforms remain in the phase of partial implementation, with insufficient evidence of their practical and systemic application. **The average score of reform readiness indicates a medium level of compliance**, which means that the reforms are formally moving forward, but do not yet create a sufficiently stable functional effect to ensure full financial realization in the first cycle.

The main challenge in the next phase is not to enact new laws, but to ensure measurable, verifiable and sustainable implementation of the solutions already adopted. Where the normative framework is not accompanied by staff stability, institutional coordination and adequate budgetary planning, the risk of formal implementation without substantial effect remains high. The fact that **only 5 out of 39 steps have been fully implemented** sends a clear message: 2026 must be a year of implementation, institutional discipline, and functional consolidation.

There is no greater motive than accession to the European Union, but the payment of approximately 183 million euros should be one. When we clearly do not care so much about reforms and accession, then let us at least make sure that we do not lose the funds that could be ours, that is, with which we can support the reform process further. The payment of the remaining funds depends entirely and solely on the political will for reforms, as well as on the ability of the system to move from normative compliance to real institutional transformation.

II. OBJECTIVE AND METHODOLOGY

This **ex-post monitoring report** is being prepared after the expiry of the deadline for the implementation of the reform steps and represents the second analytical phase of the ongoing monitoring cycle. It closes the time period covered by the deadline of **31 December 2025**, establishing a clear reference point for assessing the state of the reform process.

The report is prepared within the framework of the unified methodological framework of the Citizens' Alliance for Reform and Growth (CARGrow), which allows for structured, comparable and consistent monitoring of the implementation of the Reform Agenda 2024–2027. In this phase, the focus is on the situation after the deadline, with the analysis based on established parameters, time constraints and verified data sources.

1. PURPOSE

The **monitoring report** presents an analytical assessment of the actual implementation of the reform commitments set out in the Reform Agenda 2024–2027, as of **31 December 2025**. The report is based on the previously developed unified methodological framework and establishes:

- whether the reform steps with a deadline of December 31, 2025 have been implemented;
- to what extent they have been implemented in relation to the defined indicators;
- whether the fulfillment is formal, operational or functional;
- What is the quality and sustainability of the measures taken?

In this regard, the report is not limited to stating adopted laws, strategies or bylaws, but rather analyzes their **operationalization, institutional support and practical application**. Therefore, the ex-post report has a **reporting and analytical function**, as well as a **verification function**, in such a way that:

- provides public insight into the degree of fulfillment of the undertaken obligations;
- assesses compliance with the conditions for disbursement under the European Union's Reform and Growth Mechanism;
- identifies institutional weaknesses, coordination problems and systemic limitations that have affected the dynamics of implementation.

This report does not make a political assessment or formulate new policies. Its role is to provide a **factual, verifiable, and methodologically based assessment** of the state of reforms after the expiry of the set deadline.

The ex-post analysis covers all reform steps with a deadline set for **31 December 2025**, as defined in Annex 1 of the Reform Agenda, as well as those previously for which an additional, or grace period for implementation was set. Therefore, the specified date is taken as the reference point for the assessment and for all findings, conclusions and assessments. Activities undertaken after this date are not included in the assessment, except when necessary to clarify the status of a specific measure. The scope also includes measures for which a **grace period is foreseen**, and it is treated as an integral part of the agreed time dynamics. The analysis clearly distinguishes:

- what was accomplished within the basic deadline;
- what is carried over into the additional period;
- what implications does this have on meeting the benchmarks.

The analysis is structured by reform pillars and policy areas, identical to the structure of the Reform Agenda, ensuring direct comparability and a clear trace from the commitments undertaken to their actual implementation.

2. METHODOLOGY AND ANALYTICAL APPROACH

This ex-post monitoring is conducted through **a unified monitoring matrix**, in which a three-layer analytical approach is applied to each reform step:

- 1. Formal fulfillment** – enactment of a law or other by-law;
- 2. Operational implementation** – establishment of institutional mechanisms, procedures and administrative prerequisites;
- 3. Functional fulfillment** – practical application and visible effect of the measure.

This approach allows for a clear distinction between situations in which the reform is normatively fulfilled and those in which it produces real institutional and practical results. The assessment also takes into account institutional capacities, the availability of resources, the existence of secondary legislation and the actual implementation of the measures. Where the data do not allow for unambiguous confirmation of fulfillment, this is explicitly stated as a methodological limitation.

Based on this analysis, each reform step is assigned a numerical score on a **five-point scale**. A **three-color traffic light system** is used to visually identify the level of compliance, with the colors grouping the numerical scores into three levels of compliance.

Numerical score	Category	Compliance level	Traffic light
1	Unfulfilled	Low	
2	Unconfirmed implementation (lack of sufficient data)	Low	
3	Partially fulfilled	Medium	
4	Largely fulfilled	High	
5	Fully fulfilled	High	

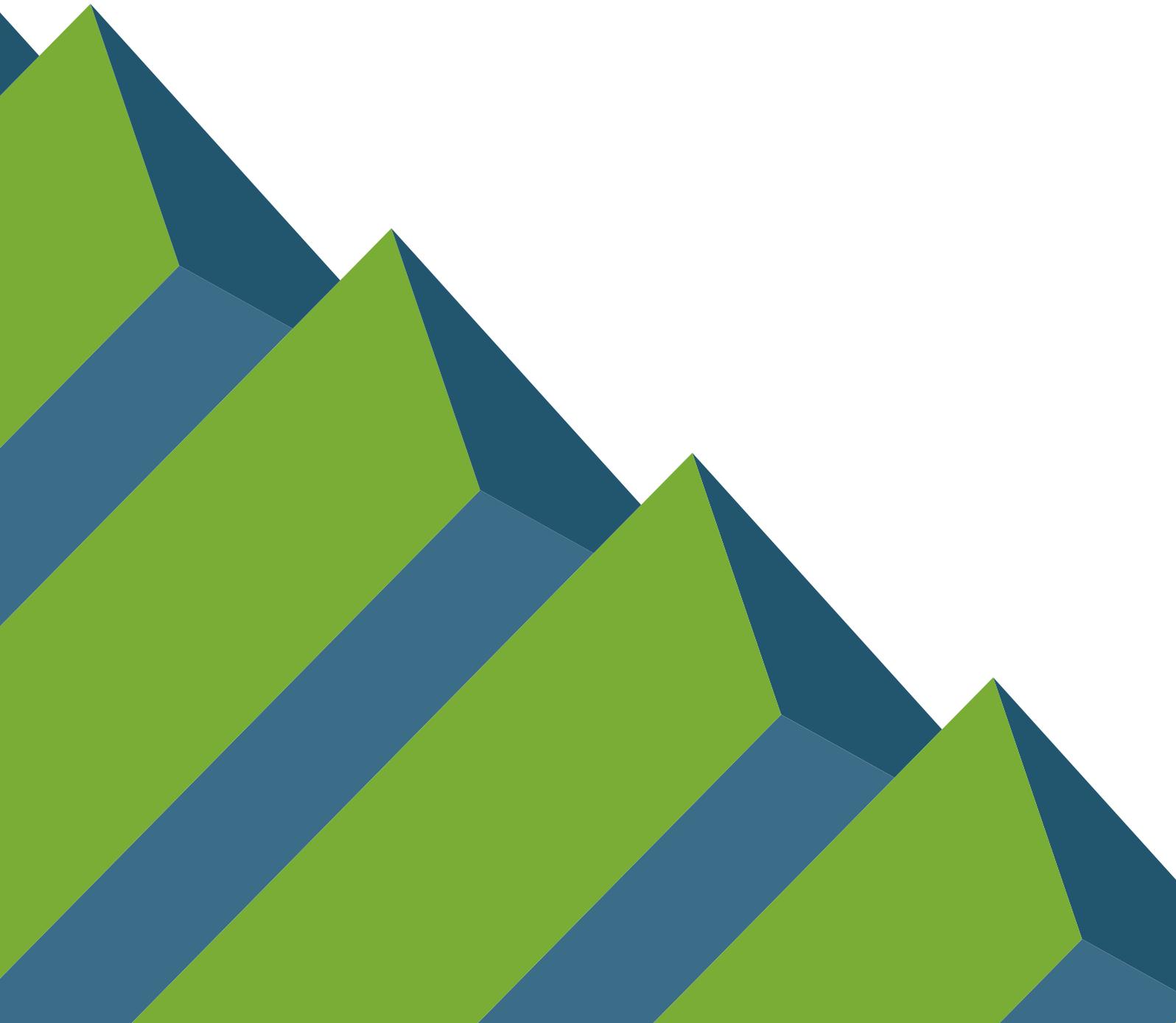
Traffic light markings allow for quick visual orientation, while the numerical rating provides a more detailed analytical differentiation between levels of completion.

The analysis is based on a combination of official and independent sources in order to ensure a high level of verification and analytical credibility. The primary sources include:

- official government documents and implementation reports;
- legislative and by-laws;
- relevant documents and assessments of the European Commission;
- information related to meeting payment requirements.

Additionally, the analysis is complemented by input from civil society organizations involved in CARGrow, which provide thematic expertise and cross-checking of official information. This combined approach allows not only to confirm the formal status of reforms, but also to gain a deeper understanding of their practical effects and limitations.

ANALYTICAL ASSESSMENT OF CURRENT CONDITIONS



I. GOVERNANCE, PUBLIC ADMINISTRATION REFORM AND PUBLIC FINANCIAL MANAGEMENT

1. PUBLIC FINANCE MANAGEMENT

The analysis of the degree of implementation of the reform steps in the sub-area of Public Financial Management is aimed at assessing whether the established framework has been effectively applied in practice, as well as whether initial results indicating the improvement of fiscal discipline, transparency and accountability are being recorded.

For this area, within the foreseen deadline of December 2025, several measures and concrete steps have been planned, the implementation of which has progressed at different paces and degrees of operationalization. In addition, one measure, for which a grace period has been established, continues to be monitored after the expiry of this deadline, with the aim of full implementation by December 2026. Hence, the assessments in this report are not limited only to the formal fulfillment of the obligations, but also take into account the real progress and continuity in their implementation. In accordance with the methodological framework, each reform step in this sub-area has been assessed with a numerical score (1–5) and an appropriate traffic light mark.

The implementation of the measures is under the responsibility of two institutions:

- **Ministry of Finance** – as the bearer of reforms in public internal financial control, the budget system and public investment management;
- **Public Procurement Bureau** – as the competent body for implementing and monitoring reforms in the public procurement system.

The expected payment for the implementation of the reform steps in the area of public finance management by December 2025, **including steps with a grace period**, is estimated at around **23.5 million euros**.

Name of the reform	Measure	Competent institution	Budget (EUR)	Rock	Traffic light
Strengthening public internal financial control	At least 80% of central and 75% of local budget users submit internal audit reports (FY 2024)	Ministry of Finance	4,281,623.70	December 2025	2
	At least 70% of the main budget users have a risk management document	Ministry of Finance	4,281,623.70	December 2025	2
Strengthening the public procurement system	The use of auctions is reduced to a maximum of 40%	Public Procurement Bureau	8,563,247.40	December 2025	5

Name of the reform	Measure	Competent institution	Budget (EUR)	Rock	Traffic light
Full implementation of the Budget Law	Adoption of at least 17 by-laws and rationalization of budget users	Ministry of Finance	4,281,623.70	Grace period until December 2026	3
	Temporary IT solution (Excel) for public investment management	Ministry of Finance	2,140,811.85	December 2025	2

Step: At least 80% of budget users at the central level and 75% at the local level submit a report on the internal audits performed (in relation to the fiscal year 2024) (by December 2025)

According to available data from the Ministry of Finance ¹, as of December 2025, 117 internal audit units at the central level and 85 units at the local level had been established, indicating institutional progress in establishing the internal audit system. For the fiscal year 2024, 132 reports were prepared at the central level and 109 reports at the local level. However, the percentage of institutions that submitted a report cannot be precisely determined from the available data. As a result, despite the existence of an institutional framework for internal audit, the fulfillment of this reform step cannot be determined based on the available information.

