



Влада на Република Северна Македонија  
Government of the Republic of North Macedonia

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# **2026 - 2030 FISCAL STRATEGY OF THE REPUBLIC OF NORTH MACEDONIA**

**Skopje, April 2025**

## **Summary of 2026 – 2030 Fiscal Strategy of the Republic of North Macedonia**

Pursuant to the Organic Budget Law, Fiscal Strategy comprises medium-term guidelines and goals of the fiscal policy, main macroeconomic projections, amounts of the main categories of projected revenues and expenditures, as well as budget deficit and debt projections.

Fiscal policy to be pursued in the period 2026 - 2030 will be aimed at enhancing macroeconomic stability and supporting economic activity through gradual fiscal consolidation. Key objective is to improve public finance management, as well as maintain high level of capital expenditures which will underpin the long-term economic priorities.

Key elements of the fiscal policy in the coming period will comprise the following:

- fiscal consolidation: undertaking measures so as to ensure fiscal sustainability over the medium term.
- disciplined public finance management: fiscal discipline, reduced informal economy and higher budget revenue collection.
- support to the economy: continuous support to economic growth via investments in infrastructure projects, thus creating conditions for growth of businesses and job creation.
- redesigning public finance structure: maintaining high level of capital expenditures aimed at achieving the projected economic growth.
- strengthened transparency and accountability: increased transparency and accountability in public finance management, leading to improved budget spending effectiveness.

During the period 2026 - 2030, tax policy will be geared towards fostering sustainable economic growth and development, while providing legal certainty for taxpayers and ensuring collection of public revenues on regular basis. In fact, the objective is to reduce grey economy by advancing digitalisation and establish an efficient tax system, all to the end of ensuring that everyone pays its fair share of tax in a just manner. This approach will allow for keeping the other tax rates low, while boosting capital investment funding to about 5.2% of GDP, along with providing tax exemptions, subsidies and incentives to support the domestic private sector and the citizens.

Public debt management policy will focus on ensuring the funds necessary to cover the budget deficit, repay the due liabilities on the basis of prior borrowings and finance projects, while preventing debt from rising to a level that could jeopardise the country's economic stability and growth.

Budget deficit is reduced as a percentage share of GDP, as follows: from 4% in 2025 to 3.5% in 2026, 3% in 2027, 3% in 2028, 2.8% in 2029 and 2.8% in 2030. Primary budget deficit will accordingly decline gradually, as follows: from 2% of GDP in 2025 to 1.5% in 2026, 0.9% in 2027, 1% in 2028, 0.7% in 2029 and 0.6% in 2030.

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Pursuant to paragraph 5, Article 17 of the Organic Budget Law ("Official Gazette of the Republic of North Macedonia", nos. 203/22, 59/23, 277/23, 39/24, 76/24 and 272/24), Government of the Republic of North Macedonia, at its session held on \_\_\_\_ April 2025, adopted the 2026 – 2030 Fiscal Strategy of the Republic of North Macedonia.

## **Introduction**

Fiscal Strategy is a document of the Government of the Republic of North Macedonia, presenting the assumptions for macroeconomic forecasts and outlining the guidelines of the fiscal policy for the current and the next five years. This Fiscal Strategy has been prepared on the basis of the 2024-2028 Fiscal Policy Statement, which the Government adopted in September 2024 pursuant to the Article 12 of the Organic Budget Law. Ministry of Finance prepares the Fiscal Strategy and submits it to the Government of the Republic of North Macedonia, taking into account the goals and the priorities set in the 2024–2028 Fiscal Policy Statement, the strategic priorities of the Government and the proposals of the parent budget users.

Fiscal policy to be pursued in the period 2026 - 2030 will be aimed at enhancing macroeconomic stability and supporting economic activity through gradual fiscal consolidation, improving public finance management and maintaining high level of capital expenditures. Fiscal consolidation measures will be undertaken for the sake of attaining a moderate level of borrowing.

Key elements of the fiscal policy throughout the term of office of the Government of the Republic of North Macedonia will comprise disciplined fiscal policy, reduced grey economy and higher collection of revenues in the State Budget, as well as fiscal consolidation.

Alongside the commitment to fiscal consolidation and budget savings, support for the economy will continue through investments in infrastructure projects, redesigning the public finance structure by maintaining high level of capital expenditures, as well as strengthening both the transparency and the accountability.

In the period 2026 - 2030, tax policy will focus on reducing grey economy and enhancing budget revenue collection. In fact, the objective is to reduce grey economy by advancing digitalisation and establish an efficient tax system, all to the end of ensuring that everyone pays its fair share of tax in a just manner. This approach will allow for keeping the other tax rates low, while boosting capital investment funding, along with providing tax exemptions, subsidies and incentives to support the domestic private sector and the citizens.

Public debt management policy will focus on ensuring the funds necessary to cover the budget deficit, repay the due liabilities on the basis of prior borrowings and finance projects, while preventing debt from rising to a level that could jeopardise the country's economic stability and growth.

## 1. Macroeconomic Trends and Forecasts

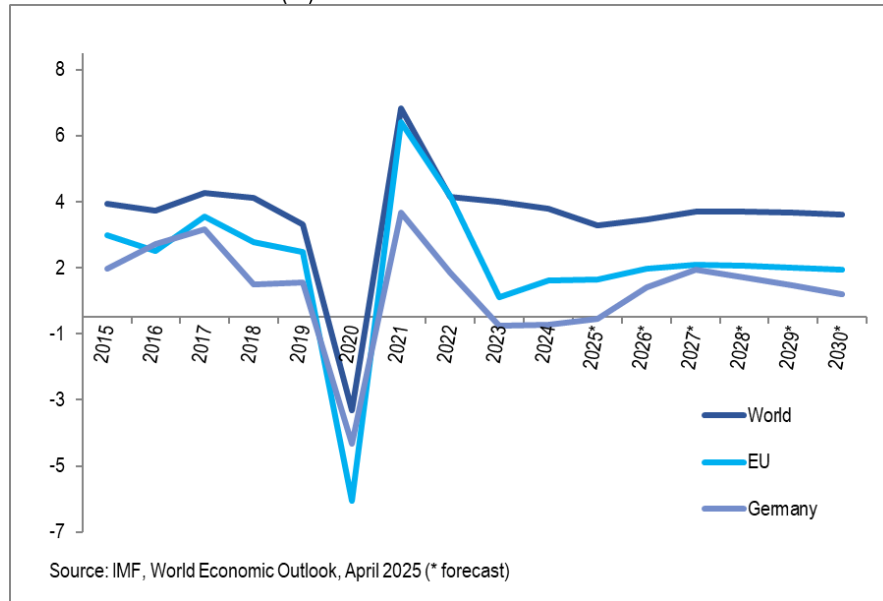
### 1.1 International Economic Trends and Forecasts<sup>1</sup>

The global economy is at a critical juncture. The economy showed signs of stabilisation and resilience through 2024, after a prolonged and challenging period of unprecedented shocks. However, recent developments and policy shifts, i.e. new tariff measures introduced by the United States, jeopardise the global trade system and give rise to uncertainty that is testing the resilience of the global economy. Since February 2025, a series of new tariff measures by the United States and countermeasures by its trading partners have been announced and implemented, which has heightened uncertainty and significantly undermined the outlook for global growth. The degree of uncertainty, particularly regarding trade policy, varies across countries, depending on exposures to protectionist measures through trade and financial linkages as well as broader geopolitical relationships. The impact of these shocks could intensify if an agreement is not reached and countries escalate their responses, potentially triggering the spillover of risks into the financial markets. It is imperative to maintain a well-functioning rules-based trading system and to keep markets open.

A further key challenge is the limited fiscal space available to many countries. Fiscal support during the pandemic, along with increased prices, supported the recovery, but also led to increased debt levels. Budget deficits remained large and cast a shadow on the outlook. Amid tightening fiscal space, many economies are also experiencing a slowdown in growth, with the most recent high-frequency indicators pointing to a weakening in economic activity.

According to IMF's April 2025 WEO<sup>2</sup>, global growth is projected to fall from an estimated 3.3% in 2024 to 2.8% in 2025, before recovering to 3 percent in 2026, with downward revisions for nearly all countries, corresponding to a cumulative downgrade of 0.8 p.p. (0.5 p.p. in 2025 and 0.3 p.p. in 2026) and much below the historical (2000–19) average of 3.7%.

Chart 1: Economic Growth (%)



<sup>1</sup> Analysis of this part is based upon the International Monetary Fund Report "World Economic Outlook", published in April 2025.

<sup>2</sup> In light of the ongoing dynamic developments, the Report incorporates multiple forecasts, with the "reference forecast" being based on measures announced on 4<sup>th</sup> April 2025 and detailed in the tables in this Report, as well as the WEO database.

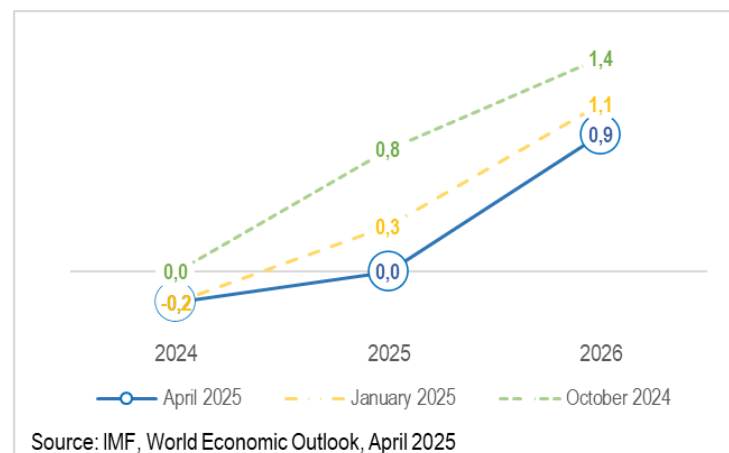
Table 1. Macroeconomic Indicators - Global Economic Environment

	2024	2025*	2026*	2027*	2028*	2029*	2030*
<b>Real GDP Growth, in %</b>							
World	3,3	2,8	3,0	3,2	3,2	3,2	3,1
Advanced economies	1,8	1,4	1,5	1,7	1,7	1,7	1,7
Euro area	0,9	0,8	1,2	1,3	1,3	1,2	1,1
European Union	1,1	1,2	1,5	1,6	1,6	1,5	1,4
Emerging market and developing economies	4,3	3,7	3,9	4,2	4,1	4,1	4,0
<b>Inflation, average consumer prices</b>							
World	5,7	4,3	3,6	3,3	3,2	3,2	3,2
Advanced economies	2,6	2,5	2,2	2,0	2,1	2,1	2,1
Euro area	2,4	2,1	1,9	2,0	2,0	2,0	2,0
European Union	2,6	2,4	2,1	2,2	2,1	2,1	2,1
Emerging market and developing economies	7,7	5,5	4,6	4,1	4,0	3,9	3,8
World trade volume, %	3,8	1,7	2,5	3,0	3,2	3,1	3,1
<b>Unemployment rate, %</b>							
Advanced economies	4,6	4,7	4,6	4,6	4,5	4,4	4,4
Euro area	6,4	6,4	6,3	6,2	6,2	6,2	6,2

Source: IMF, World Economic Outlook, April 2025 (\* projections)

Growth in advanced economies is projected to be 1.4 percent in 2025, reflecting a downward revision by 0.5 p.p. relative to the January 2025 WEO, while growth in 2026 is projected at 1.5%, being revised downward by 0.3 p.p..

Chart 2. GDP Growth (%) in Germany



Growth in the euro area is expected to decline slightly from 0.9% in 2024 to 0.8 percent in 2025, before picking up modestly to 1.2% in 2026. The growth projections for the **euro zone** in 2025 and 2026 are revised downward by 0.2 p.p. each year from that in the January 2025 WEO Update. Rising uncertainty and tariffs are key drivers of the subdued growth in 2025. Offsetting forces that support the modest pickup in 2026 include stronger consumption on the back of rising real wages and a projected fiscal easing in **Germany** following major changes to its fiscal rule (the “debt brake”). According to the respective changes, defence spending exceeding 1% of GDP will not be subject to any borrowing restrictions. Moreover, under the changes, EUR 500 billion extra-budgetary fund will be established to finance additional investments in infrastructure, EUR 100 billion out of which is earmarked for climate protection. Economic activity in Germany is expected to remain unchanged in 2025 in relation to 2024, with growth projected at 0.9% in 2026 (projections for Germany have been revised downward by 0.3 p.p. for 2025 and 0.2 p.p. for 2026 relative to the January 2025 WEO).

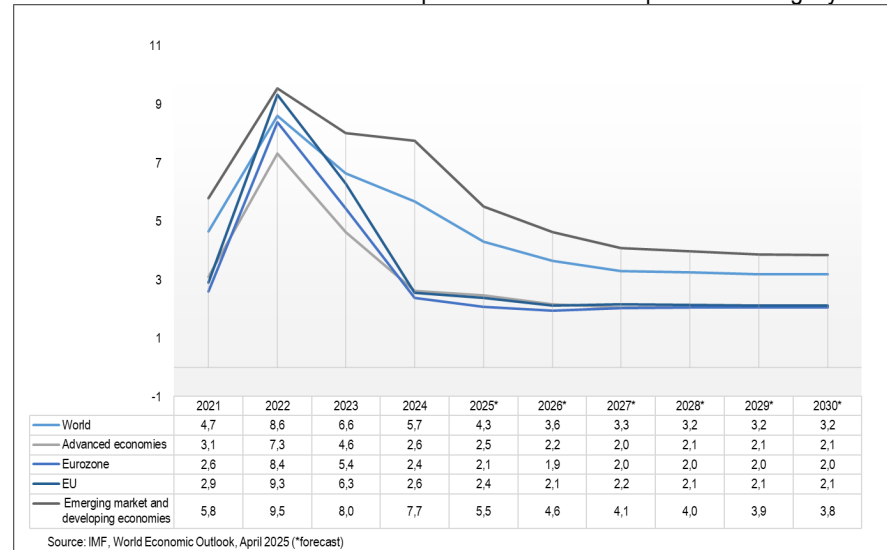
For the **United States**, growth is projected to decrease in 2025 to 1.8% (0.9 percentage point lower than the forecast rate in the January 2025 WEO). The downward revision is a result of greater policy uncertainty, trade tensions, and a softer demand outlook, given slower-than-anticipated consumption growth. Tariffs are also expected to weigh on

growth in 2026, which is projected at 1.7% (0.4 p.p. downward revision relative to the January 2025 WEO) amid moderate private consumption.