Based on the available information, the reform step is assessed with **a score of 2 - unconfirmed implementation**, due to a lack of data to determine the percentage fulfillment of the indicator.

Step: At least 70% of the main budget users at the central level have a risk management document, including anti-corruption risks, and record the identified risks in mitigation plans (by December 2025).

During 2025, the Ministry of Finance developed a *Methodology for Risk Management in Public Entities*², which established a formal methodological framework for identifying, recording and managing risks, including corruption risk. This document is an important prerequisite for improving the risk management system and for its unified application among budget users at the central level.

However, no data is available that would allow determining what percentage of the main budget users have prepared risk management documents. Based on the available information, it cannot be determined whether the target of coverage of at least 70% of the main budget users has been achieved.

The reform step is assessed with **a score of 2 – unconfirmed implementation**, because no evidence is available that allows for the determination of coverage of at least 70%.

1 Status of the internal audit system - <https://finance.gov.mk/mk-MK/oblasti/sostojba-na-sistemot-za-vnatresna-revizija-vo-javniot-sektor>

2 Methodology for risk management in public entities - <https://portal.mdt.gov.mk/post-body-files/centralna-edinica-za-xarmonizacija-na-sistemot-na-jvfk-file-HXen.pdf>

Step: The use of auctions for procurement in fiscal year 2025 is reduced to a maximum of 40% of procurement (by December 2025).

In the period from 1 January to 31 December 2025, a total of 5,291 public procurement procedures were conducted using electronic auctions, representing 21.8% of the total number of procedures conducted. With this, the goal of limiting the use of electronic auctions to a maximum of 40% has been met significantly above the target.

This result indicates a change in public procurement practices, with electronic auctions being used more selectively. At the same time, it creates space for a wider application of the criterion of the most economically advantageous tender and for a greater appreciation of the qualitative aspects of the tenders, which is a signal of alignment with European standards and good practices. Based on the available evidence, the Commission could accept the reform step as completed.

The reform step is assessed with **a score of 5 - fully implemented**, considering that the indicator has been met significantly above the set target within the deadline.

Step: Adoption of at least 17 by-laws provided for in the Law on Budgets, including the establishment of a register of public entities (Article 4), revision of the budget classification (Article 5) and reduction of the number of primary (“parent”) budget users by at least 40% in the administrative classification and the Regulation on Public Investment Management (Article 20) (by December 2024 - i.e. by December 2026 with the established grace period).

The implementation of the 2022 Budget Law has made some progress in the normative part. More than 17 by-laws have been adopted, including rulebooks on the various budget classifications (organizational, economic, functional, programmatic and by sources of financing), as well as by-laws related to the assessment of medium-term fiscal implications and gender-responsive budgeting. Although their practical application was planned to start from 1 January 2026, with the legal amendments in December 2025, the full implementation of the Budget Law is planned to start from 1 January 2028.³

*The Public Investment Management Regulation*⁴ was also adopted in April 2025, accompanied by a *Manual on the Public Investment Management Process*⁵ and a *Guide for the Preparation of Feasibility Studies*⁶. These documents establish a stronger framework for the preparation, selection and evaluation of capital projects and are a prerequisite for establishing a Single List of Projects and strengthening the role of the Public Investment Management Sector within the Ministry of Finance.

Additionally, in December 2025, updated versions of *the Regulation on Program Budget Classification*⁷, as well as *the Regulation on Organizational Classification*, were adopted.⁸ by including secondary budget users. How-

3 Law on Amendments and Supplements to the Law on Budgets (“Official Gazette of the Republic of Macedonia” No. 258/2025) - <https://portal.mdt.gov.mk/post-body-files/budzet-i-finansiranje-na-els-file-X5Hj.pdf>

4 The Decree on Public Investment Management - <https://portal.mdt.gov.mk/post-body-files/upravuvanje-so-javni-investigicii-file-xKDE.pdf>

5 Manual on the Public Investment Management Process - <https://portal.mdt.gov.mk/post-body-files/upravuvanje-so-javni-investigicii-file-HR2V.pdf>

6 Guide for preparing a feasibility study - <https://portal.mdt.gov.mk/post-body-files/upravuvanje-so-javni-investigicii-file-jNh0.pdf>

7 Rulebook amending and supplementing the rulebook on program classification - <https://portal.mdt.gov.mk/post-body-files/budzet-i-finansiranje-na-els-file-098p.pdf>

8 Rulebook amending the Rulebook on Organizational Classification - <https://portal.mdt.gov.mk/post-body-files/budzet-i-finansiranje-na-els-file-vzuq.pdf>

ever, from the available information it cannot be clearly determined whether a reduction of at least 40% in the number of primary budget users has been achieved.

Although some progress can be noted in the implementation of this reform step, the available information does not allow us to determine whether it has been fully implemented in accordance with the set indicators and deadlines, especially in the area of rationalization of budget users. **The grace period for full implementation is December 2026.**

The reform step is assessed with **a score of 3 - partially implemented**, because significant normative progress has been achieved, but the full fulfillment of all indicators cannot be confirmed, especially in the area of rationalization.

Step: Developed interim IT solution at an appropriate level (based on Excel) that will provide the Ministry of Finance with a project database from which budget candidates will be selected and the financial implementation of projects will be monitored (by December 2025).

The adoption of the *Public Investment Management Regulation*⁹ establishes a legal and procedural framework requiring institutions to prepare and submit project concept notes to the Ministry of Finance, which are also reviewed by the newly established *Public Investment Committee*¹⁰. This framework is a prerequisite for the establishment and publication of the Single Project List, as a central instrument for planning and monitoring capital investments.

However, with the available information it cannot be confirmed whether a temporary Excel-based IT solution has been developed as a functional and centralized database for capital projects. Hence, it cannot be assessed whether this reform step has been implemented.

The reform step is assessed with **a score of 2 - unconfirmed implementation**, due to a lack of evidence of a developed and functional temporary IT solution.

3. PUBLIC ADMINISTRATION REFORM

Public administration reform is a systemic prerequisite for functional governance, institutional stability and effective implementation of the other reform pillars. The ability of institutions to implement policies, manage public resources and provide quality services directly depends on the degree of professionalization, organizational clarity and meritocratic management of human resources.¹¹

As of **31 December 2025**, three reform steps were foreseen in this area, associated with a total financial allocation of approximately **10.7 million euros**. Their implementation is under the responsibility of:

- **Ministry of Public Administration** – as the leading institution for the creation and implementation of public service and human resources management policies;
- **Ministry of Finance** – as an institution related to the fiscal implications of the reform;

9 Decree on Public Investment Management - <https://portal.mdt.gov.mk/post-body-files/upravuvanje-so-javni-investigii-file-xKDE.pdf>

10 Public Investment Committee - <https://finance.gov.mk/mk-MK/odnosi-so-javnost/soopstenija/mf-formiran-komitet-za-javni-investigii-za-poefikas-no-i-transparentno-upravuvanje-so-kapitalnite-proekti>

11 Public Administration Reform Strategy 2023-2030; SIGMA/OECD, Monitoring Report on PAR 2024 - https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/01/public-administration-in-the-republic-of-north-macedonia-2024_03a4d4f2/071bad9d-en.pdf

- **Agency for Administration** – as a body responsible for implementing and monitoring employment and promotion procedures in the public service.

Below is a tabular overview with methodological assessment according to the five-point scale and the traffic light system.

Name of the reform	Measure	Competent institution	Budget (EUR)	Rock	Traffic light
Reorganization reform	Adoption of the Law on Organization and Work of State Administration Bodies	Ministry of Public Administration	4,281,623.70	December 2025	1
Civil service reform	Adoption of laws and bylaws to improve motivation, career and working conditions in the public service	Ministry of Finance	4,281,623.70	December 2025	3
	Filling at least 90% of vacant management positions through a competitive and transparent procedure	Ministry of Public Administration	2,140,811.85	December 2025	2

Step: Adoption of the Law on Organization and Work of State Administration Bodies (deadline: December 2025)

The adoption of the Law on the Organization and Work of State Administration Bodies¹² represents a fundamental reform step for the systematic regulation of the institutional architecture of the executive branch. The Law aims to establish a clear distribution of competencies, a precise organizational structure and transparent rules for the functioning of state administration bodies.

In essence, this measure should create preconditions for the professionalization and depoliticization of the administration, by establishing a stable institutional framework that will ensure continuity and accountability in the management of human resources and public policies.

As of 31 December 2025, the procedure for preparing the law has been initiated, but the legal text has not been adopted. In accordance with the methodological framework, the measure does not reach the level of **formal implementation**, which is why it is assessed as **not implemented 1**.

Step: Adoption of laws and bylaws to improve human resource management (deadline: December 2025)

The long-term structural challenges of public administration are related to low motivation, staff turnover, limited opportunities for merit-based career advancement and insufficiently flexible working conditions. The second reform step aims to establish a modern human resources management system, by introducing flexible working arrangements, promoting mobility and creating preconditions for teleworking.

¹² Ministry of Public Administration – Announcements – The Law on Organization and Work of State Administration Bodies - <https://mja.gov.mk/mk-MK/odnosi-so-javnost/soopstenija/ministerot-mincevo-zakonot-za-organizacija-i-rabota-na-drzavnata-uprava-kje-bide-klucna-alka-vo-reformata-na-javnata-administracija>

One of the envisaged legal texts, the Law on Senior Managers in State Administration Bodies and Funds, has been published on ENER¹³, indicating that a legislative initiative has been initiated. However, the law has not been adopted, and the bylaws have not been enacted.

Methodologically speaking, there is a process that has been initiated, but there is no completed normative framework, nor operationalization that would allow for an assessment of the functional effect. Hence, the measure is assessed as **partially fulfilled 3**, with a medium level of compliance.¹⁴

Step: Filling management positions through meritocratic and transparent procedures (deadline: December 2025)

The third reform step aims to fill at least 90% of vacant management positions (directors and secretaries) through a competitive and transparent procedure, with at least three eligible candidates for each position. This indicator does not only refer to the number of appointments, but essentially to the quality of the procedure – i.e. whether it was open, merit-based and sufficiently transparent to contribute to strengthening professionalism and reducing political influence.

As of 31 December 2025, there is no publicly available consolidated and verifiable data that would allow determining whether the 90% threshold has been reached. In addition, there is a lack of information on the degree of competitiveness of the procedures (number of candidates, selection criteria, published results), as well as on whether the appointments have actually contributed to strengthening the merit system.

The absence of this evidence does not allow for an assessment of **the operational**, let alone the **functional fulfillment** of the measure. In methodological terms, the measure is classified as **unconfirmed fulfillment 2**, due to the lack of sufficient data for verification.

Additionally, given the uncertainty surrounding the adoption of key legislation from the first reform step, it is reasonable to assume that the dynamics of filling management positions may be related to the expectation of the new normative framework. In this sense, it is possible that the Government may postpone the full implementation of this measure until legislation is in place that will regulate the conditions for appointment and responsibility of management personnel.