In emerging market and developing economies, growth is expected to slow down to 3.7% in 2025 (0.5 p.p. downward revision relative to the January 2025 WEO) and 3.9% in 2026 (0.4 p.p. lower), with significant downgrades for countries affected most by recent trade measures, such as China.

For **China**, 2025 growth is revised downward to 4.0 percent (0.6 p.p. lower relative to the January 2025 WEO), mainly reflecting the impact of recently implemented tariffs, which offset the stronger carryover from 2024 (as a result of a stronger-than-expected fourth quarter) and fiscal expansion in the budget. Growth in 2026 is also revised downward to 4.0 percent (0.5 p.p. relative to the January 2025 WEO) on the back of prolonged trade policy uncertainty and the tariffs now in place.

**Global headline inflation** is expected to decline at a pace that is slightly slower, from 5.7% in 2024 reaching



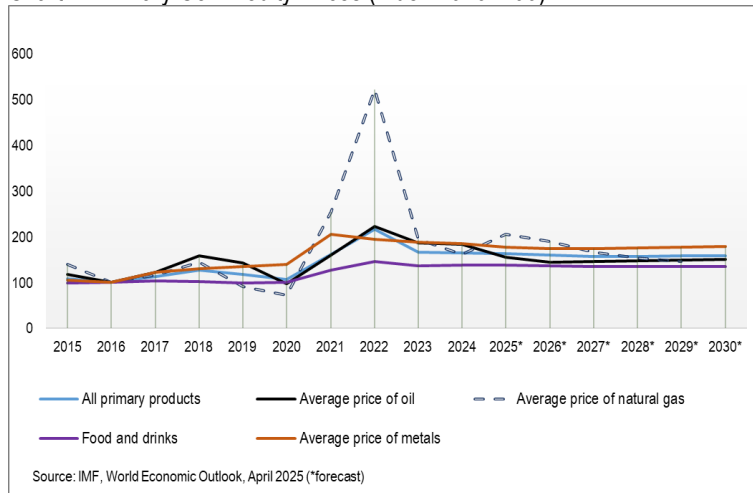
4.3 percent in 2025 and 3.6 percent in 2026. Inflation is projected to converge back to target earlier in advanced economies, reaching 2.2% in 2026, compared with emerging market and developing economies. Compared with that in the January 2025 WEO, the global inflation forecast is slightly higher. For advanced economies, the inflation forecast for 2025 has been revised upward by 0.4 p.p., reaching 4.4%. Inflation forecast for the euro zone remain unchanged, and it is expected at 2.1% in 2025, dropping to 1.9% in 2026.

Chart 3. Inflation (%)

The inflation outlook as a whole has improved, but has not yet fully returned to prepandemic patterns, and it is subject to high uncertainty. The effects of recently imposed tariffs on inflation across countries will depend on whether the tariffs are perceived to be temporary or permanent, the extent to which firms adjust margins to offset increased import costs, and whether imports are invoiced in US dollars or local currency. Cross-country implications will differ too. Trade uncertainty adds a layer of demand shock as businesses and households respond by postponing investment and spending, and this effect may be amplified by tighter financial conditions and increased exchange rate volatility.

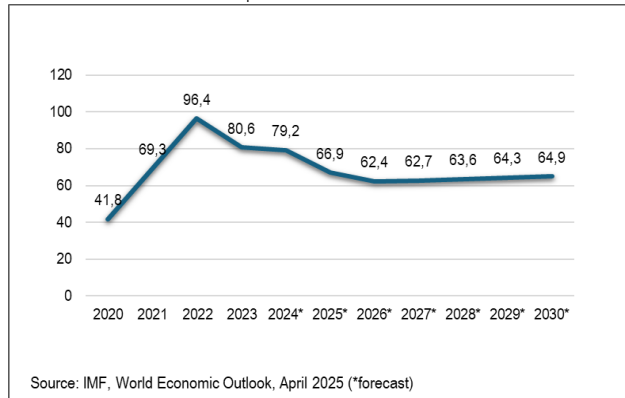
**Primary commodity prices** increased by 1.9% between August 2024 and March 2025, with the rise driven by natural gas, precious metals and beverage prices. With the exception of gold prices and prices of some staples like wheat, which continued to soar owing to geopolitical uncertainty, most commodity prices have dropped since the announcement of additional tariffs by the US administration on 2<sup>nd</sup> April.

Chart 4. Primary Commodity Prices (Index 2016=100)



**Crude oil** price is expected to fall in the coming period - 15.5% decline in 2025, averaging US\$ 66.9 per barrel, before falling to US\$ 62.4 per barrel in 2026. In oil markets, prices fell amid concerns that a trade war could dampen global demand, adding to downward pressure from robust oil production growth outside OPEC+.

Chart 5. Oil Price in US\$



**Natural gas** prices reversed course in the first week of April, beginning to decline alongside oil prices after a six-month period of gains. Among other factors, a cold snap and various supply disruptions, including a halt of Russian gas to Europe through Ukraine at the beginning of January 2025, explained the upward trend. Natural gas prices in 2025 are expected to pick up by 22.8%.

Metals prices rose amid demand disruptions until the end of March, but things changed with the announcement of tariffs by the US administration. Downturn is expected in prices for base metals, with prices declines of 5.7%, 4.5% and 14.3% for aluminum, copper and iron ore respectively by the end of 2026. On the other hand, **gold prices** have repeatedly rose amid geopolitical uncertainty, surpassing their historical high at \$3,000 per ounce.

Agricultural commodity prices increased as a result of adverse weather. Between August 2024 and March 2025, the IMF's **food and beverages** price index increased by 3.6%, with the rise driven by higher beverage prices. As noted in the April 2025 WEO, prices of food and beverages are expected to register a moderate increase amid adverse weather in the key agricultural regions and trade disruptions.

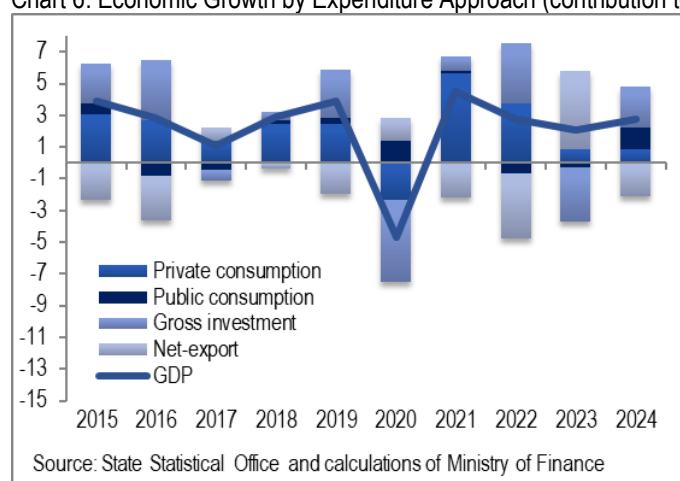
**Risks to the global growth outlook** are tilted to the downside, in both the short and the medium term. Main risk stems from the uncertainty related to the tariffs introduced by the USA and the countermeasures taken by the other countries. World GDP would be negatively affected, though the magnitude of the effect would vary across countries. Those directly targeted by new tariffs would be most affected, notably China and the United States, but also a large set of countries in Asia and Europe. Their magnitude would depend on how quickly countries can boost domestic consumption, reroute trade flows or increase competitiveness. The emergence of new trading clusters is likely to fragment FDI flows. A trade war could also increase price pressures and fuel inflationary pressures, primarily through rising import prices. Beyond the risk of trade barriers, prolonged uncertainty regarding trade policies poses other risks to investment, as a consequence of firms delaying investment projects.



## 1.2 Recent Economic Developments

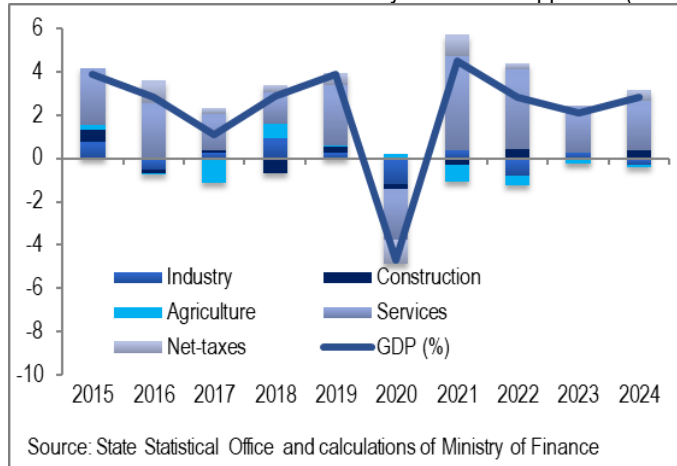
Economic activity in 2024 accelerated, recording real growth of 2.8%, being by 0.7 p.p. higher than the projected rate of 2.1%. Such outperformance was driven by favourable economic activity trends, particularly the growth acceleration in the second half of the year. Analyzed by the expenditure side of GDP, strengthened economic performance was supported by stronger domestic demand amid scaled-up gross investments and consumption, while net export had a negative contribution to growth. Gross investments, following their decline in the previous year, recovered, surging by 8.9% on annual basis. Positive trends were mainly driven by increased investments in fixed assets, with particularly strong growth in import of capital goods - up by 13.9% and a notable 8.4% rise in machinery and equipment acquisition. On the other hand, inventories saw a decline, accompanied by a 6.6% drop in import of intermediary goods. Furthermore, foreign direct investments significantly bolstered investment growth, reaching a record high EUR 1,255 million, accounting for 8.1% of GDP. Consumption surged by 2.6% in real terms, with public consumption increasing by 9.1% and private consumption growing by 1.2%. Private consumption was driven by the growth of household disposable income amid increase of employment, wages and pensions in the economy, also underpinned by the crediting to households. As a result of ever present unfavourable external environment and weaker-than-expected economic growth at major trading partners, foreign trade contracted in 2024, with export and import of goods and services declining in real terms by 3.8% and 0.6% respectively.

Chart 6. Economic Growth by Expenditure Approach (contribution to growth, p.p.)



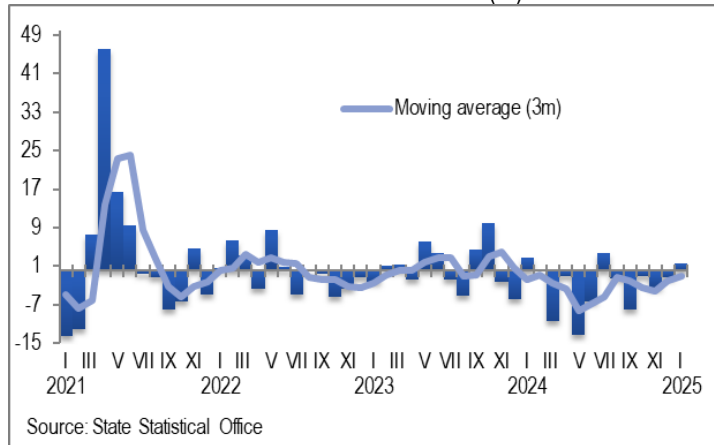
Analyzed by sectors, economic growth in 2024 was a result of the positive performance in the services sector and the construction activity. Activity in the services sector picked up by 4.0%, above all as a result of favourable trends in the field of trade, transport and hospitality industry, growing by 6.0%. Professional, scientific and technical activities had a significant positive contribution thereto, registering a 9.5% increase. Positive trend at this sector will have a significant impact on the economy by increased productivity, strengthening labour force knowledge and skills, fostering innovations and driving the development of new products. Construction activity surged by 6.4%, amid increased value of complete construction works across all segments, mostly due to growth registered at civil engineering structures (33.0% growth in real terms), reflecting scaled-up investments and pick up in infrastructure project implementation. Decline was registered in the agriculture and the industrial sectors of 2.0% and 1.6% respectively.

Chart 7. Economic Growth Structure by Production Approach (contribution to growth, p.p.)



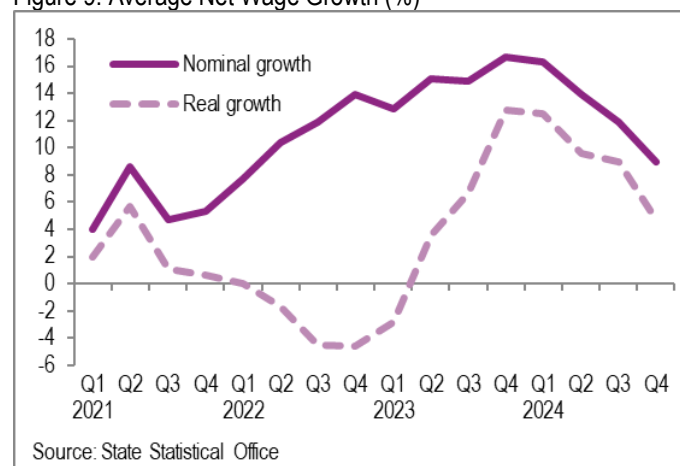
According to **high-frequency data**, industrial production registered 3.8% annual growth in the first two months in 2025, due to increased activity in Manufacturing (2.9% growth). On the other hand, Supply of electricity, gas, steam and air-conditioning, along with Mining and quarrying sector, dropped by 6.0% and 4.7% respectively. In January 2025, number of issued building permits and the total expected value of construction works registered significant year-on-year increase of 23.8% and 28.2% respectively, indicating construction sector recovery following a period of subdued activity. Data for the first two months in 2025 show retail trade turnover recording a 0.5% growth in real terms, with a moderate increase in February following the decline in January. Over the same period, export and import of goods rose by 1.8% and 5.1% on annual basis respectively, leading to a 12.6% increase of the trade deficit.