This indicates a structural connection between the measures, whereby a delay in the normative part may have a direct impact on the actual implementation of merit-based human resource management.

13 ENER – Draft Law on Senior Managers in State Administration Bodies and Funds - https://ener.gov.mk/Default.aspx?item=pub_regulation&subitem=view_reg_detail&itemid=114787

14 Ministry of Public Administration – Announcements – Public administration reforms are not on the re-examination: <https://mja.gov.mk/mk-MK/odnosi-so-javnost/soopstenija/mincev-reformite-vo-javnata-administracija-ne-se-popraven-ispit-tuku-sistemska-promena>

3. CONCLUSION

In the ex-post analysis of the two sub-areas – public financial management and public administration reform – a common structural pattern can be identified: **the normative framework is partially established, but functional and measurable implementation remains limited and uneven**.

In the area of *public financial management*, out of a total of five reform steps, **only one is assessed as fully implemented**, while the rest are classified as partially implemented or not confirmed. Therefore, the average score is **3 or partially implemented**, which indicates that the reform momentum exists, but without sufficient operational consistency and verifiable effectiveness. The total financial allocation for this sub-area is around 23.5 million euros, with a realistic expectation of a payment of approximately **8.56 million euros** related to the fully implemented step. The remaining approximately 15 million euros depend on an additional assessment and on a possible successful implementation during the grace period, otherwise there is a risk of their permanent loss.

The state of *public administration reform* is more problematic. The average score is **2 low level of implementation, or unconfirmed fulfillment**, with no measure fully implemented, one partially implemented, and the rest unfulfilled or unconfirmed. This indicates that the institutional and legislative foundation for the professionalization and depoliticization of the administration has not been completed within the planned deadline. Given the financial allocation of approximately 10.7 million euros, according to this analysis, no payment can be expected in the current cycle, and the measures will certainly enter a grace period.

Taken together, both areas demonstrate the same weakness: **the adoption of normative solutions is not followed by timely and verifiable operationalization**. This has direct implications not only on the conditions for the disbursement of funds, but also on the credibility of the reform process as a whole. While in public finances there is a potential for partial financial recognition, in public administration the risk of losing funds is significantly higher. Therefore, the key challenge in the coming period is not the adoption of new strategic documents, but **ensuring measurable, functional and institutionally verified implementation of already envisaged solutions**. Especially in the area of public administration, progress is a prerequisite for the success of all other reform pillars, since administrative capacity is a supporting mechanism for the implementation of the entire Reform Agenda.

III. GREEN AND ENERGY TRANSITION

The green and energy transition is a systemic reform area with a direct impact on economic transformation, energy security and compliance with European climate standards. In the context of **the Reform Agenda 2024–2027**, this area has strategic importance as it connects the market reform of the energy sector with the process of decarbonization and increasing the share of renewable energy sources.

This ex-post analysis assesses the status of seven steps grouped into three reforms, most of which have a *grace period until December 2026*, which indicates their phased and technically complex nature. Moreover, the implementation of the steps depends on the coordinated action of several institutions, among which the key ones are:

- **Ministry of Energy, Mining and Mineral Resources** - as the policy maker and carrier of reforms in the area of energy transition.
- **Ministry of Environment and Physical Planning** – as the policy maker and carrier of reforms in the area of green transition and alignment with climate goals.
- **Ministry of Finance** – as the bearer of policies and reforms regarding public investments and the use of public finances.
- **Regulatory Commission for Energy and Water Services** – as the competent body for the implementation of policies and measures in the areas of energy and water services.
- **Local self-government units** – as bearers of competencies at the local level.

The total financial allocation related to the reform steps in this area amounts to approximately **EUR 40.7 million**. The disbursement of the funds depends on the degree of compliance and the European Commission's assessment of the formal, operational and functional fulfillment of the measures within the established deadlines and the applicable grace period.

Name of the reform	Measure	Competent institution	Budget (EUR)	Rock	Traffic light
Liberalization of the energy market and integration with the EU	Adoption of a new Energy Law that transposes the rules from the Electricity Market Integration Package	Ministry of Energy, Mining and Mineral Resources Energy and Water Resources Regulatory Commission	8,563,247.40	December 2025	5
	Harmonization of electricity prices with market rules, with measures to protect vulnerable consumers	Ministry of Energy, Mining and Mineral Resources Ministry of Finance	8,563,247.40	Grace period until December 2026	3
Implementing climate and energy policies in accordance with the NECP	Adoption of a Three-Year Plan for Renovation of Central Government Buildings (3% annual renovation)	Ministry of Energy, Mining and Mineral Resources Ministry of Environment and Physical Planning	2,140,811.85	Grace period until December 2026	3
	Adoption of the Law on Energy Efficiency (“Energy Efficiency First”)	Assembly Ministry of Energy, Mining and Mineral Resources	2,140,811.85	Grace period until December 2026	4
	Formalizing the National Energy Efficiency Model by including ESCO mechanisms	Ministry of Energy, Mining and Mineral Resources Ministry of Finance	2,140,811.85	Grace period until December 2026	3
Deployment of renewable energy sources	Intensification of the use of renewable energy sources, transparent and competitive procedures for the deployment of renewable energy sources and the development of energy communities	Ministry of Energy, Mining and Mineral Resources Energy and Water Resources Regulatory Commission	8,563,247.40	Grace period until December 2026	3

1. MARKET REFORMS

Step: Adoption of a new Energy Law that transposes the rules from the Electricity Market Integration Package (deadline by June 2025)

In June 2025, the Law on Energy was published in the Official Gazette No. 101/2025, thus marking the implementation of the key reform indicator within the set deadline. The Law established *a comprehensive normative framework* for the day-ahead and intraday connection of the national electricity market with regional and European markets, regulated the integration of renewable energy sources and provided for mechanisms for the protection of vulnerable consumers. This created **formal preconditions for alignment with EU market standards** and for the initiation of structural liberalization of the energy sector.

According to the methodological framework, the measure reaches the level of *formal compliance* in full, as the legislative act was adopted on time and transposes the envisaged European rules. However, in the analyzed period, practical implementation remained limited. The delay in the preparation and adoption of key by-laws, including market rules and network codes, postponed the full operationalization of the new market model. Hence, while **normative alignment has been fully achieved**, the functional effects in 2025 are still mostly potential, and full market integration and the real functioning of the mechanisms are expected to be realized during the grace period until December 2026. However, the measure can be assessed with **5 - fully implemented**.

Step: Align electricity prices with market rules, with measures to protect vulnerable consumers (by December 2025)

This reform step aims to gradually align retail electricity prices with market rules, while ensuring *a socially just transition* through targeted protection of vulnerable consumer categories. The measure represents a sensitive point in the liberalization process, as it directly impacts living standards and fiscal sustainability.

The application of intervention price measures and fiscal subsidies aimed at mitigating the effects of price shocks on households, especially among socially and energy-vulnerable categories, continued until the end of 2025. These measures allowed for the maintenance of relative price stability and the prevention of a sharp increase in energy poverty, but at the same time delayed the full alignment of retail prices with market signals.

In parallel, a process of gradual redesign of the pricing mechanisms began in 2025, with the aim of transitioning from administratively regulated to *market-based prices*, in line with European rules for the functioning of electricity markets. The focus was on introducing targeted instruments to protect vulnerable consumers, instead of universal subsidies, which is a prerequisite for sustainable liberalization.

However, the pace of real liberalization remained limited due to the high social sensitivity of the measure and the adverse macroeconomic conditions. Although a direction towards market alignment was set, practical implementation in the analyzed period remained partial, and full operationalization was temporarily extended through a grace period until December 2026.

Based on the analysis performed, the reform step can be **assessed as 3 – partially fulfilled**, which indicates an established direction of harmonisation, but without fully achieved market functioning within the analyzed period.

2. DECARBONIZATION

Step: Adoption of a Three-Year Plan for Renovation of Central Government Buildings (3% annual renovation) (until December 2025)

The three-year plan for the renovation of central government buildings was adopted with clearly defined priorities, covering buildings of ministries, health and educational institutions with high potential for energy savings and greenhouse gas emission reduction. The plan is aligned with the objectives of the NECP and represents a key instrument for the operationalization of the “*Energy Efficiency First*” principle in the public sector.

By the end of 2025, implementation was mostly in a preparatory phase, including the development of technical documentation, conducting energy audits, preparing tender documentation and starting renovation of a limited number of buildings. These activities created the institutional and technical prerequisites for further expansion of the coverage, but did not allow for the full achievement of the 3% annual renovation target within the planned timeframe.

In formal terms, the measure has been fulfilled with the adoption of the plan. In operational terms, preparatory and partial investment activities have been initiated. However, in functional terms, the full effect on the annual renovation scope and emission reduction has not been realized in the analyzed period. Based on the analysis performed, the reform step is **rated 3 – partially implemented**, indicating a framework in place and implementation initiated, but without a fully achieved quantitative result by the end of 2025.

Step: Adoption of an Energy Efficiency Law that implements the “Energy Efficiency First” principle (by December 2025)

The Law on Energy Efficiency was adopted and entered into force on time, integrating the principle of “*Energy Efficiency First*” as a guiding principle in the national energy policy. The legal framework establishes obligations and responsibilities for the public and private sectors, defines instruments for planning, financing and monitoring energy efficiency measures and enables alignment with relevant European Union directives.

The adoption of the law has created legal and institutional prerequisites for the systematic improvement of energy efficiency, including in public buildings, industry and households, as well as for the application of alternative financing models, such as ESCO mechanisms and public-private partnerships.

In a formal sense, the reform step is fulfilled by the timely adoption and entry into force of the law. In an operational sense, the institutional and legal framework was still in the development phase during the analyzed period. In a functional sense, measurable effects in terms of systemic energy savings and structural transformation are not recorded until the end of 2025. Based on the applied methodological scale, the measure receives **a score of 4 – largely fulfilled**, indicating a high level of compliance due to full formal fulfillment and established prerequisites for implementation, with the expectation that the full effects will manifest within the grace period until 2026.

Step: Formalize the National Energy Efficiency Model by including ESCO mechanisms (by December 2025)

Initial steps towards formalizing the National Energy Efficiency Model with the inclusion of ESCO mechanisms were taken in 2025, primarily through the establishment of the basic legal framework and the integration of the ESCO approach into the new Energy Efficiency Law. This created *the normative preconditions* for mobilizing the private sector and implementing financing models based on energy savings, especially in the public sector.

However, by the end of 2025, the ESCO model was not fully operationalized. Key bylaws, standardized contract models, as well as an established registry and a functional system for monitoring and verification of ESCO contracts are missing. The absence of these operational instruments limited the practical application of the mechanism and its ability to generate *measurable energy savings* within the analyzed period.

In formal terms, the basic legal prerequisites have been established. In operational terms, the institutional and technical mechanisms have remained unfinished. In functional terms, there is no significant number of active ESCO contracts that would confirm the real application of the model. According to the applied methodological scale, the measure receives a score of **3 partially fulfilled**, which indicates a medium level of compliance - with an established normative framework, but limited practical implementation. The grace period until December 2026 is assessed as necessary for full operationalization through the establishment of a registry, a monitoring system and real contractual arrangements with measurable results.

5. RENEWABLE SOURCES**Step: Intensification of the use of renewable energy sources, transparent and competitive procedures for the deployment of renewable energy sources and the development of energy communities**

In the analyzed period, there has been a continuous increase in the installed capacity of renewable energy sources, with a dominant focus on solar and wind projects. Transparent and competitive procedures for granting support to new capacities were implemented, which enabled the active participation of both domestic and foreign investors. This strengthened the predictability of the investment framework and gradually improved the alignment with the European rules for market-based support for renewable sources.

In parallel, the foundations were laid for the development of energy communities, enabling the participation of citizens and local government units in the production and use of electricity from renewable sources. Although practical implementation has remained limited in scope, the establishment of the regulatory framework represents a significant institutional step towards a more inclusive and decentralized model of energy transition.

Progress has also been recorded in the area of regulatory support, through the preparation and adoption of by-laws facilitating the integration of RES into the electricity grid, as well as through the gradual strengthening of the administrative capacities of the institutions responsible for permits, licensing and monitoring. In addition, financial instruments and programs aimed at encouraging private investment in the sector have been activated.

However, achieving a higher share of renewable sources in final energy consumption remained limited by long investment cycles, complex administrative procedures and limited capacities for parallel implementation of a large number of projects. Visible quantitative effects, due to the nature of the investments, have a time gap from the moment of normative and procedural enabling.

There has been progress normatively and operationally, but the functional effects are still limited — which places the step in the group of **partially implemented, with a score of 3**.

6. CONCLUSION

The ex-post analysis shows that significant *normative progress has been achieved in the area of green and energy transition*, but practical implementation remains at various stages of development.

Of the total of six reform steps with a deadline of December 2025, **one step is considered fully fulfilled**, while the rest are assessed as *formally or partially fulfilled*, with an activated grace period until December 2026. The average readiness score, however, is still in the high **score of 4 – largely implemented**. This means that there is a good normative basis, but real implementation is lacking. Given that the expected payment in this thematic area is around **40.7 million euros**, the current situation indicates that only a part of these funds, i.e. the state can hope for approximately 11 million euros, of which **8.5 million euros** are more than certain. The remaining funds will not be subject to payment, at least until we see the effect of the reforms or further progress this year.

IV. DIGITAL TRANSITION

The digital transition is *a horizontal reform area* with a direct impact on the institutional efficiency, transparency and integration of North Macedonia into the European Union's Digital Single Market. Within the framework of the Reform Agenda 2024–2027, the sub-areas of **cybersecurity** and **digitalization** are set as structural prerequisites for the modernization of the state apparatus and for gradual alignment with European digital regulation.

The ex-post analysis for the period ending 31 December 2025 shows that the reforms in this area are moving along the line of *normative and institutional strengthening*, with the gradual construction of digital infrastructure, digital identity and expansion of electronic public services. In this context, activities were undertaken to align with the European Code of Conduct for Electronic Communications, implement the eIDAS2 framework, develop **SuperApp ELI** as a digital wallet and improve the government e-platform for public services. The implementation of the digital component remains institutionally complex and depends on the coordination between multiple authorities, with **the Ministry of Digital Transformation playing a key role**, in cooperation with the Ministry of Finance, the Ministry of Justice, the Ministry of Internal Affairs, the Ministry of Public Administration, the Ministry of European Affairs, the Civil Registry Office and the State Archives.

In the analyzed period, two reform steps were relevant for December 2025, one with a direct deadline until December 2025 and one with a *grace period* until June 2026. The total expected disbursement related to this thematic area is approximately **6.5 million euros**, with part of the funds depending on the full operationalization and international verification of the established digital mechanisms.

Although there has been notable progress in the legal framework and technical preparation, the ex-post analysis indicates that **the operational functionality and practical application of digital solutions remain the key test for meeting the reform goals**, especially in the area of cross-border recognition of trusted services and the full implementation of electronic communication standards.

Name of the reform	Measure	Competent institution	Budget in euros	Rock	Traffic light
Digitalization of public services	Joining the EU list of trusted third countries for the validation of electronic signatures as advanced electronics in the EU as a first step towards pursuing mutual recognition of qualified trust services; Accessible trust services and starting to issue qualified certificates; Ensuring the implementation of e-identity and e-signature services for citizens and businesses	Ministry of Digital Transformation	€2,140,811.85	December 2025	3
Introducing secure digital infrastructures	Adoption of a new Law on Electronic Communications; harmonization of national legislation with EU law; and the Law on Gigabit Infrastructure, after its entry into force in the EU	Ministry of Digital Transformation	€4,281,623.7	Grace period until June 2026	5

1. DIGITALIZATION OF PUBLIC SERVICES

Step: Joining the EU framework for digital identity and trust services (eIDAS2)

The reform step includes joining the European framework for digital identity and trust services, establishing functional trust services and starting to issue qualified certificates, as well as providing operational *e-identity* and *e-signature services* for citizens and businesses. This measure is a key prerequisite for *mutual recognition of qualified trust services with the European Union* and for the gradual integration of the country into the European digital market.

In the analyzed period, an appropriate legal framework was established in line with the requirements of eIDAS2, and the institutional prerequisites for issuing qualified certificates and trust services were significantly improved. In addition, the development and testing of the **Super mobile application App ELI**, as a supporting element of the national digital identity and digital wallet, represented a concrete technical step towards practical operationalization of the reform.

However, despite the established normative and technical prerequisites, the essential element of the measure – *the formal accession to the European framework for mutual recognition and inclusion in the list of trusted third countries* – was not fully implemented by the end of 2025. Interoperability and cross-border recognition remain limited, which reduces the practical value of the established system in terms of European integration.

The reform marks visible normative and technical progress, but does not reach the full European verification that is essential for complete integration into the eIDAS2 framework. Therefore, the measure can be assessed as **partially fulfilled - 3** which reflects the stable institutional preparation and functional test phase, but takes into account the unfinished European status that remains a key condition for the full realization of the reform step.

Step: Adoption of a new Law on Electronic Communications; harmonization with EU law and the Law on Gigabit Infrastructure

This reform step aims to establish a fully harmonised and functional regulatory framework in the field of electronic communications, as a prerequisite for the development of **a secure and gigabit digital infrastructure**, in line with European legislation and the objectives of the European Union's Digital Decade. By June 2025, a new Law on Electronic Communications (published in *the Official Journal* No. 135/2025) was adopted, which aligned with Directive (EU) 2018/1972 – the European Electronic Communications Code (EECC). The law also aimed to align with Regulation (EU) 2024/1309 – the Gigabit Infrastructure Act (GIA).

The initial assessment indicated **gaps in the level of harmonisation**, in particular because part of the alignment was based on a draft version of the GIA and not on the final adopted text. Therefore, the step was not recognised as fully fulfilled and a grace period until 30 June 2026 was activated.

During the grace period, amendments to the Law on Electronic Communications were adopted on 29 December 2025, ensuring further and full alignment with Regulation (EU) 2024/1309. This addressed the concerns regarding regulatory completeness and completed the harmonisation process.

Therefore, it can be concluded that the reform step has been fully completed within the grace period, with the legal prerequisites for the introduction of very high capacity networks and the further development of a secure digital infrastructure being established. **The score is 5 - implemented**, taking into account that the normative alignment has been completed and that a stable regulatory basis for implementation has been created.

7. CONCLUSION

The ex-post evaluation of the reforms in the area of digital transition can be concluded that by the end of 2025, significant normative progress has been achieved, with visible institutional consolidation and the establishment of stable regulatory foundations. Of the two relevant reform steps, one has been fully implemented within the grace period, while the second remains partially fulfilled, due to the unfinished European verification and limited cross-border interoperability. Therefore, the average score for the area is **4 – largely fulfilled**. In terms of payment conditions, it can be concluded that normative compliance in the area of electronic communications provides a stable basis for the recognition of the related funds in the amount of **4.28 million euros**, while the payment related to the eIDAS2 measure essentially depends on the full operationalization and formal connection to the European framework for trusted services. This means that part of the funds remain functionally conditioned by international verification and practical implementation.

The key challenge in the coming period is no longer the adoption of laws, but their consistent implementation, technical interoperability and institutional coordination. The digital transition is entering a phase in which success will be measured not by the number of adopted acts, but by the actual use of digital identity, trusted services and high-capacity networks by citizens and businesses.

For full consolidation of the reform area it is necessary:

1. accelerating communication with the European Union regarding trusted third country status;
2. strengthening institutional and technical capacities for interoperability;
3. continuous investment in digital literacy and administrative readiness;
4. greater transparency and inclusion of the expert and civil public in the digital transformation process.

The digital transition, by 2025, can be assessed as stably established in a normative sense, but still in the process of functional consolidation – with clear potential, but also with a clear need for consistent implementation in 2026.

V. HUMAN CAPITAL

Human Capital area represents one of the structurally most significant components of the Reform Agenda 2024–2027, with direct implications for **the long-term economic competitiveness , social cohesion** and the ability of North Macedonia to gradually integrate into the EU Single Market. The focus of the reform is aimed at *improving the quality, efficiency and equity of primary education* , as a foundation for the development of relevant skills, reducing educational inequalities and strengthening the digital and functional literacy of the younger generations.

From an ex-post perspective, this area differs from other thematic segments in that **there are no inherited steps in the grace period from previous reporting cycles** . For the period until December 2025, *two clearly defined reform steps within one reform were foreseen* , each of which represents **an independent payment condition** under the Reform Agenda mechanism. The total expected payment related to the fulfillment of these steps amounts to **EUR 10,704,059.25** , with the implementation of each step having a direct impact on the possibility of activating the funds.

The implementation of the reform depends on coordinated institutional action, with the following playing a key role:

- **The Ministry of Education and Science** – as the leading institution for the design and implementation of educational policies;
- **Ministry of Finance** – responsible for budget planning and implementation of the new financial methodology;
- **Local self-government units and primary schools** – as the operational level of implementing the measures.

Name of the reform	Measure	Competent institution	Budget (EUR)	Rock	Traffic light
Increasing efficiency through rationalization of the primary school network and establishment of "smart" primary schools	Preparation and adoption of a new methodology for financing primary education for 2026	Ministry of Education and Science Ministry of Finance	6,422,435.55	December 2025	4
	Continuous improvement of the learning environment through digitalization and equipping of "smart" classrooms	Ministry of Education and Science Ministry of Finance	4,281,623.70	December 2025	3

Step: Preparation and adoption of a new methodology for financing primary education (*deadline: December 2025*)

The new methodology for financing primary education ¹⁵was adopted in August 2025, thus formally fulfilling the legislative aspect of the reform step within the foreseen deadline. The methodology aims to introduce **a formulated, transparent and needs-based financing model**, which takes into account demographic trends, specific needs of students and quality indicators, instead of relying exclusively on historical allocations of funds. According to the Budget Circular for 2026, the procedure for preparing and adopting the budget was completed at the end of 2025, which allows us to conclude that the new methodology was formally integrated into the preparation of the State Budget. From this perspective, the key indicator – *application of the methodology in the budget cycle* – can be considered fulfilled. However, public announcements by the Ministry of Education and Science on planned trainings for local government units and on the adaptation of schools to the new financing model indicate that **the operational and institutional application of the methodology is still in a transitional phase**. This raises the question of whether the new formula is fully understood and consistently applied at all levels of implementation, especially given the decentralized structure of primary education.

Therefore, the normative and formal aspect of the reform is completed, and the methodology is integrated into the budget process for 2026. However, the full functional implementation will depend on the efficiency of the trainings, the capacity of local governments and the degree of institutional adaptation in schools. In the traffic light system, this step is assessed with **4 – largely implemented** due to the existence of limited risk in the operationalization phase.