Chart 8. Annual Growth of Industrial Production (%)



The pick up in economic activity also had a positive effect on the labour market and employment, especially during the fourth quarter of the year. Hence, number of employed persons in Q4 2024 increased by 1.9% (over 13,000 persons) compared to the same period last year, while unemployment rate dropped by 11.9%. On cumulative basis, in 2024, unemployment rate accounted for 12.4%, at the category aged 15 to 74, while accounting for 23.4% at the youth population (aged 15 - 29 years), and compared to 2023, they decreased by 0.7 p.p. and 1.5 p.p. respectively. Unemployed persons totaled 98,273, declining by 4.9% (5,078 persons) in relation to 2023. At the same time, employment rate at the category aged 15 to 89 accounted for 45.8%, increasing by 0.4 p.p., while employed persons totaled 694,506, increasing by 0.9% (6,210 persons). In 2024, average net wage increased significantly by 12.6% compared to the previous year, being higher by 8.8% in real terms. Increase of net wage was registered in all sectors, the highest being observed in Public administration and defence, Education and Arts, entertainment and recreation. Wages continued their upward trend in the first two months of 2025, increasing by 9.2%.

Figure 9. Average Net Wage Growth (%)



In 2024, **inflation** rate eased, reflecting a slowdown in prices and an average rate of 3.5%, following a prior period of price increase driven by global factors. During the same period, increase of food and energy prices slowed down to 2.7% and 0.8% respectively, while prices of oil derivatives fell by 2.7%. Rise in inflation was primarily driven by the base component, with the hospitality sector experiencing the highest price increase. In 2024, core inflation (inflation, wherefrom the impact of prices of food and energy products is excluded) accounted for 5.2% on annual basis, stabilising at a slower pace. At the end of 2024, consumer prices accelerated, largely due to rising food prices. In response, the Government introduced two measures, which slowed down the acceleration of price growth to certain extent, with the “Autumn Consumer Basket”<sup>3</sup> measure being aimed at capping profit margins, while the “New Year’s Consumer Basket”<sup>4</sup> measure was focused on reducing the prices of products most commonly consumed during the holiday season.

During the first two months in 2025, inflation rate experienced an upward trend, whereas food prices had a significant impact thereon. However, since the end of February, Government measures<sup>5</sup> aimed at capping profit margins on several groups of basic food products have taken effect, leading to a substantial slowdown in price increase - down to 2.7% year-on-year in March 2025, with a monthly decline of 1.3%. Average inflation rate in Q1 2025 accounted for 4.2%, with the food prices picking up by 4.1% and the oil derivatives prices dropping by 2.7% during the analyzed period. Core inflation in the period January - March 2025 accounted for 5.5%, reflecting a slowdown for the second consecutive month, although, it still remains high.

<sup>3</sup> The measure was in effect from 24<sup>th</sup> September until 31<sup>st</sup> October 2024, establishing a maximum gross profit margin of up to 10% on products covered with the respective measure, applicable in both wholesale and retail trade.

<sup>4</sup> The measure “New Year’s Consumer Basket” covered the period from 15<sup>th</sup> December 2024 to 15<sup>th</sup> January 2025, involving price reductions on selected food products, alcoholic and non-alcoholic beverages most commonly consumed during the New Year’s holiday season.

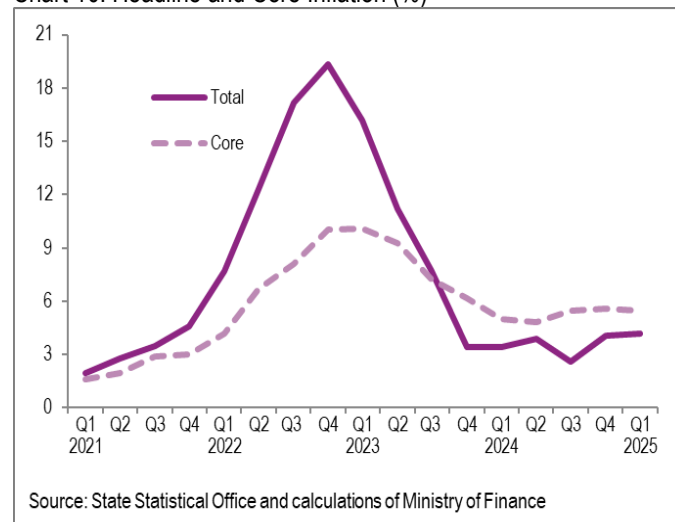
<sup>5</sup> Starting 20<sup>th</sup> February 2025, a decision came into force to cap profit margins on 102 groups of basic food products and hygiene items, as well as to impose price caps on 8 groups of essential food products. Measures applied by 30<sup>th</sup> April 2025 inclusive. The Decision to cap gross profit margin, applicable in both wholesale and retail trade, covered 102 groups of products, as follows:

-5% gross profit margin on 8 basic food products, such as milk, bread, flour

-10% gross profit margin on a group of 55 food products (meat and meat products, sugar, milk products, margarine, butter, canned vegetables and fruit, beans, rice and pasta)

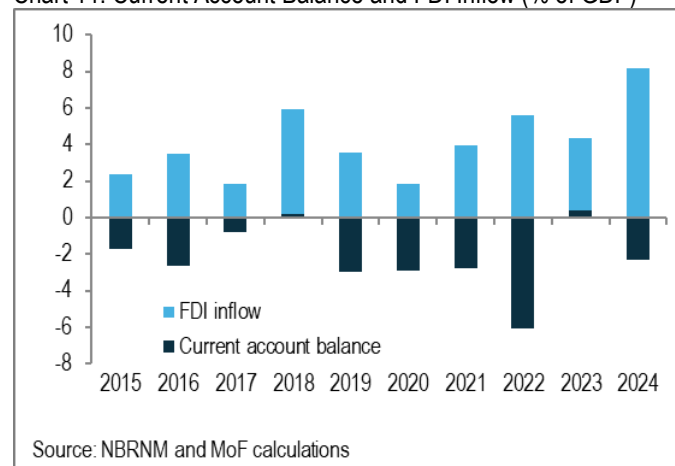
-15% gross profit margin on 39 food products and hygiene items (fresh fruit and vegetables, detergents, baby formula, dippers, soap, toilet paper, etc.).

Chart 10. Headline and Core Inflation (%)



Deficit in the amount of EUR 355 million (2.3% of GDP) was recorded on the balance of payments' **current account** in 2024, as opposed to the surplus in 2023, which accounted for 0.4% of GDP. Widening of the current account deficit was mostly a result of the increased trade deficit (17.8%) and the reduced surplus in secondary income (-7.8%) and, to a lesser extent, the higher deficit in primary income (7.9%). Inflow of current transfers from abroad, both through official channels and on the basis of exchange operations, declined by 5.3% (following the increase of 5.1% in 2023). Such trends on the current account were partially neutralised with the increased surplus of 44.4% on the services account.

Chart 11. Current Account Balance and FDI Inflow (% of GDP)



**Inflow of FDIs** in 2024 reached a record high EUR 1,255 million (accounting for 8.1% of GDP), making a more than twofold increase on annual basis. FDI inflow was significantly above the current account deficit in 2024, and was mostly in the form of debt instruments, accounting for 55% of the total inflow therefrom. Inflow in the form of equity accounted for 25% of the FDI inflow, while the remaining inflow (20%) was in the form of reinvested earnings of companies with foreign capital.

**Reserve assets** recorded an annual growth of 10.8% at the end of December 2024, reaching EUR 5.0 billion. They provided for 5.2-month coverage of import of goods and service, thus being at an adequate level. At the end of March 2025, reserve assets surged by 11.7% on annual basis, amounting to EUR 4.8 billion.

By maintaining the **policy rate** at 6.3% for most of the year, the National Bank started lowering it in September, reducing it to 5.55% by December 2024. The decision on loosening the monetary policy was based on assessment of inflation, recent developments in key macroeconomic indicators and favourable trends on the foreign exchange market. This reduction was in alignment with ECB's monetary policy, which likewise began easing the interest rates in September 2024.

In February 2025, the National Bank further lowered the interest rate to 5.35%. However, it has remained unchanged for three consecutive months amid heightened adverse risks, particularly from the external environment. This decision maintained a prudent approach to the conduct of monetary policy.

In March 2025, total **credits** grew by 12.3% on annual basis, amid growth of both credits to enterprises of 15.3% and credits to households of 9.6%. Total **deposit potential** in March 2025 grew by 12.7% on annual basis, with deposits of households increasing by 12.9% and deposits of enterprises picking up by 13.3%. In March 2025, savings in domestic currency grew by 17.3% on annual basis.

### 1.3 Medium-Term Macroeconomic Projections

Strategic investments in infrastructure and energy, financial support for the investment activity of domestic production companies aimed at boosting innovations, competitiveness and productivity of companies, along business environment and tax policy reforms, and export growth are the basic assumptions for the medium-term macroeconomic scenario which, amid expected stabilisation of the geopolitical and trade tensions, are expected to contribute to gradual acceleration of the economic growth.

Human capital development is one of the preconditions for achieving higher growth rates over the medium term, by increasing the efficiency and the productivity of the domestic economy. Education reforms aligned with current labor market demands, along with improvements in healthcare and social security, will support human capital development, providing a foundation for sustainable long-term growth.

Strengthening the rule of law, with particular emphasis on combating corruption, grey economy and unfair competition, combined with the digitalisation of public service delivery to citizens and businesses, is expected to significantly increase the growth potential.

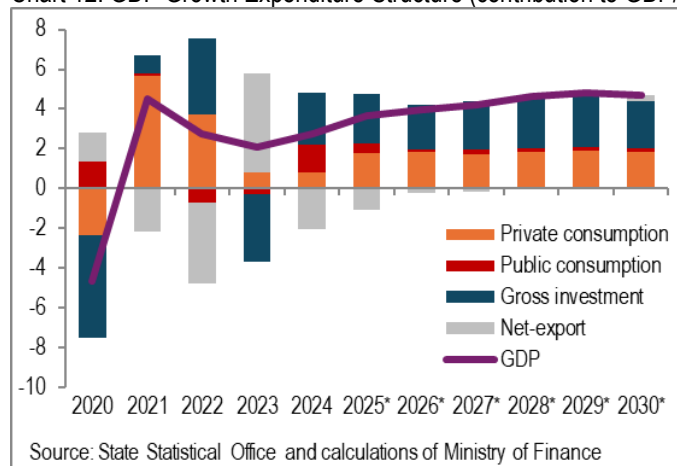
Growth will also be driven by efforts to attract foreign direct investment and expand existing capacities of foreign companies which, by introducing advanced technologies, further diversifying the production with higher added value products and expanding of the export markets, will likewise strengthen the country's export capabilities. A larger presence of foreign company will create opportunities for cooperation with the domestic firms, which, supported by government initiatives to raise operational standards and competitiveness, can integrate into global supply chains.

Considering the structure and the openness of the Macedonian economy, one of the main assumptions for generating accelerated growth is for the global trends to get back to normal, inflationary pressures to stabilise and economic activity at our major trading partners to strengthen, thus contributing to increased external demand and more favourable investment climate.

EU's Growth Plan for the Western Balkans, an instrument aimed at accelerating convergence toward the EU average standard by providing additional funding for capital projects and the structural reforms outlined in the Reform Agenda, is also expected to underpin the economic growth.

Under the baseline macroeconomic scenario, following the economic recovery in 2024, growth is projected to accelerate to 3.7% in 2025 and to further strengthen with an average annual growth of 4.7% annually over the 2026 – 2030 period.

Chart 12. GDP Growth Expenditure Structure (contribution to GDP/growth, percentage points)



Gross investments are expected to play major role in boosting the economic activity, and its gradual intensification in the medium run. Despite the limiting factors arising from the global challenges, gross investments, increasing by 8.6%, above all as a result of implementation of major infrastructure projects funded by the state (Road Corridors 8 and 10d and railway infrastructure) picking up pace, are expected to contribute the most to the growth in

2025, accompanied by the measures aimed at cost optimisation, the dynamics and the construction requirements. In the period 2026 - 2030, investments are expected to grow at an average rate of 7.8%, amid scaled-up capital investments as foreseen under the Budget, in particular investments in efficient infrastructure which will boost both the competitiveness and the development of the business entities, as well as attract new foreign investments. Alongside investments in road and rail infrastructure, substantial investments are expected in the energy sector to support energy transition, independence and sustainability, as well as in education, healthcare and environmental protection. Financial resources have been secured for the municipalities under favourable terms and conditions to support investment projects aimed at improving the living standard of the citizens and promoting balanced regional development. A notable scaling up of private investments is also expected, supported by affordable financial resources for investments in production and export capacities, facilitated by a predictable tax environment, digitalised public services and streamlined bureaucracy and border procedures. Affordable financial resources for investments will contribute to increased inflow of FDIs, by strengthening the financial support system to the end of fostering further diversification of the production structure and opening access to new markets.

Export activity, which declined over the past two years due to unfavourable external environment, is expected to experience a moderate recovery in 2025, with a projected growth of 2.2%. Over the medium term, amid expected stabilisation of growth of external demand and increased export potential in the country via inflow of FDIs, export is expected to make a solid contribution to the economic growth, i.e. it is projected to experience average annual growth of 5.8% in real terms in the period 2026-2030.

Amid moderate export growth and rising domestic demand, the real growth of import of goods and services is projected at 3.3% in 2025, which implies a negative contribution of net exports to economic growth. Certain stabilisation of the import demand is envisaged in the period ahead, i.e. import of goods and services is projected to grow at an average annual rate of 4.8% in the period 2026 - 2030, with a gradual narrowing of the negative contribution of net export to the economic growth and its shifting to the positive zone.

Private consumption is expected to grow by 2.6% in real terms in 2025, supported by continued increases in real wages and employment, increased credit activity, stable private transfer inflows, and the planned pension increase in March 2025, completing the targeted Denar 5,000 rise. Favourable trends at private consumption are expected to continue over the 2026 - 2030 period, when average annual growth of 2.9% is projected, underpinned by the expectations for further improvement of the labour market conditions and growth of household disposable income.