Step: Improving the learning environment through digitalization and “smart” classrooms (*deadline: December 2025*)

This step is aimed at improving the quality of the teaching process through the digital transformation of primary schools, in accordance with the Action Plan for Digital Education (2021–2027). It is envisaged to equip at least 160 primary schools (approximately 44% of the total number) with IT tools, stable internet access and appropriate digital infrastructure, including ensuring conditions for students from vulnerable categories. From **an ex-post perspective**, the available public information does not allow a clear and verifiable assessment of the degree of implementation of the measure by December 2025. No consolidated data have been published for:

- the exact number of schools covered,
- the number of teachers and students involved in the digital transformation,
- the level of functionality of the installed equipment,
- nor about the sustainability and continuity of the use of “smart” classrooms.

While some of the activities may have been implemented through public procurement and ongoing projects, **the lack of transparently published aggregated results** does not allow for a reliable determination of whether the target of 160 schools has been fully achieved. In addition, there is insufficient information on whether the intervention is accompanied by systematic training of teaching staff, which is a key prerequisite for the effective use of the digital infrastructure.

15 Methodology for financing primary education - <https://mon.gov.mk/mk-MK/odnosi-so-javnost/novosti/nova-metodologija-za-finansiranje-na-osnovoto-i-srednoto-obrazovanie-kje-stimulira-podobar-kvalitet-na-vospitno-obrazovniot-proces>

Due to the lack of verifiable and consolidated data, the degree of fulfillment cannot be determined with certainty. Hence, the measure is assessed with **3 – partially implemented**, but without sufficient evidence for full implementation, whereby additional institutional reporting is necessary to confirm whether the quantitative and qualitative indicators are fully fulfilled.

1. CONCLUSION

The analysis of the implementation in the area of **Human Capital shows a mixed picture in which important systemic prerequisites** have been established, but their practical operationalization remains incomplete and partly unverifiable. Out of a total of two reform steps with a deadline of December 2025:

- **Step one (the new methodology for financing primary education)** can be considered *formally completed*, given that the methodology has been adopted and the budget process for 2026 has been completed.
- **The second step (digitalization and “smart” classrooms)** remains *insufficiently verifiable*, due to a lack of publicly available and consolidated data on the scope, functionality, and effects of the intervention.

Regarding the payment conditions, there is a theoretical possibility of paying the full amount of **10.7 million euros**, although it is more likely that only **6.4 million euros** will be paid for one of the steps that is normatively and budgetarily linked to the completed process. However, the funds actually depend on whether the full implementation of both steps can be confirmed through clear and measurable indicators.

The key risk in this area is not normative, but implementational. If the financing methodology is not implemented consistently at the local level, and the digital transformation remains limited to infrastructure procurement without systemic use, there is a risk that the reforms will remain with limited effect on the quality of education. Hence, the ex-post assessment indicates that a significant institutional step forward has been made in the area of human capital, but **the sustainability and real effect depend on 2026 and the quality of implementation on the ground**.

VI. BUSINESS ENVIRONMENT

The analysis in the thematic area Business Environment aims to determine whether progress has been made in implementing the planned measures to reduce administrative barriers, formalize economic activities and improve support for small and medium-sized enterprises. It additionally examines the degree of institutional coordination and its impact on the pace and quality of implementation.

The implementation of the measures is distributed among several institutions with clearly defined responsibilities, whose coordination is key to the timely implementation of the reform steps and the provision of the envisaged financial support:

- **Ministry of Economy and Labor** – as the leading institution for creating and implementing reforms in the area of the business environment and support for small and medium-sized enterprises;
- **Ministry of Finance** – as the institution responsible for the fiscal and legislative aspects of the reforms and for the budgetary implementation of the measures;
- **Commission for Protection of Competition** – as the competent institution for the implementation and monitoring of state aid rules;
- **Agency for Innovation, Scientific and Technological Development and Entrepreneurship – IN-OVA** – as an institution responsible for implementing measures for the development of the innovation ecosystem;
- **State Statistical Office** – as the institution responsible for providing official data for monitoring relevant indicators.

For this reporting period – December 2025, five reform steps are foreseen, and an additional three that should have been fulfilled earlier have entered a grace period. The planned deadline for their final implementation is June 2026.

The expected payment for the implementation of the reform steps with a deadline of December 2025, **including steps with a foreseen grace period**, in the area of the business environment amounts to **approximately 31 million euros**.

Name of the reform	Measure	Competent institution	Budget (in euros)	Dead-lines	Traffic light
Tackling the informal economy in support of the recently adopted Strategy for Formalizing the Informal Economy	100 administrative procedures have been mapped, selected according to the principle of frequency and relevance, in relation to the operation of SMEs, and at least 50% of the measures have reduced the steps, duration of the procedure and the required documentation by half.	Ministry of Economy and Labor	4,281,623.70	December 2025	3
	The number of informally employed people in the total number of employees has decreased, according to the State Statistical Office, by 20%.	Ministry of Economy and Labor	6,422,435.55	December 2025	1
A more transparent and efficient state aid regime	According to training needs, a sufficient number of judges are specialized through training modules in the CPC (Criminal Procedure Code) and EU law in order to increase state aid expertise in the courts. A comprehensive training module on EU state aid rules covering essentially EU law, including key case law, provided by a trainer with significant experience and expertise in this area	Commission for Protection of Competition	1,070,405.92	December 2025	5
Encouraging SME development through the adoption and implementation of the new SME strategy	Based on the previous mapping of 377 charges and recommendations from the related EU-funded technical assistance project, 28 such charges have been optimized.	Ministry of Economy and Labor	4,281,623.70	Grace period until June 2026	3
	Facilitating access to loans for SMEs by amending relevant legislation to allow the use of intangible assets as collateral in lending to SMEs	Ministry of Finance	4,281,623.70	Grace period until June 2026	2
Supporting the development of the innovation ecosystem through the implementation of the Smart Specialization Strategy	Introducing a matching system between SMEs and EIC/EIT funding with co-financing from FITD in the priority areas of the Smart Specialization Strategy (SSS), including smart agriculture and higher value-added food, Electro-mechanical industry - Industry 4.0, ICT.	Agency for Innovation, Scientific and Technological Development and Entrepreneurship - INOVA	2,140,811.85	December 2025	3
Reform of the management of state-owned enterprises with a focus on railway and postal services	publicly accessible register of SOEs and companies with state participation	Ministry of Finance	4,281,623.70	Grace period until June 2026	2
	Adoption of a State Ownership Strategy and a new Law on State-Owned Companies	Ministry of Economy and Labor	4,281,623.70	December 2025	3

1. INFORMAL ECONOMY

Step: 100 administrative procedures have been mapped, selected according to the principle of frequency and relevance, in relation to the operation of SMEs, and at least 50% of the measures have reduced the steps, duration of the procedure and the required documentation by half (December 2025)

The reform step envisaged mapping **100 administrative procedures relevant to the operations of small and medium-sized enterprises (SMEs) by December 2025** and reducing the steps, duration and required documentation for at least 50% of them, in order to realistically reduce the administrative burden and improve the business environment. The analysis of the situation shows that the process has been institutionally initiated and placed on an appropriate strategic basis. The Ministry of Economy and Labor has prepared a broader list of over 200 administrative procedures, after which, after consultations with the chambers of commerce, a List of 100 Procedures has been finalized. However, as of December 2025, the list had not been formally adopted, but was submitted to a government procedure in January 2026.

In parallel, specification templates and a methodology for simplifying at least 50 of the procedures are being prepared. However, by the end of 2025 there is no evidence of actual simplification, nor of pilot testing of the new procedures with SMEs, as initially envisaged. Therefore, the activities remain mostly in *the analytical and preparatory phase*, without measurable results in terms of real reduction of the administrative burden for businesses.

Considering that the mapping is almost complete, but the formal adoption and substantial simplification of procedures have not been realized within the deadline, the reform step is assessed as **partially fulfilled – score 3**, with dominant analytical progress and limited practical effect as of December 2025.

Step: The number of informally employed in the total number of employees, according to the State Statistical Office, has been reduced by 20% (December 2025)

The reform step envisaged **a reduction in the number of informally employed persons by 20% compared to the initial situation in 2022**, when the number was 84,319 persons. The achievement of this goal was to result from the coordinated implementation of measures for the formalization of labor, strengthened inspection supervision, encouragement of formal employment and improved institutional coordination. At the same time, the analysis of the situation shows that, although there is *strategic and legal framework* for dealing with the informal economy – through national strategies, active employment policies and enhanced inspection supervision – it did not result in a measurable reduction in informal employment in the analyzed period. According to data from the State Statistical Office for the third quarter of 2025, the number of informally employed persons amounted to 100,619 persons, which is an increase compared to the initial base of 2022. Given that the goal envisaged a reduction of 20%, i.e. a reduction of the number below approximately 67,000 persons, it can be concluded that the expected result has not been achieved.

An increase in inspection activities was recorded during 2024 and 2025, indicating an institutional effort to strengthen control. However, the strengthened controls have not been reflected in a statistical decline in informal employment. This indicates that the structural causes – such as low productivity, high costs of formalization, limited trust in institutions and vulnerable work segments – are not being addressed in a sufficiently systematic and integrated manner.

Given that the result indicator shows an increase, rather than a decrease, in informal employment, the reform step is assessed as **not implemented – score 1**, therefore there is no basis for a positive assessment of the payment condition within this indicator.

2. STATE AID

Step: According to training needs, a sufficient number of judges are specialized through training modules in the CPC (Criminal Procedure Code) procedure and EU law in order to increase state aid expertise in the courts. A comprehensive training module on EU state aid rules covering essentially EU law, including key case law provided by a trainer with significant experience and expertise in this area (December 2025).

The reform step envisaged **implementing a comprehensive training module on EU State aid rules**, with a substantial coverage of European Union law and relevant case law, delivered by trainers with significant experience and expertise in the field. The aim was to strengthen the expertise of national courts in the application of State aid rules and to ensure a more consistent interpretation in line with European standards.

representatives from the Ministry of Justice, was conducted from 24 to 26 November 2025. The training included a structured program with theoretical and practical segments, including an analysis of the concept of state aid, consideration of the role of national judges in the state aid control system, and simulations of specific cases.

The program engaged lecturers with significant international and institutional experience in the field of EU law and state aid, which ensured a high level of expertise and practical relevance of the training. This created the prerequisites for deepening expertise in the judiciary and for the gradual harmonization of national case law with European standards.

Given that the training was implemented within the stipulated deadline, with appropriate content and expert support, the reform step is assessed as **fully implemented – (score 5)**. The further qualitative effect will depend on the reflection of the acquired knowledge in judicial practice, but the formal condition for fulfilling the step has been realized.

3. ENCOURAGING SME DEVELOPMENT

Step: Based on the previous mapping of 377 charges and recommendations from the related EU-funded technical assistance project, 28 such charges have been optimized (June 2025).

This reform step follows on from the previous mapping of 377 para-fiscal charges and the recommendations contained in the EU-funded technical assistance project, with the aim of reducing administrative and financial burdens for businesses. Its full implementation required not only the formal identification, but also **the concrete optimization of at least 28 charges**, through their reduction, simplification, digitalization or abolition, with a measurable impact on the business environment.

By the end of 2025, institutional and normative activities in this direction were undertaken. The Ministry of Economy and Labor informed the Government about the status of the measure and initiated the formation

of a working group, by engaging an expert to develop a methodology for determining, calculating, auditing and optimizing parafiscal duties. In December 2025, amendments to the Law on Trade were adopted, simplifying the procedure for issuing an alcohol license, as well as amendments to the Law on Medicines and Medical Devices, which open up the possibility of digitalization as an optimization instrument. These steps represent specific interventions in the regulatory framework, but their scope and effect do not yet allow it to be determined that the quantitative and qualitative criteria for optimization of 28 duties have been met in full.

Despite the activities, a comprehensive and finalized list of 28 optimized charges has not been officially adopted by December 2025, nor has evidence been provided for the systematic application of the Standard Cost Model as a tool for measuring administrative relief. Considering that the process has been institutionally initiated and partially operationalized, but there is insufficient evidence for full fulfillment of the quantitative threshold and qualitative criteria, the reform step is assessed as **partially implemented – score 3**. The final outcome will depend on the degree of real optimization and the visible effects on the administrative burden by the end of the grace period in June 2026.

Step: Facilitate access to loans for SMEs by amending relevant legislation to allow the use of intangible assets as collateral in lending to SMEs (grace period until June 2026).

This reform step aimed to improve access to finance for small and medium-sized enterprises, especially for innovative and growing companies that have limited tangible assets but possess intangible assets (intellectual property, licenses, software, brand, etc.). The intervention was conceived as an instrument for diversifying the forms of collateral for lending and for reducing barriers to access to bank loans.

During the monitoring period, the Ministry of Finance assessed that the existing legislation formally provides for the possibility of using intangible assets as collateral, therefore no new legislative amendments were deemed necessary. Thus, from a normative perspective, no additional legislative intervention was initiated.

However, based on publicly available information, it cannot be determined whether specific institutional measures have been taken to operationalize this possibility in practice – such as the development of secondary legislation, guidelines for financial institutions, the development of mechanisms for valuing intangible assets or encouraging their use through guarantee schemes and development instruments. There is also no data on the increased use of this type of collateral in actual SME lending.

In the absence of evidence of practical application or institutional intervention that would lead to a measurable effect on access to finance, it cannot be concluded that the reform step has been substantially implemented. Given that no new legislative or operational intervention has been implemented, nor is there evidence of a change in lending practice, the step is assessed as **not implemented – score 2**. The grace period until 30 June 2026 remains crucial for the eventual operationalization of the existing legal framework and for ensuring a measurable effect on access to finance for SMEs.

4. THE SMART SPECIALIZATION STRATEGY

Step: Introduce a matching system between SMEs and EIC/EIT funding with co-financing from FITD in the priority areas of the Smart Specialization Strategy (SSS), including smart agriculture and higher value-added food, Electro-mechanical industry - Industry 4.0, ICT. (December 2025)

This reform step was aimed at creating a structured mechanism that would allow SMEs easier access to the instruments of the European Innovation Council (EIC) and the European Institute of Innovation and Technology (EIT), with the possibility of national co-financing within the priority areas of the Smart Specialization Strategy. The intention was to establish a functional system that would ensure coordinated institutional support, matching of project ideas with relevant European calls and financial “upgrading” of successful applications through domestic support.

Following the institutional transformation that replaced FITR with the Agency for Innovation, Scientific and Technological Development and Entrepreneurship – INOVA, a Rulebook on Facilitated Access of Macedonian Companies and Research Institutions to EIC and EIT Funds was adopted in December 2025. This established a formal legal framework for institutional support for participation in European innovation programs and created a basis for further operationalization of the mechanism.

However, in the analyzed period, there is not enough information available on whether the Rulebook was actually implemented, whether an operational structure for active matching of projects and calls has been established, nor whether specific co-financing of companies has been implemented under the EIC/EIT instruments. The absence of data on actual applications, approved projects or paid co-financing indicates that the system, although normatively established, is not yet fully functional.

Given that there is a formally adopted regulatory framework, but evidence of full operationalization and measurable results is lacking, the step is assessed as **partially fulfilled – score 3**. The further effectiveness of the measure will depend on the practical application of the rulebook, the establishment of an active matching mechanism and concrete cases of successful co-financing of SMEs in the priority areas of smart specialization.

5. THE MANAGEMENT OF STATE-OWNED ENTERPRISES

Step: Create a publicly accessible register of SOEs and companies with state participation (June 2025)

The reform step envisaged the establishment of a publicly accessible and functional register of state-owned enterprises and companies with state participation, which would provide **a systematized, structured and comparable insight** into their financial and operational performance, the forms and scope of state support, as well as the structure of state ownership. The intention was for the register to serve as an instrument for increasing transparency, accountability and better management of state capital. In the analyzed period, a Register of Public Entities was established and publicly published. However, its content and structure do not allow for a clear distinction between state-owned enterprises and companies with state participation, nor do they provide complete and consistent data on financial results, subsidies, guarantees, capital injections or other forms of state support. An integrated view of the ownership structure and the degree of state participation, which was a key element of the reform commitment, is also missing. As a result, although a publicly available database formally exists, it does not meet the essential objectives of the reform step and does not function as **a comprehensive tool for monitoring and managing state property**.

Despite the establishment of a register in a formal sense, due to its limited content and functionality, the step is assessed as **partially implemented – score 2**. Full fulfillment remains conditional on upgrading the register during the grace period until June 30, 2026, by including detailed, updated and comparable data that will enable real transparency and improved management of state capital.

Step: Adoption of a State-Owned Enterprises Strategy and a new Law on State-Owned Enterprises (December 2025)

The reform step envisaged the adoption of two key acts by the end of 2025 – **a State Property Strategy** and **a new Law on State-Owned Companies**, with the aim of establishing a clear, coherent and transparent framework for the management of state-owned companies. The expectations were that these documents would strengthen the principles of corporate governance, professionalization of management bodies, accountability and supervision, as well as harmonization with relevant European standards and good practices.

As of December 2025, preparatory activities have been undertaken. A working group has been established within the Ministry of Economy and Labor, tasked with drafting both documents. Draft versions of the Strategy and the new law were developed during 2025, with the text of the draft law being finalized in December 2025. However, neither the Strategy nor the Law have been formally adopted by the competent authorities within the stipulated deadline. The absence of formal adoption means that the proposed framework for state property management does not yet have legal effect, nor does it create binding standards for corporate governance, transparency and oversight.

Given that significant normative and analytical progress has been made, but without formal adoption of both documents, the step is assessed as **partially implemented – score 3**. The final assessment will depend on the timely adoption and practical implementation of the Strategy and the Law, as well as their ability to establish measurable improvements in the governance of state-owned companies.

6. CONCLUSION

The analysis of the reform steps in the area of the business environment shows **limited and uneven progress**, with a predominance of preparatory and normative activities, but without consistent and measurable results in practice. None of the key measures by December 2025 can be assessed as fully and functionally fulfilled, while some of them remain in the implementation phase or a formally established framework without operationalization. The mapping of administrative procedures, initiatives for optimization of parafiscal charges, the establishment of a legal framework for access to European innovation funds, as well as the preparatory steps for a strategy and law on state ownership, represent an institutional step forward, but do not result in an immediate improvement in the business climate. At the same time, the indicator for reducing informal employment has deteriorated, which directly affects the overall assessment of the reform package.

The average score of the measures in this area is **3**, which although corresponds to – **partially implemented**, nevertheless, due to the number of measures and the low average score, it is a level that should not make us at all satisfied. This means that a significant part of the funds related to this thematic area remain conditional on additional implementation and demonstration of practical results, especially for measures with a grace period until June 2026, while the state can only hope for a little more than **1 million euros**.

Overall, reforms in the business environment remain more normative than substantively implemented. In the coming period, the key will be the transition from preparation to practical implementation and demonstration of real effects on administrative burden, access to finance and transparency of state ownership.

VII. FUNDAMENTAL RIGHTS AND THE RULE OF LAW

The area of **Fundamental Rights and the Rule of Law** is one of the key pillars of the Reform Agenda and the Growth Plan, with a direct impact on citizens' trust in institutions, the stability of democratic processes and the capacity of the state to implement sustainable reforms in all other thematic areas. As highlighted in the ex-ante analysis, progress in this area is a prerequisite for the credible implementation of reforms related to the independence and efficiency of the judiciary, electoral integrity, as well as the fight against corruption and organized crime.

The analysis for this reporting period maintains the focus on reform steps with a formal deadline in this period, but also takes into account the steps that have entered a grace period, due to their essential connection with the functionality of the remaining measures. **A total of 13 reform steps have been identified for the reporting period**, of which: **eight steps** have a direct deadline in the analyzed period, while **five steps** are in a grace period and their implementation remains key for a full assessment of the reform dynamics. Of particular importance is **the Law on the Judicial Council**, which, although not adopted by the initially set deadline (June 2025), was transferred to a grace period and has a systemic role in establishing a functional framework for independence, accountability and integrity in the judiciary. Its implementation directly affects the credibility of the remaining reform steps.

The implementation of measures in this area is the responsibility of multiple institutions, with **effective coordination between them proving to be a critical factor for substantive implementation**:

- **Ministry of Justice** – the leading institution for the preparation and coordination of reforms in the judiciary, criminal legislation and the institutional framework for the rule of law;
- **Judicial Council and Public Prosecutors' Council** – bodies responsible for career management, integrity and disciplinary responsibility in the judiciary and prosecution;
- **Public Prosecutor's Office** – institution responsible for prosecuting corruption, financial and organized crime;
- **State Election Commission** – a body responsible for the implementation of electoral processes and the application of electoral legislation;
- other relevant state administration bodies, including institutions responsible for digitalization, statistics and inter-institutional coordination.

This report starts from the principle that **the formal adoption of legislative solutions does not constitute sufficient evidence for the fulfillment of a reform step**. In accordance with the applied post-implementation monitoring approach, the assessment is based on:

- whether the legal and policy framework is functionally established;
- whether the measures have actually been implemented in practice;
- Are there visible initial effects that indicate substantial, not just formal, progress?

The total expected disbursement related to reform steps in this area, up to and including December 2025 – including steps in the grace period – amounts to approximately **EUR 59.9 million**. Therefore, the degree of substantial and verifiable implementation in this thematic area has direct financial and policy implications.

Name of the reform	Step	Competent institution	Budget (EUR)	Rock	Traffic light
Improving the legal framework for elections	The Electoral Code has been amended in accordance with OSCE/ODIHR observations for the 2024 elections.	Ministry of Justice Assembly	4,281,623.70	June 2025 (grace period until December 2026)	1
Strengthening the independence, integrity and quality of the judiciary	Vacant positions for judges and public prosecutors are filled regularly based on the human resources strategy in the judiciary.	Ministry of Justice	2,140,811.85	June 2025 (grace period until December 2026)	1
	Amendments to the laws on salaries of judges and public prosecutors adopted	Ministry of Justice Assembly	2,140,811.85	June 2025 (grace period until December 2026)	3
	At least 90% of vacant positions are filled in the year they appear	Ministry of Justice	2,140,811.85	December 2025	1
Regulation of salaries and status of the judiciary and prosecution	Amendments to the Law on Public Prosecutors and the Law on the Council of Public Prosecutors adopted in accordance with the recommendations	Ministry of Justice Assembly	6,422,435.55	December 2025	2
Financial independence of the judiciary	Achieving 0.8% of GDP for the judiciary and 0.4% of GDP for the prosecution	Ministry of Justice	6,422,435.55	December 2025	1
Consolidation of the functioning of the Judicial Council	New members of the Judicial Council elected in accordance with the amended law	Judicial council	2,140,811.85	December 2025	3
	Judges and prosecutors in disciplinary proceedings have full guarantees for a fair trial	Judicial Council / Public Prosecutor's Office Council	6,422,435.55	December 2025	3
	New Law on the Judicial Council adopted in accordance with TAIEX and the Venice Commission	Ministry of Justice Assembly	6,422,435.55	June 2025 (grace period until December 2026)	5
Harmonization of criminal legislation	New Criminal Code harmonized with EU law adopted	Ministry of Justice Assembly	6,422,435.55	December 2025	2
	New Criminal Procedure Law adopted, harmonized with EU law	Ministry of Justice Assembly	6,422,435.55	December 2025	1

Fight against serious and organized crime	Amendments to the Law on Weapons harmonized with the EU classification adopted	Ministry of Interior Assembly	4,281,623.70	December 2025	2
Return and management of confiscated property	All open positions in the Agency for the Management of Seized Property have been filled	Agency for the Management of Seized Property	4,281,623.70	June 2025 (grace period until December 2026)	3

1. DEMOCRACY AND ELECTORAL REFORMS

Reforms in the sub-area of *elections and democracy* were aimed at improving the legal framework by harmonizing the Electoral Code with the recommendations of the OSCE/ODIHR and the Venice Commission. Although formally it is a reform step, its weight is substantial, as it directly affects the integrity of the electoral process and citizens' trust in democratic institutions.