Table 2. Key Macroeconomic Indicators for North Macedonia

	2023	2024	2025*	2026*	2027*	2028*	2029*	2030*
GDP, real growth rate	2,1	2,8	3,7	4,0	4,2	4,6	4,8	4,7
Inflation rate (average)	9,4	3,5	2,8	2,0	2,0	2,0	2,0	2,0
Gross investment (% of GDP)	29,6	28,4	29,3	30,3	31,5	32,4	33,4	34,1
Current account balance (% of GDP)	0,4	-2,3	-2,2	-2,1	-2,0	-2,0	-1,9	-1,8
Net wage, nominal growth (in %)	14,9	12,6	7,6	5,5	4,6	4,8	5,0	5,1
Unemployment rate (average)	13,1	12,4	11,1	10,1	9,0	7,6	7,4	7,2
Employment rate (average)	45,4	45,8	47,0	48,0	49,1	50,3	51,3	51,9

Source: SSO, NBRNM, and MoF forecast (\*)

Public consumption in 2025 is projected to grow to 2.9%, mainly as a result of the effects from the increased wages in certain sectors of the public administration (education and health sectors above all), as well as the alignment with the minimum wage. From 2026 to 2030, growth in public consumption is expected to moderate significantly, averaging around 1% annually, reflecting the efforts for reducing non-productive budget expenditures, strengthened public financial management and implementing the fiscal consolidation.

Looking ahead, the labour market is expected to strengthen further, supported by rising investments and associated labour demand, alongside the measures and the activities aimed at job creation. Despite demographic pressures, such as population aging and emigration, of the working-age population above all, employment rate is expected to surge, considering that almost half of the working-age population is inactive. Measures to better target the social assistance and activate the unemployed - beneficiaries of social assistance, are expected to further support employment. Substantial amount of funds are envisaged for active employment programmes and measures, with a strong focus on young people, women and vulnerable categories, aimed at acquiring skills, additional professional education and retraining, as well as support to entrepreneurship. Increased economic activity in 2025 is expected to boost employment, with the number of employed persons projected to grow by 1.6%. During the 2026 – 2030 period, employment is forecasted to expand at a faster pace, with an average annual growth of 1.8%. Such trends on the labour market are envisaged to provide for the unemployment rate to gradually drop, reaching 7.2% in 2030. At the

same time, employment rate is projected to gradually pick up, reaching 51.9% in 2030. Average net wage is expected to grow by 7.6% in 2025, reflecting strong real wage growth amid easing inflation. Over the 2026 – 2030 period, net wage is projected to grow at an average rate of 5.0%, supported by continued improvements in productivity.

In 2024, a significant easing in price pressures was observed, following the price shocks of the previous period. Further stabilisation of inflation is expected in 2025, being projected at 2.8%. Although early 2025 saw an upward inflation trend due to rising food prices, Government measures to cap margins led to a notable price slowdown in March. Core inflation, which has been slowing in recent months, is expected to maintain a downward trajectory in the period ahead. The overall process of price stabilisation is expected to continue throughout the year, although risks remain, particularly those linked to the global commodity prices volatility. These risks stem from ongoing geopolitical tensions, trade fragmentation, i.e. tariffs introduced by the USA, and climate-related events that could impact prices on both the domestic and the international markets.

Inflation is expected to fully stabilise over the medium term, hence, in the period 2026 - 2030, average inflation rate is projected at 2.0%. Expectations for gradual easing of the inflation in the country are aligned with the European Central Bank projections, foreseeing inflation in the Eurozone to gradually stabilise around its 2% medium-term target by 2026.

BOP current account balance is expected to record more moderate deficit accounting for 2.2% of GDP in 2025 in relation to 2024 as a result of the lower negative contribution of net export. Current account deficit is envisaged to gradually narrow to 1.8% of GDP in 2030, as a result of the expected narrowing of the trade deficit. Positive trends of FDI inflows are expected to continue in the 2026 - 2030 period as well, having a positive effect on keeping the reserve assets at an adequate level.

Baseline macroeconomic scenario is accompanied by risks, mainly assessed as downside ones, in relation to the projected economic growth. War conflicts in Ukraine and the Middle East persist despite efforts to end hostilities, continuing to fuel global uncertainty. Recent tariffs introduced by the United States have raised serious concerns about a potential escalation of trade tensions, which could significantly disrupt the movement of goods, capital and people, with adverse effects on global supply chains and the external environment. Although the direct impact on the Macedonian economy is limited, the indirect effects could be notable, as the tariffs also target EU countries, which account for approximately 77% of North Macedonia's total exports. A decline in global confidence could further delay corporate decisions on planned investments. On the domestic front, slower implementation of capital investments and planned reforms could postpone the expected acceleration of economic activity. Risks to inflation forecasts are related to commodities price trends, i.e. their increase due to geopolitical factors and disrupted supply chains.

## **2. Budget of the Republic of North Macedonia (Central Government Budget and Budgets of the Funds)**

### **2.1 2024 Revenue Performance and Expenditure Execution**

In 2024, total revenues of the Budget of the Republic of North Macedonia<sup>6</sup> (Table 3) were collected in the amount of Denar 305,553 million or approximately 99% of the revenues projected in the 2024 Supplementary Budget, i.e. they were higher by 10.3% compared to the ones collected previous year. Denar 177,889 million out of this amount was tax revenues, being higher by 12.8% compared to last year. VAT revenues were collected in the amount of Denar 81,465 million, accounting for the most in the tax revenues – 45.8%. PIT revenues were collected in the amount of Denar 31,852 million, with profit tax revenues and excise revenues collected in the amount of Denar 20,185 million and Denar 28,705 million respectively. All types of tax revenues experienced growth, except other tax revenues, which experienced lower performance compared to the analysed period last year. Revenues on the basis of social contributions were collected in the amount of Denar 105,668 million, being by Denar 13,046 million or 14.1% higher in relation to 2023. Revenues collected on the basis of pension insurance contributions and employment contribution amounted to Denar 71,436 million and Denar 4,383 million respectively, with revenues on the basis of health insurance contributions amounting to Denar 29,849 million.

In 2024, non-tax revenues were collected in the amount of Denar 16,920 million. Budget users' non-tax revenues on special revenue accounts, collected in the amount of Denar 9,004 million, accounted for the most therein. Capital revenues were collected in the amount of Denar 1,851 million, with budget users generating Denar 3,225 million on the basis of donations from international multilateral and bilateral cooperation.

In 2024, total expenditures of the Budget of Republic of North Macedonia were executed in the amount of Denar 347,489 billion, accounting for around 95.8% of the expenditures projected in the 2024 Supplementary Budget, i.e. execution was higher by 9.1% in relation to the previous year. During this period, all liabilities of the budget users,

<sup>6</sup> Pursuant to the 2024 Supplementary Budget of the Republic of North Macedonia ("Official Gazette", no. 169/2024)

rights citizens are entitled to under the law and due liabilities towards domestic and foreign creditors were settled seamlessly and in a timely manner.

Current expenditures were executed in the amount of Denar 318,791 million. Over the period considered, Denar 43,889 million was paid for wages and allowances to the employees with the budget users, while expenditures related to goods and services were executed in the amount of Denar 22,923 million.

Transfers-related expenditures accounted for the most in the current expenditures, amounting to Denar 234,167 million in the respective period. Government liabilities on the basis of payments related to exercising the rights to guaranteed social protection of the citizens (pecuniary allowances to vulnerable categories of citizens, as well as child allowance and parenting payments), amounting to Denar 14,761 million, were settled on regular basis. As regards regular payment of pensions, Denar 90,646 million was allocated therefore. With respect to financing health services and benefits, Denar 47,749 million was paid, while Denar 2,653 million was allocated for payment of unemployment benefits through the Employment Agency. Denar 26,579 million was transferred from the Budget of the Republic of North Macedonia to the municipalities as block grants for financing the transferred competences, as well as earmarked grants for financing the operating costs of the local public institutions. In addition, Denar 4,202 million was transferred on the basis of VAT revenues. During the analyzed period, agricultural subsidies were paid on continuous basis and in a timely manner, aimed at improving the quality and the competitiveness of the sector.

Denar 17,812 million was allocated for regular servicing of liabilities on the basis of interest, as per the repayment schedules on domestic and foreign borrowing. Denar 10,900 million out of this amount was allocated for payment of interest on foreign borrowing. For the purpose of regular servicing of liabilities on the basis of repayment of principal, funds in the amount of Denar 38,926 million were spent.

In 2024, capital expenditures were executed in the amount of Denar 28,698 million, i.e. execution was higher by Denar 14,826 million or by 34.1% in relation to last year.

In 2024, state budget deficit amounted to Denar 41,936 million or 4.4% compared to the GDP projected in 2024.



Table 3. 2024 Budget of the Republic of North Macedonia and its Execution

	Budget 2024	Revised Budget 2024	Realloca tion 2024	Realization 2024	Realization 2023	Realization 2024/ Reallocation 2024(%)	Realization 2024/ Realization 2023 (%)
	<b>BO %</b>						
<b>TOTAL REVENUES</b>	<b>310,097</b>	<b>318,150</b>	<b>318,150</b>	<b>305,553</b>	<b>277,127</b>	<b>98.5%</b>	<b>10.3%</b>
<b>Taxes and Contributions</b>	<b>279,044</b>	<b>284,469</b>	<b>284,469</b>	<b>283,557</b>	<b>250,355</b>	<b>101.6%</b>	<b>13.3%</b>
Taxes	178,067	179,257	179,257	177,889	157,733	99.9%	12.8%
Personal Income Tax	31,116	31,542	31,542	31,852	27,257	102.4%	16.9%
Profit Tax	19,483	21,118	21,118	20,185	16,927	103.6%	19.2%
VAT (net)	80,698	78,458	78,458	81,465	70,036	101.0%	16.3%
Excises	30,969	29,837	29,837	28,705	26,818	92.7%	7.0%
Import Duties	12,124	13,556	17,062	12,917	11,244	106.5%	14.9%
Other Taxes	3,677	4,746	1,240	2,765	5,451	75.2%	-49.3%
Contributions	100,977	105,212	105,212	105,668	92,622	104.6%	14.1%
<b>Non Tax Revenues</b>	<b>20,394</b>	<b>22,541</b>	<b>22,541</b>	<b>16,920</b>	<b>16,865</b>	<b>83.0%</b>	<b>0.3%</b>
<b>Capital Revenues</b>	<b>3,210</b>	<b>3,240</b>	<b>3,240</b>	<b>1,851</b>	<b>2,071</b>	<b>57.7%</b>	<b>-10.6%</b>
<b>Foreign Donations</b>	<b>7,449</b>	<b>7,900</b>	<b>7,900</b>	<b>3,225</b>	<b>7,836</b>	<b>43.3%</b>	<b>-58.8%</b>
<b>TOTAL EXPENDITURES</b>	<b>343,638</b>	<b>362,816</b>	<b>362,816</b>	<b>347,489</b>	<b>318,574</b>	<b>101.1%</b>	<b>9.1%</b>
<b>Current Expenditures</b>	<b>298,459</b>	<b>318,118</b>	<b>325,443</b>	<b>318,791</b>	<b>275,050</b>	<b>106.8%</b>	<b>15.9%</b>
Wages and Allowances	41,178	44,537	44,361	43,889	36,877	106.6%	19.0%
Goods and Services	25,113	25,509	26,043	22,923	21,117	91.3%	8.6%
Transfers to LGUs	29,834	30,787	30,787	30,781	27,459	103.2%	12.1%
Subsidies and transfers	22,242	27,428	30,759	31,000	25,561	139.4%	21.3%
Social Transfers	163,282	172,224	175,862	172,386	151,095	105.6%	14.1%
Interest	16,810	17,632	17,632	17,812	12,941	106.0%	37.6%
<b>Capital Expenditures</b>	<b>45,179</b>	<b>44,698</b>	<b>37,374</b>	<b>28,698</b>	<b>43,524</b>	<b>63.5%</b>	<b>-34.1%</b>
<b>BUDGET BALANCE</b>	<b>-33,540</b>	<b>-44,666</b>	<b>-44,666</b>	<b>-41,936</b>	<b>-41,447</b>	<b>125.0%</b>	<b>1.2%</b>
<b>BUDGET BALANCE (% of CDP)</b>	<b>-3.5%</b>	<b>-4.7%</b>	<b>-4.7%</b>	<b>-4.4%</b>	<b>-4.6%</b>		
<b>Primary budget balance (% of CDP)</b>	<b>-1.8</b>	<b>-2.8</b>	<b>-2.8</b>	<b>-2.5</b>	<b>-3.2</b>		
<b>FINANCING</b>	<b>33,540</b>	<b>44,666</b>	<b>44,666</b>	<b>41,936</b>	<b>41,447</b>		
<b>Inflow</b>	<b>78,594</b>	<b>83,727</b>	<b>83,727</b>	<b>80,862</b>	<b>85,035</b>		
Domestic	39,763	55,128	55,128	55,529	36,156		
Foreign	43,164	48,987	48,986	46,440	63,130		
Deposits	-4,333	-20,388	-20,387	-21,107	-14,251		
<b>Outflow</b>	<b>45,054</b>	<b>39,061</b>	<b>39,061</b>	<b>38,926</b>	<b>43,588</b>		
Domestic	18,625	18,727	18,727	18,718	7,474		
Foreign	26,429	20,334	20,334	20,208	36,114		

Source: Ministry of finance

## 2.2. 2025 Budget of the Republic of North Macedonia

2025 Budget of the Republic of North Macedonia is development-oriented, while incorporating a social component, and is built upon the following assumption:

- sustainable and disciplined budget spending, with the budget projections aligned with the define strategic priorities and macroeconomic parameters,
- reduction of non-essential expenditures and substantial improvement in efficiency and effectiveness of spending the budget funds,
- subsidizing citizens and business sector based on clearly defined budget support criteria,
- performance-based budgeting in order to improve on public expenditure efficiency and effectiveness through developing and monitoring the key performance indicators of budget policy implementation,
- realistic budgeting, i.e. budget revenues and expenditures projected in amounts that actually allow for their collection and execution,

- redesigning budget structure and higher capital investments aimed at infrastructure project implementation, primarily for transport and utilities infrastructure construction, investments in energy capacities, education, health and other public infrastructure,
- strategic planning of major infrastructure projects.