By the end of 2025, a new, fully revised Electoral Code had not been adopted. Although consultations and preparation of a text for a new law were announced, the process did not result in formal adoption within the envisaged deadline. There were some amendments to the electoral legislation in the previous period, but they do not represent a systematic and comprehensive revision in line with the recommendations of the OSCE/ODIHR and the Venice Commission. In addition, some of the previous amendments were subject to constitutional-judicial intervention, which further raises the issue of legal stability and the quality of the legislative procedure.

In the absence of a completely new or substantially consolidated text, it cannot be confirmed that key systemic weaknesses – in relation to the voter register, media coverage, campaign financing and complaints and oversight mechanisms – have been addressed in a systematic and lasting manner. There is also no evidence that the preparation process was finalised through an inclusive, transparent and constitutionally sound procedure that would ensure long-term legal certainty.

Therefore, it can be concluded that the reform step **was not implemented, score 1** because a new Electoral Code that substantially and systematically incorporates the recommendations of the relevant international bodies has not been adopted. The absence of such harmonisation has direct implications for the credibility of the electoral process and may affect the assessment of the fulfillment of the conditions for payment in this thematic area.

2. INDEPENDENT JUDICIARY: CAREER SYSTEM, STATUS AND FINANCIAL AUTONOMY

Reforms aimed at **judicial independence** encompass multiple interconnected steps, the common goal of which is to create a stable, professional, and resilient judicial and prosecutorial system.

The first segment concerns the **career system** in the judiciary and **the integrity** of judges and public prosecutors. This includes the continuous filling of vacant positions, strengthening of recruitment and promotion criteria, and the establishment of a functional system for evaluation and disciplinary accountability. An indicator of progress will be the ability of institutions to implement these procedures without delays and with a clear application of the principles of merit and career.

The second segment concerns the **regulation of salaries and the status** of judges and prosecutors. This issue is essential for ensuring the independence and professional integrity of the judiciary. The expectation is to establish a clear and sustainable legal framework, accompanied by appropriate budgetary solutions, which will enable stability and predictability of the salary system. A particularly important measure is **ensuring the financial independence of the judiciary**, by increasing and stabilizing the judicial and prosecutorial budgets. For the European Commission, progress in this area is assessed through actual budget allocations and their compliance with the set objectives, and not just through formal declarations.

Reform steps related to filling judicial and prosecutorial positions, strengthening the disciplinary framework, improving governance in the Judicial Council, and ensuring adequate budgetary funding are interrelated elements of the same system. Lack of coordination, delays in the legislative process, and insufficient fiscal planning create the risk of deepening structural weaknesses and maintaining the dysfunctionality of the justice system.

The analysis of the fulfillment of these steps shows that, despite certain normative advances, the reforms have not yet produced visible and measurable effects in practice. In the coming period, a key focus should be placed not only on formal alignment with European standards, but also on practical implementation, institutional accountability and ensuring long-term sustainability of the reforms.

Step : Vacant positions for judges and public prosecutors are filled regularly based on the human resources strategy in the judiciary.

This reform step aims to ensure *predictable, strategic and continuous management of human resources* in the judiciary, as a prerequisite for reducing the backlog of cases, increasing efficiency and strengthening the independence of the judiciary and the prosecution. The human resources strategy should ensure a planned employment dynamics, based on real needs and a demographic analysis of the staff. The situation indicates that the filling of vacant positions is not taking place regularly and does not follow the planned dynamics set out in the strategy. Although certain announcements and elections have been carried out, they do not ensure a systematic and continuous reduction of staffing gaps. Significant staff shortages continue to be recorded in some courts and prosecution offices, which directly affects the efficiency and quality of justice.

The absence of a stable and predictable cycle of filling positions indicates that the strategic approach to human resources management remains limited in practical application. Therefore, the measure is assessed as **not implemented – 1**, as regular and systematic implementation in accordance with the strategy has not been established.

Step: Amendments to the laws on salaries of judges and public prosecutors adopted

This reform step aims to provide *a stable, predictable and depoliticized framework for determining salaries*, thereby strengthening the institutional independence and financial security of judges and public prosecutors. The issue of salaries is intrinsically linked to the guarantees of independence and integrity of judicial functions. The monitoring determined that amendments to the relevant laws have been prepared and proposed, which represents a normative step forward. However, they have not been approved by the Ministry of Finance and have not been adopted in a legislative procedure by the end of 2025. Hence, the reform remains in a preparatory phase, without creating a binding legal framework and without concrete financial effects.

Although there is an initiative and prepared proposals, the absence of formal adoption means that the measure has not been fully implemented. Therefore, the step is assessed as **partially implemented – 3**, considering that normative progress has been achieved, but without final institutional and budgetary verification.

Step: At least 90% of vacancies are filled in the year they arise

By the deadline, ensure continuous and timely filling of vacant judicial and prosecutorial positions, as a key prerequisite for the functionality of the judiciary, reducing backlogs and strengthening trust in the system. Institutional bottlenecks, insufficient coordination and staffing shortages were identified as risks.

According to data from the Ministry of Justice, the occupancy rate of judicial posts is 67% (432 out of a total of 636 judicial positions). In addition, the occupancy rate of the judicial service is particularly low at only 36%, indicating a serious structural problem in the administrative support of the courts.¹⁶

Furthermore, on 25 December 2025, the Academy of Judges and Public Prosecutors adopted a Decision to annul the public announcement for the admission of 130 trainees in initial training, which directly affects the possibility of overcoming the staffing deficit in the medium and long term.¹⁷ This situation indicates a significant gap between what was planned and what was actually achieved. The decision to annul the Academy's announcement further worsens the prospects for a timely improvement of the situation in the future.

The findings indicate systemic institutional inconsistencies, particularly in relation to: coordination between the Ministry of Justice, the Judicial Council and the Academy of Judges and Public Prosecutors; the capacity to plan and implement continuous personnel processes and human resource management in the judicial service.

At the moment, no functionality or positive initial effect can be established. On the contrary, the low occupancy rate and the suspension of training create a risk of further burdening the system and prolonging structural weaknesses. Therefore, the measure is assessed with **a non-implemented 1**, which indicates a significant deviation from the predicted dynamics and the absence of a functional effect.

This situation indicates that in the future ex-ante cycle, a clearer definition of the operational prerequisites and institutional responsibilities will be necessary, especially with regard to the role of the Academy and personnel planning. The new draft Law on the Academy of Judges and Public Prosecutors, which has been

¹⁶ <https://www.pravda.gov.mk/mk-MK/odnosi-so-javnost/novosti/filkov-vo-2026-godina-kje-se-fokusirama-na-popolnuvanje-na-kriticnite-kadrovs-ki-poziciji-vo-sudstvoto-i-obvinitelstvoto>

¹⁷ Decision of the Board of Directors of the Academy of Judges and Public Prosecutors, available at: <https://jpacademy.gov.mk/%d0%b8%d0%b7%d0%b2%d0%b5%d1%81%d1%82%d1%83%d0%b2%d0%b0%d1%9a%d0%b5-%d0%be%d0%b4-%d0%be%d0%b4%d1%80%d0%b6%d0%b0-%d0%bd%d0%b0-242-%d1%80%d0%b0-%d1%81%d0%b5%d0%b4%d0%bd%d0%b8%d1%86%d0%b0-%d0%bd%d0%b0/>

published on the ENER platform¹⁸, is a positive step, but its actual implementation remains to be monitored.

Step: Amendments to the Law on Public Prosecution and the Law on the Council of Public Prosecutors adopted

In December 2025, the Government adopted the Draft Law on the Public Prosecutor's Office, which underwent a comprehensive process of analysis, consultation and alignment with European standards and best international practices. The law provides for: a transparent and merit-based procedure for the selection of the Public Prosecutor; public publication of biographies and work programs; precise deadlines for selection, promotion and evaluation; regular evaluation every three years, as well as gradation of disciplinary offenses and public disciplinary procedures in two instances.

However, by the deadline, the law has not been voted on in the Parliament, and the Law on the Council of Public Prosecutors is also in the process of adoption, without final adoption. The functionality of the legal solutions remains potential and conditional on the completion of the legislative procedure. Given that there is serious preparation, but no entry into force, the measure is assessed with **2 – insufficiently implemented**, i.e. limited progress without real implementation.

Step: Achieving 0.8% of GDP for the judiciary and 0.4% of GDP for the prosecution

According to available data, the funds allocated to the judiciary and the prosecution do not reach the projected level of 0.8% of GDP for the judiciary, or 0.4% of GDP for the prosecution. Additionally, the budget projections for the coming year do not foresee any approach to these target percentages, indicating the absence of a medium-term fiscal trajectory aimed at their achievement.

Procedures for amendments to the Law on Courts and the Law on the Court Budget are ongoing, however, these processes, at the time of the analysis, are not accompanied by specific budgetary obligations or measurable mechanisms that would guarantee real progress in practice. Hence, legislative activities remain at the level of formal compliance, without visible effects on the financial autonomy of judicial institutions. Also, the largest part of the court budget (around 90%) is intended for the payment of salaries in the judiciary, with a minimal share of capital costs. In such circumstances, neither normative nor functional fulfillment of the reform step can be concluded. Hence, the measure is assessed as **not implemented - 1**, indicating the absence of measurable fiscal progress.

18 Draft Law on the Academy of Judges and Public Prosecutors, Available at: https://ener.gov.mk/default.aspx?item=pub_regulation&sub-item=view_reg_detail&itemid=114839

2. JUDICIAL COUNCIL: GOVERNANCE, SELECTION AND DISCIPLINARY FRAMEWORK

The Judicial Council is a key institution for ensuring the independence, integrity and accountability of the judiciary. Its role in the selection, evaluation, promotion and disciplinary responsibility of judges directly affects the quality of judicial power and public confidence in the justice system. Hence, reforms related to the governance, composition and disciplinary framework of the Council are essential for the systemic stability and functionality of the judiciary.