A key feature of the 2025 Budget is that, despite a 13% increase in revenues, expenditures are projected to grow by 10% compared to 2024, resulting in a reduction of the budget deficit by approximately Denar 3.3 billion. As per 2025 Budget, total revenues are projected in the amount of Denar 358.8 billion, whereby expenditures are projected in the amount of Denar 400.2 billion. Such projected revenues and expenditures result in a budget deficit of Denar 41,350 million in absolute terms, or 4% of the projected GDP. The projected level of budget spending allows for regular and smooth functioning of 11 institutions, settling the liabilities towards international creditors, as well as improving the living standard of both the citizens and the business community.

## 2.3 Revenue Performance and Expenditure Execution in Q1 2025

In Q1 2025, total revenues of the Budget of the Republic of North Macedonia<sup>7</sup> (Table 4) were collected in the amount of Denar 76,917 million or approximately 21.4% of the revenues projected in the 2025 Budget, i.e. they were higher by 10.8% compared to the ones collected in Q1 previous year. Denar 41,702 million out of this amount was tax revenues, being higher by 4.9% compared to the same period last year. VAT revenues were collected in the amount of Denar 18,130 million, accounting for the most in the tax revenues – 43.5%. PIT revenues were collected in the amount of Denar 7,310 million, with profit tax revenues and excise revenues collected in the amount of Denar 5,458 million and Denar 6,843 million respectively. Revenues collected on the basis of PIT, VAT, excise duties and import duties experienced growth in relation to their collection in the analyzed period last year, with other tax revenues and CIT revenues experiencing lower performance compared to the respective period in 2024. Revenues on the basis of social contributions were collected in the amount of Denar 25,933 million, being by Denar 2,022 million or 8.5% higher in relation to Q1 2024. Revenues collected on the basis of pension insurance contributions and employment contribution amounted to Denar 17,530 million and Denar 1,070 million respectively, with revenues on the basis of health insurance contributions amounting to Denar 7,333 million.

In Q1 2025, non-tax revenues were collected in the amount of Denar 7,216 million. Budget users' non-tax revenues on special revenue accounts were collected in the amount of Denar 2,240 million. Capital revenues were collected in the amount of Denar 195 million, with budget users generating Denar 1,871 million on the basis of donations from international multilateral and bilateral cooperation.

In Q1 2025, total expenditures of the Budget of the Republic of North Macedonia were executed in the amount of Denar 85,772 million, or around 21.4% of the expenditures projected in the 2025 Budget, i.e. execution was higher by 2% in relation to the analysed period last year. During this period, all liabilities of the budget users, rights citizens are entitled to under the law and due liabilities towards domestic and foreign creditors were settled seamlessly and in a timely manner.

Current expenditures were executed in the amount of Denar 81,537 million. Over the period considered, Denar 11,275 million was paid for wages and allowances to the employees with the budget users, while expenditures related to goods and services were executed in the amount of Denar 4,746 million.

Transfers-related expenditures accounted for the most in the current expenditures, amounting to Denar 57,785 million in the respective period. Government liabilities on the basis of payments related to exercising the rights to guaranteed social protection of the citizens (pecuniary allowances to vulnerable categories of citizens, as well as child allowance and parenting payments) were settled on regular basis, amounting to Denar 3,742 million. As regards regular payment of pensions, Denar 24,696 million was allocated therefore. With respect to financing health services and benefits, Denar 11,979 million was paid, while Denar 381 million was allocated for payment of unemployment benefits through the Employment Agency. Denar 6,774 million was transferred from the Budget of the Republic of North Macedonia to the municipalities as block grants for financing the transferred competences, as well as earmarked grants for financing the operating costs of the local public institutions. In addition, Denar 882 million was transferred on the basis of VAT revenues.

Denar 7,731 million was allocated for regular servicing of liabilities on the basis of interest, as per the repayment schedules on domestic and foreign borrowing. Denar 4,821 million out of this amount was allocated for payment of interest on foreign borrowing. For the purpose of regular servicing of liabilities on the basis of repayment of principal, funds in the amount of Denar 47,576 million were spent. Funds in the amount of Denar 644 million were disbursed to the Development Bank in Q1 2025, intended as support to companies, extended under the Hungarian

<sup>7</sup> Pursuant to the 2025 Budget of the Republic of North Macedonia ("Official Gazette", no. 254/2024)

Loan Facility. Denar 3,542 million was paid on the basis of guarantees issued on behalf of the legal entities being extended loans in the first three months in 2025.

Capital expenditures in Q1 2025 were executed in the amount of Denar 4,235 million, i.e. execution was higher by Denar 2,774 million or by 39.6% in relation to the analysed period last year.

In Q1 2025, state budget deficit amounted to Denar 8,855 million or 0.9% compared to the GDP projected in 2025.

Table 4. 2025 Budget of the Republic of North Macedonia and its Execution in Q1 2025

	Budget 2025	Realization Q1 2025	Realization Q1 2024	Realization Q1 2025/ Budget 2025 (%)	Realization Q1 2025/ Realization Q1 2024 (%)
	in %				
<b>TOTAL REVENUES</b>	<b>358,838</b>	<b>76,917</b>	<b>69,427</b>	<b>21.4%</b>	<b>10.8%</b>
<b>Taxes and Contributions</b>	<b>319,234</b>	<b>67,635</b>	<b>63,672</b>	<b>21.2%</b>	<b>6.2%</b>
Taxes	202,139	41,702	39,761	20.6%	4.9%
Personal Income Tax	35,676	7,310	7,150	20.5%	2.2%
Profit Tax	23,287	5,458	5,624	23.4%	-3.0%
VAT (net)	86,692	18,130	17,106	20.9%	6.0%
Excises	35,388	6,843	6,380	19.3%	7.3%
Import Duties	16,255	3,409	2,945	21.0%	15.8%
Other Taxes	4,841	552	556	11.4%	-0.7%
Contributions	117,095	25,933	23,911	22.1%	8.5%
<b>Non Tax Revenues</b>	<b>26,302</b>	<b>7,216</b>	<b>4,966</b>	<b>27.4%</b>	<b>45.3%</b>
<b>Capital Revenues</b>	<b>3,510</b>	<b>195</b>	<b>199</b>	<b>5.6%</b>	<b>-2.0%</b>
<b>Foreign Donations</b>	<b>9,792</b>	<b>1,871</b>	<b>590</b>	<b>19.1%</b>	<b>217.1%</b>
<b>TOTAL EXPENDITURES</b>	<b>400,188</b>	<b>85,772</b>	<b>84,086</b>	<b>21.4%</b>	<b>2.0%</b>
<b>Current Expenditures</b>	<b>353,032</b>	<b>81,537</b>	<b>77,077</b>	<b>23.1%</b>	<b>5.8%</b>
Wages and Allowances	48,141	11,275	10,234	23.4%	10.2%
Goods and Services	26,325	4,746	4,580	18.0%	3.6%
Transfers to LGUs	33,239	7,656	7,151	23.0%	7.1%
Subsidies and transfers	30,972	4,988	6,694	16.1%	-25.5%
Social Transfers	193,510	45,141	41,338	23.3%	9.2%
Interest	20,845	7,731	7,080	37.1%	9.2%
<b>Capital Expenditures</b>	<b>47,156</b>	<b>4,235</b>	<b>7,009</b>	<b>9.0%</b>	<b>-39.6%</b>
<b>BUDGET BALANCE</b>	<b>-41,350</b>	<b>-8,855</b>	<b>-14,659</b>	<b>21.4%</b>	<b>-39.6%</b>
<b>BUDGET BALANCE (% of GDP)</b>	<b>-4.0%</b>	<b>-0.9%</b>	<b>-1.5%</b>		
<b>Primary budget balance (% of GDP)</b>	<b>-2.0</b>	<b>-0.1</b>	<b>-0.8</b>		
<b>FINANCING</b>	<b>41,350</b>	<b>8,855</b>	<b>14,659</b>		
<b>Inflow</b>	<b>123,917</b>	<b>60,617</b>	<b>33,120</b>		
Domestic	56,507	17,187	25,071		
Foreign	38,425	32,976	10,174		
Deposits	28,985	10,454	-2,125		
<b>Outflow</b>	<b>82,567</b>	<b>51,762</b>	<b>18,461</b>		
Domestic	16,901	10,119	11,851		
Foreign	49,291	37,457	6,610		
Outflows per guarantees	1,000	3,542			
Other outflows per given loans to fi	15,375	644			

Source: Ministry of finance

## 2.4 2026 - 2030 Medium-Term Framework of the Budget of the Republic of North Macedonia

Medium-term fiscal framework is prepared in line with the provisions stipulated in the OBL, including the 2024 - 2028 strategic priorities and the 2024 - 2028 Fiscal Policy Statement.

In line with the Decision on Determining Strategic Priorities, following priorities are established:

- restoring confidence in the institutions, strengthening the security, efficient fighting against corruption and crime, independence of judiciary and rule of law;
- country's economic revival, enhancing the energy transition, encouraging strong economic growth, stable public finances, improving the overall transport infrastructure, increasing the living standard, better and quality life for everyone;
- improving the national defence policy and planning in support of protecting independence, territorial integrity, safety of the citizens, as well as collective safety;
- integration of the Republic of North Macedonia in the European Union;
- extensive improvement of quality, infrastructure and availability of/accessibility to education, creating a knowledge-based society and successfully coping with the modern challenges;
- professional and efficient public administration, development of digital economy, ICT sector, artificial intelligence, innovations and startup ecosystem;
- creating a setting for clean environment and coping with climate changes, and
- implementing the Ohrid Framework Agreement in full, strengthening multicultural cohesion and promoting multicultural values.

2026 - 2030 fiscal policy will be aimed at the following goals:

- improving macroeconomic stability, supporting economic activity, accelerating economic growth,
- gradual fiscal consolidation through prudent and disciplined budget spending;
- special focus will be put on investments in infrastructure projects, which are expected to drive a high level of capital expenditures;
- reducing the grey economy and higher budget revenue collection;
- strengthening the growth potential of the domestic economy.

Fiscal policy for the period 2026 - 2030 will be also aimed at creating preconditions for a new cycle of economic growth via boosted public capital investments, gradual fiscal consolidation and improved public finance management.

Alongside the commitment to fiscal consolidation and budget savings, support for the economy will continue through investments in infrastructure projects, redesigning the public finance structure by maintaining high level of capital expenditures, as well as strengthening both the transparency and the accountability.

At the same time, non-essential expenditures will be reduced and spending effectiveness and efficiency will be substantially improved, reflecting the commitment to pursuing disciplined fiscal policy.

Fiscal Strategy comprises medium-term guidelines and goals of the fiscal policy, main macroeconomic projections, amounts of the main categories of projected revenues and expenditures, as well as budget deficit and debt projections.

Capital expenditures are projected to average 5.2% of GDP, contributing to the economic development and a new investment cycle.

To ensure fiscal sustainability over the medium term, fiscal projections envisage a framework for adhering to the fiscal rules.

These rules are designed so as to be aligned and consistent with the EU fiscal rules, thereby strengthening the confidence and the stability in public finances.

Applying such framework aims at ensuring a disciplined and predictable fiscal policy, underpinned by medium-term projections and achievable goals.

The Budget and the Fiscal Strategy should be in conformity with the fiscal rules pertaining to both the deficit and the total general government debt:

1. general government deficit for the respective year may not exceed 3% of the nominal gross domestic product (GDP);

2. total general government debt may not exceed 60% of the nominal GDP, while the guaranteed public debt may not exceed 15% of the nominal GDP;

3. exception from the stipulated fiscal rules is prescribed in case of occurrence of one of the following extenuating circumstance:

- natural disasters and external shocks jeopardising the national security or the lives and the health of the people;
- state of emergency and/or crisis situation;
- abrupt financial or economic shocks, resulting in a negative or a very low annual real GDP growth close to zero, the overcoming of which requires a significant support from the fiscal policy;

4. exceptions from the fiscal rules are allowed in cases of implementation of investment projects with a positive impact on GDP. The respective exceptions should not exceed 0.5% of GDP annually and on cumulative basis

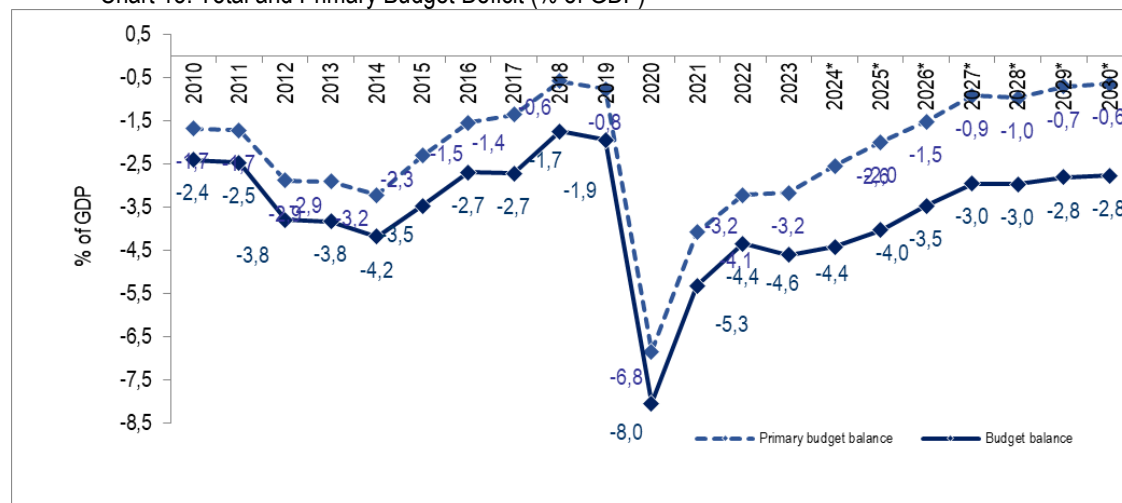
over a period of five years;

5. the Government is obliged, as regards any exception, to clearly explain the following to the Parliament when submitting the immediate subsequent Budget or Supplementary Budget, or the immediate subsequent Fiscal Strategy:

- reasons for the exception from the fiscal rules;
- corrective measures it undertakes and plans to undertake, all to the end of re-establishing compliance with the fiscal rules within a period not longer than five years from the moment the exception occurred.

Over the medium term, fiscal policy envisages gradual fiscal consolidation. Thereby, budget deficit is reduced as a percentage share of GDP, as follows: from 4.0% in 2025 to 3.5% in 2026, 3% in 2027, 3% in 2028, 2.8% in 2029 and 2.8% in 2030.

Chart 13. Total and Primary Budget Deficit (% of GDP)



Starting 2027, as per the fiscal projections, compliance with the budget deficit fiscal rule is foreseen. The projected exception of 0.5% of GDP is primarily driven by the planned infrastructure projects, including the road infrastructure, the local infrastructure projects and the defence investments.

As regards the implementation of prior agreed large infrastructure projects, such as Corridors 8 and 10d Motorway Project, with the Parliament of the Republic of North Macedonia having adopted a special Law therefor, it falls within the exceptions from the fiscal rules in the period up to 2027. Initially announced value regarding the construction of Corridors 8 and 10d was EUR 1.3 billion, without thereby taking into account the costs related to expropriation, geological surveys, design and other costs related to the project construction works. International Monetary Fund assessed the Project value to account for 10% of GDP during a period of five years (IMF Country Report No. 24/26, January 2024). However, this is just a projection, with the actual costs to be additionally determined once the whole procedure is completed.

Government of the Republic of North Macedonia will gradually align with the fiscal rules by implementing measures on both the revenue and the expenditure side, including:

- increased collection of budget revenues by reducing the informal economy;
- improved collection of tax revenues by introducing e-invoice and other reform-oriented projects within the PRO;
- further reduction of budget users' non-essential expenditures;
- implementing policies on wages and pensions aimed at protecting their real value;
- uncompromising fight against corruption via strict control over the adherence to the Public Procurement Law, which will provide for substantial savings at all budget users;
- improving the processes of planning and implementing capital investments;
- prioritising capital projects on the basis of the ready-to-implement element and the socio-economic benefits from their implementation.

## 2.4.1 Revenues

Total revenues of the Budget of the Republic of North Macedonia (Central Budget and Funds: Pension and Disability Insurance Fund, Health Insurance Fund and Employment Agency) for the period 2026 - 2030 are projected at around 34.6% of GDP. Revenue projections in the coming medium-term period are based on revenues generated in the previous years, revenues collected in the current year, projections for macroeconomic indicators and the effects from the planned tax reforms.

Main objective of the tax policy in the coming period is to ensure sustainable economic growth and development, thereby providing for legal certainty for taxpayers and collection of public revenues on regular basis. Its main priorities are the following:

- greater fairness in taxation, in order to ensure that everyone meets its social obligation and pays its fair share of tax;
- increased efficiency and productivity of the tax system for the purpose of improved revenue collection, via more efficient fight against illicit activities and tax evasion, and a strengthened institutional capacity, as well as reduction of the tax arrears;
- increased tax transparency, including an improvement in the exchange of information between tax authorities and other entities, to be, in particular, based on e-services, which will result in enhanced fiscal literacy and increased voluntary compliance;
- improved quality of services rendered by tax system institutions, designed to simplify and speed up the procedures and reduce the administrative burden, by increasing digitalised services, better management of the import-export licenses' issuance, elimination of unnecessary non-tariff barriers and improved internal and tax audit;
- introducing environmental (green) taxation, in order to stimulate taxpayers to contribute, through duties and fees, to pollution reduction, i.e. discourage them to pollute the environment. Effects of this priority are also expected to reflect on the budget revenues, as well as the environment.

Tax policy in the coming period will be aimed at keeping the low tax rates at certain direct and indirect taxes. Global minimum corporate income tax will continue applying the coming period, with the corporations with consolidated revenues exceeding EUR 750 million being obliged to pay top-up tax at a rate equal to the difference between the minimum tax rate of 15% and the effective tax rate computed pursuant to the Law on Global Minimum Corporate Income Tax.

Table 5. Review of Tax Rates in the Republic of North Macedonia - 2024

Type of Tax	Tax Rate %
Personal Income Tax	10% for all types of income
	15% on income on the basis of games of chance
CIT	10%
Global Minimum Corporate Income Tax	Tax rate of 15% and effective tax rate computed pursuant to the Law on Global Minimum Corporate Income Tax
VAT	18% standard tax rate
	10% and 5% preferential tax rate
Mandatory Social Insurance Contributions (all)	28%
Property Tax, Annual	0.1% - 0.2%
Tax on Sales of Real Estate	2% - 4%
Tax on Inheritance and Gift	0% - first-order heir
	2% - 3% - second-order heir
	3% - 4% other

At the end of 2022, changes were introduced in several tax areas, based on analyses of the national legislation and the tax revenue indicators, as well as the comparative analyses of the tax practice in the EU Member States and the other Western Balkan countries. Moreover, they incorporated findings and recommendations of international organisations, such as IMF, World Bank, OECD and EU, pointing out to the need to ensure increased

vertical and horizontal fairness of the tax system and broadening of the tax base by revising the **tax exemptions**. In particular, changes to the PIT and the CIT led to abolishing the non-productive tax expenditure which disrupt the neutrality of the tax system by favouring same or similar categories of taxpayers or activities, which have an adverse effect on the fair distribution of the tax burden and contribute to rising inequality in the society, weaken the resilience of the tax system by creating substantial room for tax arbitrage and/or avoidance and evasion and can cause inefficiency in the real economy.

Throughout 2023, a series of tax policy reforms were carried out to enhance both the effectiveness and the efficiency of the tax system, strengthen the provisions to prevent tax avoidance, broaden the tax base by eliminating certain tax incentives, and thereby improve revenue mobilisation in support of the Government's commitment to fiscal consolidation. The reforms were projected to boost tax revenues by around 0.7% of GDP annually beginning in 2024 (including in the fiscal impact of the PIT reform adopted in 2022).

They were endorsed and welcomed by the European Union and the international financial institutions, such as the IMF and the World Bank, and were developed through a transparent and inclusive process, involving all relevant stakeholders.

Under the modifications and amendments to the **Personal Income Tax Law**, the fiscal implications of which were estimated in the amount of Denar 533 million in 2025, tax exemptions as regards life insurance premium, premium for voluntary health insurance and contributions in a voluntary pension fund paid by the employers on behalf of and for the account of employed people have been abolished, while tax base for benefits in kind for managers is regulated more closely. Moreover, taxation of capital gains generated on the basis of sale of securities and shares issued by investment funds is also closely regulated, as is the PIT exemption on interest on time deposits, which will apply by the day the Republic of North Macedonia joins the European Union.

Under the modifications and amendments to the **Corporate Income Tax Law**, the fiscal implications of which were estimated in the amount of Denar 872 million, tax exemptions as regards life insurance premium paid by the employers on behalf of and for the account of employed people have been abolished, mandatory submission of transfer price report upon request by the tax authority has been prescribed, increased fines for the entities failing to use the funds committed to making investments from the profit generated in the previous year, but having used the tax exemption on the basis of reinvested profit, have been envisaged and tax exemptions as regards donations to sports entities through the voucher system have been abolished.

Under the modifications and amendments to the **VAT Law**, the fiscal implications of which were estimated in the amount of Denar 2,300 million, the respective Law has been further harmonised with the EU Acquis in the field of value added tax, with the VAT treatment of vouchers being defined, the place of supply of services being regulated and the VAT tax representative being introduced, alongside increase of the VAT refund threshold and changes to the requirements for VAT refund to foreign diplomatic or consular representative offices. Moreover, the respective Law also envisages increase of the VAT rate (from 5% to 10%) on foodstuff for human consumption other than basic foodstuff for human consumption, reduction of VAT rate on supply of digital textbooks and menstrual hygiene products, and it closely regulates the provisions pertaining to issuance of a VAT number and registration, and prescribed a special type of tax base.

Under the modifications and amendments to the **Law on Excises**, the fiscal implications of which were estimated in the amount of Denar 833 million, the respective Law has been further harmonised with the EU Acquis, envisaging gradual alignment of the minimum overall excise duty on cigarettes with the minimum excise duty in the EU, a step-by-step process set to be completed by 2030 inclusive, by introducing a new Excise Calendar as regards excise duty on cigarettes and other tobacco products, as well as e-liquid. Furthermore, regulates closely the excise duty on heated herbal products for smoking has been closely regulated, as has been the procedure for denaturing ethyl alcohol and its use, the procedure for issuing approval for a preferential user has been facilitated, while excise duty-related misdemeanours have been revised.

As part of the efforts to protect the environment, the **Decree on the Manner of Assessing Motor Vehicles Tax and the Amounts Needed for Calculation of the Motor Vehicles Tax** has been amended, envisaging increased coefficients of the environmental component for taxation of passenger motor vehicles falling in the category of the largest CO<sub>2</sub> polluters. For the purpose of assessing the environmental component of the motor vehicles tax, application of the new WLTP method (Worldwide Harmonised Light Vehicle Test Procedure) is envisaged alongside the existing NEDC method (New European Driving Cycle).

Table 6. Projections for Fiscal Implications from the Adopted Laws (Denar million)

Type of Tax	2023	2024	2025
Personal Income Tax	377	533	533
CIT	-	872	872
VAT	2,300	2,300	2,300
Excise Duties		797	883
Solidarity Tax	4,700	0	0

Source: Ministry of Finance

Under the latest modifications and amendments to the **Law on Public Revenue Office**, provisions on digitalisation and exchange of acts and information for tax purposes among the institutions and between the tax authority and the taxpayer have been stipulated, an integrated tax information system (ITIS) and a working body in charge of its implementation have been introduced, and provisions on exchange of data among the institutions and increased interoperability have been strengthened.

To the end of increased efficiency and effectiveness and digitalisation of the tax processes, as well as reducing the informal economy by regularly monitoring the supply among the taxpayers and increased VAT control, both Ministry of Finance and PRO prepared draft **E-Invoicing and E-Fiscalisation** Project. However, the Project has not been implemented so far. The Project is planned to become operational as soon as possible, contributing substantially to reducing the tax burden on the taxpayers and speeding up and enhancing the conducting of tax audits. The goal is for the taxpayers to be given the opportunity to issue, transmit and receive invoices in a simplified manner. Moreover, better recording of and strengthened control over invoices will provide for efficiency of both the tax audits and the tax system, reducing the time for carrying out audits by the PRO.

In line with the adopted **2023 - 2027 Strategy on Formalisation of the Informal Economy** and related 2023 - 2025 Action Plan (September 2023), share of informal economy in the total economic activities in the country is expected to be reduced over the medium term, by reducing and eliminating the factors stimulating informal activities. All this will contribute to reducing both the number of unregistered business entities and the number of informally employed persons. To that end, by efficiently implementing the measures and the activities within the deadlines set in the Action Plan, informal economy is expected to be reduced to 26% of GDP by the end of 2027.

Table 7. Projections for the Current and the Next Five Years by Type of Tax (Denar million)

Type of Tax	Budget 2025	2026*	2027*	2028*	2029*	2030*
Personal Income Tax	35,676	38,110	41,197	44,923	48,939	53,120
CIT	23,287	24,330	26,301	28,679	31,243	33,913
VAT	86,692	92,855	100,377	109,454	119,241	126,427
Excise Duties (Core Budget and PDIF)	35,388	35,651	38,539	42,024	45,781	49,692
Customs Duties and Motor Vehicles Tax	16,255	16,072	17,374	18,945	20,637	22,402
Other Tax Revenues and SRA	4,841	4,732	4,830	4,947	5,073	5,205
<b>Total</b>	<b>202,139</b>	<b>211,750</b>	<b>228,618</b>	<b>248,972</b>	<b>270,914</b>	<b>290,759</b>

Source: Ministry of Finance and MoF's projections (\*)

### Tax Expenditures Report

Tax expenditures are indirect expenditures incurred on the basis of tax and customs legal provisions, resulting in reduction of tax revenues or delay in their collection for the purpose for achieving certain economic or social goal. They can take the form of exceptions, exemptions, deductions, preferential tax rates, etc.

Preparation and submission of Report on the Impact of Tax Expenditures on the Inflows for 2025 is an obligation stipulated under the Organic Budget Law. The Report is to be submitted to the Parliament of the Republic of



North Macedonia annually, as a document accompanying the Annual Financial Statement, reporting on the State Budget execution for the previous budget year. The Table below outlines the total tax expenditures on the basis of PIT, CIT, VAT, duties, assessed and estimated for the period 2022 - 2029.

Table 8. Tax Expenditures by Type of Tax (Denar million)

Type of Tax	2023*	2024*	2025*	2026*	2027*	2028*	2029*	2030*
Personal Income Tax	757	864	991	1,059	1,144	1,248	1,360	1,476
CIT	4,795	5,519	6,596	6,892	7,450	8,124	8,850	9,607
VAT	34,961	40,284	43,276	46,352	50,107	54,638	59,524	63,111
Total	40,513	46,667	50,863	54,303	58,702	64,010	69,734	75,691

To the end of reducing the tax expenditures, latest amendments to the VAT Law ("Official Gazette of the Republic of North Macedonia", no. 199/23) stipulate for the VAT tax rate to be increased from 5% to 10% for foodstuff for human consumption other than basic foodstuff for human consumption.