Step: New members of the Judicial Council elected in accordance with the amended law

The Judicial Council has published an announcement for the election of a member from among the judges, however, the procedure is ongoing and is being implemented in accordance with the old Law on the Judicial Council, given that the election procedure was initiated before the full operationalization of the new legal framework.¹⁹

In parallel, the Assembly elected two members from among prominent lawyers, upon the proposal of the President of the Republic²⁰, with this election being conducted after the adoption of the new Law on the Judicial Council. Thus, part of the composition of the Council has been renewed in accordance with the new legal rules, while another will be filled with the old law.

Although part of the composition of the Judicial Council was renewed in accordance with the new legal framework, the election procedure for a member of the judiciary is carried out in accordance with the previous law, as it was initiated before the entry into force of the new rules. This creates a transitional, hybrid model of implementation, whereby a full and consistent implementation of the reform step cannot be concluded. Therefore, the measure is assessed with **3 – partially implemented**, which indicates progress with limited systemic coherence.

Step: Judges and prosecutors in disciplinary proceedings have full guarantees of a fair trial

Improving the disciplinary framework for judges and public prosecutors is an essential element for strengthening the independence, integrity and accountability of the judiciary. The expectation was that the legislative amendments would provide clear procedural guarantees for a fair trial, in line with Article 6 of the European Convention on Human Rights and the relevant case law of the ECtHR, including the right to a public hearing, the right to a defence, the principle of two-tiered proceedings and effective legal remedies.

By December 2025, the new Law on the Judicial Council has been adopted, introducing enhanced standards and clearer procedural guarantees in disciplinary proceedings against judges.

In parallel, the same principles and standards have been included in the new draft law on the Council of Public Prosecutors, which provides for a similar structure and guarantees in disciplinary proceedings against public prosecutors. However, by the end of the reporting period, this law had not been adopted by the Parliament.

Although an improved legal framework for disciplinary proceedings in the judiciary has been established, its practical implementation cannot yet be assessed. In the prosecution service, implementation is conditional

¹⁹ Advertisement for a member of the Judicial Council, available at: <https://sud.mk/wps/portal/ssrm/>

²⁰ <https://sud.mk/wps/portal/ssrm/>

on the adoption and entry into force of the new law. The adoption of the new Law on the Judicial Council establishes enhanced procedural guarantees in disciplinary proceedings against judges, in line with European standards. However, in the case of public prosecutors, the legal framework has not yet been finalized, and the practical application of the new rules in the judiciary remains to be confirmed through specific cases. In such circumstances, the reform step is assessed with **3 – partially implemented**, i.e. a certain degree of normative compliance with still incomplete functional implementation.

Step: New Law on the Judicial Council adopted in accordance with TAIEX and the Venice Commission

This reform step was identified as a key prerequisite for the successful implementation of the remaining measures in the area of judicial reform. The expectation was that the new Law on the Judicial Council would substantially address long-standing structural weaknesses related to the composition, manner of selection, accountability and transparency of the Council, in line with the recommendations of the TAIEX expert missions and the opinions of the Venice Commission. Particular emphasis was placed on strengthening the public, accountability and procedural guarantees, as well as on reducing the risks of political and corporate influence.

This step, although initially scheduled for June 2025, was placed in a grace period until June 2025, but was adopted on December 29, 2025. This formally fulfills this reform step. The legal amendments introduce significant innovations in terms of transparency and accountability of the Council.

Under the new legal framework, the procedure for dismissing the President of the Judicial Council is made public, which is a significant improvement over previous practice. Additionally, the criteria for selecting an “eminent lawyer” have been specified, in order to reduce discretion and ensure a higher level of professional and ethical integrity of the candidates.

Another novelty is the introduction of public hearings in the election of non-judicial members of the Council, which is expected to contribute to increased public insight, transparency and trust in the election process.

The law provides for stronger and clearer criteria for the selection, accountability and dismissal of judicial members of the Judicial Council, as well as specifying the procedures for their disciplinary liability. It is significant that the disciplinary framework no longer applies exclusively to judges, but also to the members of the Council themselves, thus strengthening the principle of accountability within the institution.

Additionally, an obligation has been established for decisions on the selection and assessment of the responsibility of judges to be clearly explained and individualized, which directly responds to the observations of the Venice Commission regarding the insufficient argumentation and transparency in decision-making. The law also provides for deadlines for conducting disciplinary proceedings, as well as a defined procedure for appeals against decisions of the Judicial Council.

However, the practical implementation of the provisions is still in its initial phase. The real reform effect will depend on the practical application of the new legal solutions. In the next ex-ante cycle, it is necessary to focus on monitoring the implementation of the law in practice, especially in the area of the publicity of the procedures, the quality of the reasoning of the decisions, the application of the disciplinary responsibility of the members of the Council and the effects on trust in the judicial system. With the adoption of the new Law on the Judicial Council on 29 December 2025, within the grace period, a substantially improved framework for transparency, accountability and disciplinary responsibility was established, in accordance

with the recommendations of TAIEX and the Venice Commission. The legal innovations – publicity of the procedures, clearer selection criteria, obligation for individualized reasoning and deadlines for disciplinary procedures – represent a systemic step forward. Considering that the normative framework is fully established, the measure is assessed with **5 – fully implemented**, with further focus to be placed on its practical implementation.

3. FIGHT AGAINST CORRUPTION: LEGISLATIVE FRAMEWORK AND PRACTICAL IMPLEMENTATION

The fight against corruption is one of the key pillars of the rule of law and an essential condition for European integration, economic stability and the protection of the public interest. The effectiveness of the system does not depend solely on the existence of a formally harmonised legislative framework, but also on its consistent and equal application in practice, especially in cases of high-level corruption and abuse of office.

Step: Adopted a new Criminal Code harmonized with EU law

The adoption of a completely new Criminal Code (CC) is still expected, which should be aligned with EU law and overcome the harmful consequences of the amendments in 2023. As a temporary solution, amendments to the CC have been proposed ²¹in order to align with the Constitutional Court's Decision of 12 February 2025. ²²However, the amendments proposed by a group of MPs do not represent a complete return to the solutions that were in force before 2023. In addition, they were submitted without conducting public consultations and in parallel with the announced working groups, which reduces trust in the process and in the quality of the proposed solutions. It was precisely this manner of adopting the amendments that was one of the grounds for initiating proceedings before the Constitutional Court, which, in addition to the substantive content, also appreciated the formal aspect of the legislative procedure.

In such circumstances, the reform step cannot be considered substantially fulfilled and is assessed with **2 insufficient implementation**, which indicates initiated, but insufficient and unconsolidated legislative activity.

Step: New Criminal Procedure Law adopted, harmonized with EU law

The reform step envisages the adoption of a new Criminal Procedure Law aligned with European Union law, with the aim of modernizing the criminal procedure framework, strengthening the guarantees for a fair trial and improving the efficiency of the proceedings. According to the available information, a working group has been established within the Ministry of Justice to prepare the draft text. However, by the end of the reporting period, no draft decisions have been published, no public consultations have been conducted, nor is information available on the degree of alignment with the relevant EU law.

The absence of visible legislative results and a transparent process does not allow us to conclude any substantial progress regarding this measure. Although there is formal activity within the Ministry, the reform step remains in an early initiative phase and is assessed with **1 - not fulfilled**, which indicates limited progress without measurable effects in practice.

21 <https://www.sobranie.mk/preview?id=68e9bbd9-e301-4d57-8ef7-a0053ee3f754&url=https://sp.sobranie.mk/sites/2023/materials/639011844919382207/Documents/639015852426442423.docx&method=GetDocumentContent>

22 Decision of the Constitutional Court, U.br.162/2023 and U.br.163/2023, Available at: <https://ustavensud.mk/archives/32424>

4. FIGHT AGAINST ORGANIZED CRIME

The reforms in the **organized crime** sub-area are aimed at establishing a strategic and coordinated approach. Central to this is the adoption and implementation of a national strategy and action plan, which should ensure a clear division of responsibilities, improved inter-institutional cooperation, and strengthened investigation and prosecution capacities.

Step: Amendments to the Law on Weapons harmonized with the EU classification adopted

This reform step aims to align national legislation with the European classification of firearms, in line with the relevant European Union legislation, as a prerequisite for improved control, traceability and prevention of illicit arms trafficking. Alignment with EU standards is an important element of the broader strategy to combat organized crime, especially in the area of transnational cooperation and risk management related to illicit arms trafficking.

In the analyzed period, the Draft Law on Amendments to the Law on Weapons was published on the ENER platform on October 28, 2025, with an updated version being posted one month later. This step indicates the formal start of the legislative procedure and ensuring a certain level of transparency through public availability of the text. However, by the end of the reporting period, the legal amendments had not passed the Parliament. Therefore, it can be assessed that the measure marks initial normative progress, but not completed legislative and institutional implementation, which is why it is assessed with **2 – insufficiently implemented**.

5. PROPERTY RECOVERY AND MANAGEMENT OF CONFISCATED ASSETS

Step: All open positions in the Agency for the Management of Seized Property have been filled

This reform step aims to fully staff the Agency for the Management of Confiscated Assets, as a key prerequisite for efficient, transparent and accountable management of confiscated assets. Strengthening the human resources of this institution is directly linked to the state's ability to ensure a sustainable financial impact from confiscation, to prevent the devaluation of confiscated assets and to increase trust in the criminal justice system.

In the analyzed period, some progress has been noted in filling some of the open positions, which indicates institutional awareness of the need for staff strengthening. However, precise data are not available on the total number of systematized positions, the number of actually filled positions, nor on the dynamics of employment. The absence of quantitative indicators does not allow determining whether all the foreseen positions have been fully filled, as envisaged by the reform step.

Hence, although there is visible institutional progress, full compliance with the measure cannot be confirmed. Given that a partial effect has been achieved, but without verifiable evidence of complete staffing, the measure can be assessed with **3 – partially fulfilled**, which indicates moderate progress with the need for additional transparency and verification in the next reporting cycle.

8. CONCLUSION

The analysis of the reform steps in the area of Fundamental Rights and the Rule of Law shows a pronounced imbalance between normative progress and functional implementation. Although significant legislative progress has been achieved in individual segments – especially with the adoption of the new Law on the Judicial Council, most of the steps are dominated by unfinished legislative procedures, delayed implementation or the absence of measurable institutional effects.

In the sub-area of democracy and electoral reform, the absence of a new, systematically revised Electoral Code is a fundamental shortcoming, with direct implications for electoral integrity and trust in democratic processes. In the segment of independent judiciary, the situation is particularly worrying in terms of staffing and financial autonomy, where indicators point to structural weaknesses and a lack of fiscal support. At the same time, some of the reforms in the prosecution and criminal legislation remain in the preparation phase or unfinished legislative procedure, without real implementation in practice. In the area of the fight against corruption and organized crime, initial normative progress has been recorded, but without final institutional implementation or confirmed effects. Similarly, in the segment of management of confiscated assets, there is partial institutional progress, but without sufficient evidence of full functional equipment.

If we take into account the overall picture, it can be concluded that only one step has been fully implemented, a part, namely 4 steps, have been partially implemented, while a significant part, a total of 8 steps, remain unfulfilled. This indicates a **low and insufficient level** of substantive implementation in the analyzed period and an average **score of 2**. Taking into account the degree of real and verifiable implementation of the estimated approximately **59.9 million euros**, the state can hope for a payment of only 6.4 million euros. The remaining approximately 53 million euros remain in a grace period and have an increasing risk of permanent loss.

The key challenge in the coming period is not just adopting new legal solutions, but ensuring their practical implementation, institutional consistency and measurable results in practice. Without a functional effect in personnel stability, financial autonomy, disciplinary accountability and electoral integrity, reforms in this area will remain formal, not transformative.