Table 9. Types of Taxes (discrepancy)

Type of tax	2025	2026				2027				2028				2029				2030
	Budget 2025	Fiscal Strategy 2024	Fiscal Strategy 2025	Absolute deviation	Deviation %	Fiscal Strategy 2024	Fiscal Strategy 2025	Absolute deviation	Deviation %	Fiscal Strategy 2024	Fiscal Strategy 2025	Absolute deviation	Deviation %	Fiscal Strategy 2024	Fiscal Strategy 2025	Absolute deviation	Deviation %	Fiscal Strategy 2025
Personal income tax	35.676	39.128	38.110	-1.018	-2.6%	41.852	41.197	-655	-1.6%	46.277	44.923	-1.354	-2.9%	50.168	48.939	-1.229	-2.4%	53.120
Corporate tax	23.287	25.004	24.330	-674	-2.7%	26.709	26.301	-408	-1.5%	28.603	28.679	76	0.3%	30.413	31.243	830	2.7%	33.913
VAT	86.692	95.311	92.855	-2.456	-2.6%	103.949	100.377	-3.572	-3.4%	113.543	109.454	-4.089	-3.6%	124.222	119.241	-4.981	-4.0%	126.427
Excise (Basic Budget and Pension and insurance fund)	35.388	33.251	35.651	2.400	7.2%	35.120	38.539	3.419	9.7%	38.029	42.024	3.995	10.5%	41.449	45.781	4.332	10.5%	49.692
Customs duties and Motor Vehicle Tax	16.255	16.716	16.072	-644	-3.9%	18.536	17.374	-1.162	-6.3%	20.411	18.945	-1.466	-7.2%	21.935	20.637	-1.298	-5.9%	22.402
Other tax	4.841	5.280	4.732	-548	-10.4%	5.626	4.830	-796	-14.1%	6.021	4.947	-1.074	-17.8%	6.419	5.073	-1.346	-21.0%	5.205
<b>Total</b>	<b>202.139</b>	<b>214.691</b>	<b>211.750</b>	<b>-2.940</b>	<b>-1.4%</b>	<b>231.792</b>	<b>228.618</b>	<b>-3.174</b>	<b>-1.4%</b>	<b>252.884</b>	<b>248.972</b>	<b>-3.912</b>	<b>-1.5%</b>	<b>274.606</b>	<b>270.914</b>	<b>-3.692</b>	<b>-1.3%</b>	<b>290.759</b>

Source: Ministry of finance

Changes in the projections in relation to the 2024 Fiscal Strategy stem from the new macroeconomic indicators taken into account when preparing the projections. At the same time, new projections for the amounts of tax revenues collected on different basis are also based on the actual tax revenues generated from the beginning of the current year. Thereby, they also incorporate the assessed effects from the amendments made to the tax laws, described in more details in the tax policy section.

With respect to the tax policy, as per the **2024 - 2028 Work Programme of the Government**, several reforms in the tax area and increasing of both efficiency and effectiveness of the tax administration are envisaged, all to the end of successfully carrying out the tax procedures.

**Modifications and amendments to the Law on Tax Procedure**, pertaining to simplifying and accelerating the process of tax assessment and collection and introducing the integrated tax information system, would provide for a more efficient tax collection and reduction of the bureaucratic burden on the taxpayers, so as for both the taxpayers and the tax authority to assess and collect the tax liabilities efficiently.

**Digitalisation of tax procedures** is one of the main objectives of the tax reform process, with the goal being to use the resources utterly and facilitate the process of paying taxes. Introduction of **e-invoicing** is one of the first activities planned to be undertaken in the coming period, aimed at carrying out tax audit in a more efficient manner and saving the tax administration resources, as well as saving time and effort of the taxpayers. E-Invoicing and E-Fiscalisation Project would be crucial for easier detecting and combating informal economy, i.e. closely monitoring the supply and payment of taxes by the taxpayers.

**Combating the informal economy will be also focused on** strengthening public administration capacities for detecting, monitoring and addressing informal economy via special tools; enhancing the legal regulation and the efficiency in its implementation; improving the business environment and creating a stimulative framework for formalising the informal economy and increasing the efficiency of the inspection services and the sanctions and fines system, to be monitored through greater digitalisation of all administrative processes and procedures.

On the other hand, efforts will be also dedicated to strengthening the awareness of informal economy and enhancing tax morale and trust in the institutions; increasing predictability when preparing legal solutions, policies and measures and strengthening transparency, accountability and integrity at all government levels. As part of the ongoing

implementation of the 2023 - 2027 Strategy on Formalisation of the Informal Economy, the Ministry of Finance, in cooperation with the relevant institutions, will undertake activities to develop a new 2025 - 2027 Action Plan, which will reflect the priorities and the objectives for reducing the informal economy, as outlined in the 2025 - 2029 Work Programme of the Government and the country's 2024 - 2027 Reform Agenda.

With respect to tax revenues, adhering to the Government's initiative to base economic growth on investments, the objective is to increase the share of direct taxes in the total tax revenues, a distinctive feature of the advanced economies.

Moreover, the tax policy envisages more efficient controls as regards the **transfer prices**, as well as enhanced and regular monitoring of the "arm's length" principle at taxpayers in cases of transactions with associated parties. Furthermore, consolidation of revenues at taxpayers is also envisaged to be regulated more closely.

As regards international taxation, it is planned to adopt **draft Law on Administrative Cooperation for Tax Purposes**, aimed at efficiently exchanging information between tax authorities, all to the end of carrying out more efficient tax audits in terms of international taxation so as to avoid double taxation or double exemption. Respective draft Law would also be basis for implementing the global minimum corporate tax rate (Pillar 2) for taxation of multinational corporations meeting the requirements therefor.

Harmonisation of the **legal framework pertaining to VAT** with the Council Directive on the common system of value added tax and its Implementing Regulations will continue in the coming period as well. The objective is to achieve greater compliance and create a broader tax base for tax revenue collection. VAT regulations in the Republic of North Macedonia are fully compliant with the VAT Directive as regards the tax rates and partially compliant with the respective Directive as a whole. Moreover, as per the Work Programme of the Government, more efficient, yet safe, manner of tax credit refund is envisaged through enhanced control mechanisms and risk analysis.

With respect to **direct taxes**, the tax policy envisages certain tax incentives aimed at boosting both the employees' and the businesses' productivity, as well as improving the demographic image of the country. It is envisaged for the **treatment of recognised expenditures for tax purposes regarding the expenditures for voluntary life insurance premium paid** to be reinstalled. **It is also planned for PIT to be refunded to mothers of newborns, with the duration of this measure depending on the number of newborns (first, second, third child, etc.).** Moreover, it is envisaged for the companies employing mothers of three or more children to be exempted from paying health insurance contributions and unemployment insurance contributions and PIT for a period of three years as of the date of employment, with an obligation for the employer to retain the mothers at the workplace for as many years as the measure was applied.

Negotiations for text alignment and initialing of the **Agreements on Avoidance of Double Taxation and Protection of Fiscal Evasion** with respect to taxes on income are envisaged to continue in the coming period.

Table 10. 2023-2030 Budget of the Republic of North Macedonia (Denar million)

	2023 Annual Report	2024 Annual Report	2025	2026*	2027*	2028*	2029*	2030*
<b>Total revenues</b>	<b>277,129</b>	<b>305,622</b>	<b>358,838</b>	<b>376,093</b>	<b>402,477</b>	<b>431,760</b>	<b>464,128</b>	<b>494,710</b>
<b>Tax revenues and contributions</b>	<b>250,355</b>	<b>283,558</b>	<b>319,234</b>	<b>337,029</b>	<b>362,653</b>	<b>392,376</b>	<b>424,343</b>	<b>454,915</b>
Tax revenues	157,733	177,890	202,139	211,750	228,618	248,972	270,914	290,759
Contributions	92,622	105,668	117,095	125,279	134,035	143,404	153,429	164,156
<b>Non-tax revenues</b>	<b>16,866</b>	<b>16,988</b>	<b>26,302</b>	<b>27,062</b>	<b>27,622</b>	<b>27,182</b>	<b>27,583</b>	<b>27,593</b>
<b>Capital revenues</b>	<b>2,071</b>	<b>1,851</b>	<b>3,510</b>	<b>2,510</b>	<b>2,710</b>	<b>2,710</b>	<b>2,710</b>	<b>2,710</b>
<b>Donations</b>	<b>7,836</b>	<b>3,225</b>	<b>9,792</b>	<b>9,492</b>	<b>9,492</b>	<b>9,492</b>	<b>9,492</b>	<b>9,492</b>
<b>Total expenditures</b>	<b>318,539</b>	<b>347,667</b>	<b>400,188</b>	<b>413,995</b>	<b>436,832</b>	<b>468,713</b>	<b>501,638</b>	<b>534,379</b>
<b>Current expenditures</b>	<b>275,015</b>	<b>318,969</b>	<b>353,032</b>	<b>362,802</b>	<b>379,839</b>	<b>401,594</b>	<b>424,604</b>	<b>453,045</b>
Wages and Allowances	36,877	43,889	48,141	50,579	52,066	53,596	55,171	56,787
Goods and services	21,117	22,923	26,325	25,857	26,882	28,490	29,553	31,392
Transfer to LSU	27,459	30,784	33,239	35,202	38,271	42,223	45,567	49,154
Subsidies and transfers	27,754	33,358	33,436	33,380	35,830	38,930	43,930	50,130
Social transfers	148,867	170,203	191,046	196,508	203,150	213,496	222,452	235,140
Interest payments	12,941	17,812	20,845	21,277	23,640	24,860	27,931	30,442
Domestic	4,181	6,912	9,124	11,329	12,988	14,413	16,203	17,238
Foreign	8,760	10,900	11,721	9,948	10,652	10,447	11,728	13,204
<b>Capital expenditures</b>	<b>43,524</b>	<b>28,698</b>	<b>47,156</b>	<b>51,193</b>	<b>56,993</b>	<b>67,119</b>	<b>77,034</b>	<b>81,334</b>
<b>Budget balance</b>	<b>-41,410</b>	<b>-42,045</b>	<b>-41,350</b>	<b>-37,902</b>	<b>-34,355</b>	<b>-36,953</b>	<b>-37,509</b>	<b>-39,670</b>
<b>Primary budget balance</b>	<b>-28,469</b>	<b>-24,233</b>	<b>-20,505</b>	<b>-16,625</b>	<b>-10,715</b>	<b>-12,093</b>	<b>-9,578</b>	<b>-9,228</b>
<b>Total revenues, % of GDP**</b>	<b>30.9</b>	<b>32.2</b>	<b>35.1</b>	<b>34.6</b>	<b>34.7</b>	<b>34.7</b>	<b>34.8</b>	<b>34.7</b>
<b>Total expenditures, % of GDP**</b>	<b>35.5</b>	<b>36.6</b>	<b>39.1</b>	<b>38.1</b>	<b>37.7</b>	<b>37.7</b>	<b>37.7</b>	<b>37.5</b>
<b>Trade balance, as % of GDP**</b>	<b>-4.6</b>	<b>-4.4</b>	<b>-4.0</b>	<b>-3.5</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-2.8</b>	<b>-2.8</b>
<b>Primary budget balance (as % of GDP)**</b>	<b>-3.2</b>	<b>-2.6</b>	<b>-2.0</b>	<b>-1.5</b>	<b>-0.9</b>	<b>-1.0</b>	<b>-0.7</b>	<b>-0.6</b>

Source: Ministry of Finance and Ministry of Finance's Projections(\*)

## 2.4.2 Expenditures

Budget expenditures in the following medium-term period are based on the realistic assumptions regarding

- regular and responsible functioning of institutions, via regular liability servicing
- disciplined approach in utilization of limited budget resources, by having increased supervision and clearly defined criteria for budget support,
- performance-based budgeting in order to improve on public expenditure efficiency and effectiveness through developing and monitoring of key performance indicators of budget policy implementation,
- redesigning budget structure and capital investments aimed at infrastructure project implementation, primarily for transport and utilities infrastructure construction, energy capacity investments, investments in educational, health and other public infrastructure, as well as
- strategic planning of major infrastructure projects.

The expenditure side of the Budget of the Republic of North Macedonia for the forthcoming period has been fully aligned with the country's strategic priorities, including boosting of economic growth, stable public finances, improved public infrastructure and better living standards for the citizens.

Realistic medium-term budgeting is central to developing the medium-term fiscal framework. Medium-term fiscal projections are based on the baseline scenario, taking into account the existing obligations, contracts and on-going projects. Items beyond the baseline scenario, requiring additional financing, are showcased through new initiatives.

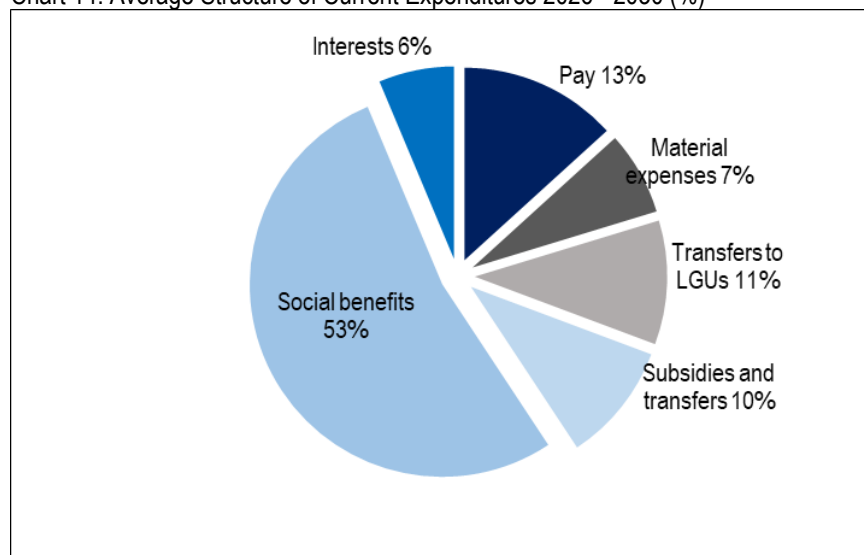
In the period 2026-2030, average share of total expenditures of the Budget of the Republic of North Macedonia accounts for around 37.7% of GDP. Budget expenditure projections are prepared on the basis of three key postulates:

- compliance of revenue projections with planned economic activities,
- total budget expenditure projections to ensure continuous fiscal consolidation,
- ensuring regular and effective execution of all legal obligations.

When projecting the amount and the structure of current expenditures for the coming period (Chart 14), intended for regular wage payment to employees in the public sector, timely and regular payment of pensions and other social rights, interest payments to foreign and domestic creditors, payment of agricultural subsidies, support to small- and medium-sized enterprises, as well as subsidising innovation activities, the following assumptions are taken into account:

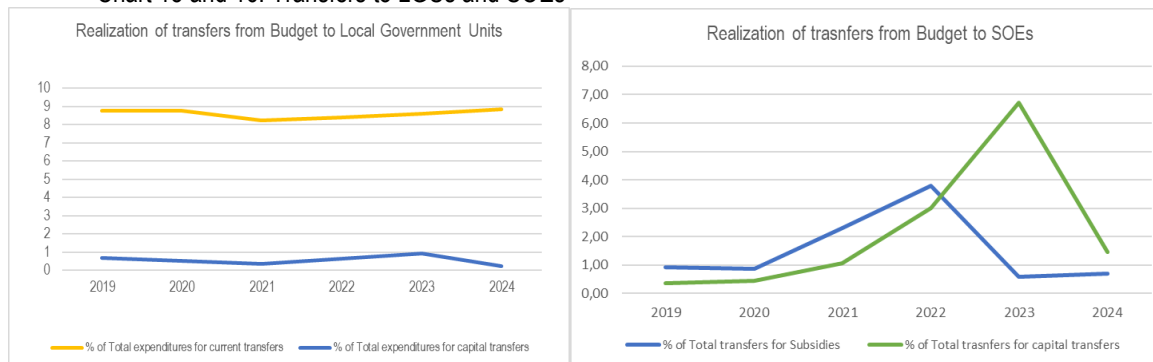
- efficiency and productivity: increase of efficiency, productivity, and accountability of the public sector, public administration optimisation through structural changes and adjustment of wages as per economic growth,
- optimisation of resources: more efficient use of resources by improving the planning and the execution of operating expenditures,
- control of expenditures: reducing the non-essential expenditures, as well as introducing spending standards,
- strengthened decentralization: better quality services under the competences of the municipalities by redefining the criteria for allocation of funds and more efficient use of grant funds,
- full economic support: more resources for targeted subsidies and transfers, having a more positive impact on the economic activity,
- social assistance and employment: reducing poverty by properly targeting the use of social assistance and greater workforce participation in the labour market.

Chart 14. Average Structure of Current Expenditures 2026 - 2030 (%)



Source: Ministry of Finance and Ministry of Finance's projections(\*)

Chart 15 and 16. Transfers to LGUs and SOEs



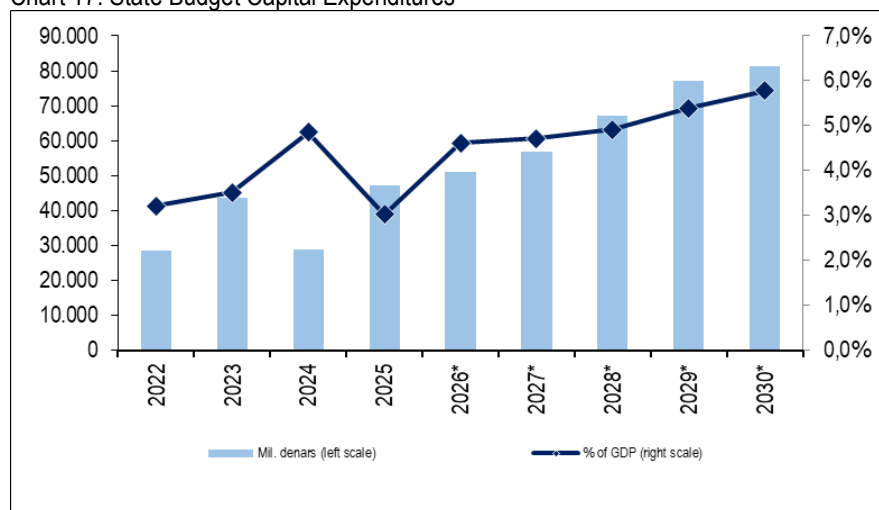
Substantial financial funds from the state budgets are being allocated for municipalities in the form of grants for implementation of the transferred competencies (in the field of primary and secondary education, culture, kindergartens and homes for the elderly and fire safety), as well as financial resources intended for the implementation of concrete capital projects at local level. Furthermore, funds from the Budget of the Republic of North Macedonia are allocated to SOEs to support their investment activities, as mandated by legal regulations, and to provide budgetary support for activities of public interest carried out by each of these entities.

Medium-term fiscal projections include a strong development component, with a significant share of capital expenditures averaging over 5.2% of GDP in annual terms, constituting a key element of the public finances.

In the 2025-2030 period, fiscal policy will be aimed at creating preconditions for a new economic growth cycle, ensuring a substantial level of public investments that serve as foundation for improving economic perspectives and enhancing the quality of life for citizens.

Therefore, substantial capital investments are projected (Chart 17) by allocating budget funds, including funds obtained under loans from international financial institutions and bilateral creditors. The projected amounts speak of infrastructure projects picking up pace, i.e. investments in road and railway infrastructure, energy and utilities infrastructure, as well as capital investments aimed at improving the conditions in the health, education and social systems, agriculture, culture, sports, environmental protection and judiciary.

Chart 17. State Budget Capital Expenditures



Source: Ministry of Finance and Ministry of Finance's projections(\*)

As per the priorities under the Government's Work Programme, the Government will put focus on the implementation of the initiated capital investments: infrastructure and energy project in support of the business sector, capital projects in the field of utilities and other local infrastructure, aimed at improving the living conditions of the citizens (improvement on the conditions in the health, education and social system, agriculture and environmental protection), strategic planning of major infrastructural projects, as well as scaled-up capital investments with a significantly improved structure and substantial amount of funds as capital transfer towards municipalities.

Major investments are being projected under the Budget in the field of road infrastructure, aimed at planning, projecting, construction and expansion of Corridor 8 and Corridor 10d road sections.

As regards road infrastructure, construction of the Kichevo - Bukojchani motorway section and Kichevo - Ohrid motorway section will continue to be financed with loans. Construction of Skopje - Blace motorway section (border with Kosovo) will also be financed with the previously secured loans, with a particular focus on successful implementation of activities for the improvement of road infrastructure of the municipalities in the Republic of North Macedonia through the Local Roads Connectivity Project, the National Roads Programme, and the Western Balkans Trade and Transport Facilitation Project.

Road infrastructure capital projects of relevance, to be financed through IPA 2 Programmes in the period 2020 - 2025, are construction of the road section Gradsko - Drenovo Interchange as part of the Road Corridor 10d, rehabilitation of regional road A2, Kumanovo - Stracin section (phase 1), construction of new expressway from Prilep to Lenishka River bridge and construction of a third lane on the road section from the village of Belovodica to Mavrovo quarry; replacement of road safety barriers, according to EN standards on highways, on 100 km of Corridor 10; procurement and installation of new signalling at railway level crossings, as well as implementation of measures to improve road safety along selected road sections.

As regards the railway infrastructure, financing of both phases of construction and rehabilitation of the eastern part of the Corridor 8 railway, railway sections Kumanovo-Beljakovce-Kriva Palanka, whereby an amount of EUR 68.5 million grant funds through WBIF (Western Balkans Investment Framework) were provided for the second phase. Construction of "Tabanovce" rail joint border station with accompanying facilities between the Republic of North Macedonia and the Republic of Serbia, financed with a loan and WBIF grant (Western Balkans Investment Framework), and modernisation of the railway infrastructure will commence as well.

Regarding gasification, construction of national gas pipeline, in particular Skopje - Tetovo section, Gostivar - Kichevo section and Sveti Nikole - Veles section is envisaged, as well as construction of Gas Interconnection Pipelines between the Republic of North Macedonia and the Republic of Kosovo, between the Republic of North Macedonia and the Republic of Serbia, and between the Republic of North Macedonia and the Republic of Greece.

More substantial planned projects in the field of municipal and utilities infrastructure are the Municipal Water Infrastructure North Macedonia and the implementation of the North Macedonia Public Sector Energy Efficiency Project.

Irrigation Programme North Macedonia and North Macedonia Agriculture Modernisation Project are major capital projects in the field of agriculture.

With respect to environment, in addition to the major capital Skopje Wastewater Treatment Plant Project, North Macedonia Regional Solid Waste Project plays a vital importance, by putting management systems in place, i.e. solid waste stations in the Southwest, Vardar, Pelagonija, Southeast and Polog regions.

With respect to wastewater collection and treatment infrastructure and integrated and financially self-sustainable waste management system meeting EU standards, major capital projects being financed via IPA2 Programmes, in the period 2020-2025, are the following: Skopje Sewage Network Rehabilitation and Expansion Project, Tetovo Wastewater Treatment Plant and Sewage Network Rehabilitation and Expansion Project, Kichevo Sewage Network Rehabilitation and Expansion Project, Bitola Wastewater Treatment Plant and Sewage Network Rehabilitation and Expansion Project, Eastern and Northeastern Regions Landfill Closure Project, with construction of a central waste management facility, a sorting plant, a Mechanical Biological Treatment (MBT) plant, a landfill, a composting plant and a green point in the municipality of Sveti Nikole, construction of six local waste management facilities, each consisting of a transfer station, a composting plant and a green point for the Eastern and Northeastern Regions, support in establishing a regional waste management system, procurement of equipment for the Eastern Region, support and preparation of the necessary documentation for the procurement of water equipment for the municipalities of Radovich, Kichevo, Strumica, Bitola, Tetovo, Berovo, Kumanovo and Prilep, preparation of project documentation for improving wastewater collection and treatment infrastructure and water supply network in the municipality of Arachinovo.

With respect to education, the activities under the Project for Construction of Physical Education Facilities in Primary Schools and Rehabilitation of Primary and Secondary Schools, funded with a CEB's loan and supported by a WBIF grant and co-financed by the state, will proceed, aimed at improving physical education and comprehensive learning conditions for students in primary and secondary schools. The Government will secure an additional loan from the World Bank for the purpose of efficient and effective implementation of reforms in the primary education nationwide, with notable activities carried out under the existing Primary Education Improvement Project. With respect to higher education, reconstruction of student dormitories in the Republic of North Macedonia, aimed at improving accommodation and learning conditions for university students is to be continued, while a reconstruction of state schools with the aim of adapting the accommodation and learning conditions for pupils with special needs.

With respect to social protection, the implementation of the Social Insurance Administration Project and the Second Social Services Improvement Project will continue, whereas the completion of the Social Services Improvement Project is planned. With respect to judiciary, activities on construction and reconstruction of Idrizovo

Penitentiary will be carried out, all to the end of meeting the international and the European Prison Rules, in support of improved accommodation conditions for the prisoners and their enhanced protection.

As regards the fair access to high-quality inclusive education at all levels, reconstruction of public preschool institutions is one of the major capital projects to be financed via IPA 2 Programme, covering the 2020 - 2025 period.

As regards energy infrastructure, projects envisaged to be financed are those implemented by North Macedonia Power Plants, JSC (JSC ESM) and Transmission System Operator, JSC (JSC MEPSO), such as: Wind Park Bogdanci - Phase 2, District Heating System Bitola, District Heating System Bitola, Elbasan (AL) – Bitola (MK) 400kV Transmission Line, Photovoltaic Power Plant Oslomej 1, ESM Solar PV Transition (Photovoltaic Power Plant Oslomej 2 and Photovoltaic Power Plant Bitola 1), Rehabilitation of Hydroelectric Power Plants Programme, as well as Photovoltaic Power Plant Bitola 2.

With respect to public finance reforms, improvement of fiscal framework, strengthening the process of Budget planning and execution, improvement of revenue collection, strengthening the public procurement system, internal and external control and transparent reporting, Building Effective, Transparent and Accountable Public Financial Management Institutions Project, will continue to be implemented.

During the past period, to the end of supporting the private sector and providing fresh capital for the need thereof, six EIB credit lines, extended through Development Bank of North Macedonia, with the total amount of EUR 550 million, were provided and implemented. In this segment, implementation of the seventh credit line amounting to EUR 100 million will commence, being intended for financing Project for Financing Small- and Medium-Sized Enterprises, Mid-Cap Companies and Green Transition, in line with the economic measures of the Government, aimed at protecting the consumers and companies against the energy crisis.

Table 11. Overview of Loan-Funded Projects

Project	Financed by	Loan Amount (EUR)
Western Balkans Trade and Transport Facilitation Project	World Bank	26,200,000
Local Roads Connectivity Project	World Bank	33,000,000
	World Bank	37,000,000
Skopje Wastewater Treatment Plant Project	EIB	68,000,000
	EBRD	58,000,000
	WBIF Grant	69,784,283
North Macedonia's Municipal Water Infrastructure Improvement Project	Council of Europe Development Bank	50,000,000
Regional Solid Waste Project	EBRD	55,000,000
	SECO	5,000,000
	WBIF Grant	22,562,513
Public Sector Energy Efficiency Project	World Bank	25,000,000
Social Services Improvement Project	World Bank	28,700,000
Second Social Services Improvement Project	World Bank	27,500,000
Social Insurance Administration Project	World Bank	13,800,000
Agriculture Modernisation Project	World Bank	46,000,000
North Macedonia's Irrigation Programme	KfW	80,000,000
Reconstruction of Penitentiary Institutions	Council of Europe Development Bank	46,000,000
Primary Education Improvement Project	World Bank	21,500,000
Building Effective, Transparent and Accountable Institutions for Public Finance Management Project	World Bank	20,000,000
Energy Efficient Rehabilitation of Student Dormitories in North Macedonia	KfW	20,000,000
Rehabilitation of the Eastern Part of Rail Corridor 8 – Phase 1 (Kumanovo – Beljakovce Section)	EBRD	46,400,000
Rail Corridor 8 - Phase 2 (Eastern Section of Rail Corridor 8 - Beljakovce - Kriva Palanka)	EBRD	145,000,000
Rail Joint Border Crossing - Tabanovce Project	EBRD	5,000,000

### 2.4.3 State Budget Deficit and Its Financing

Projected deficit, as well as the debt repayments will be financed through foreign and domestic borrowing (Table 12).

In the course of 2024, Ministry of Finance provided funds to finance the budget deficit and debt repayments through both domestic and foreign borrowing. Foreign borrowing was carried out through the disbursement of the first tranche from the precautionary and liquidity credit line of the International Monetary Fund (IMF) in the amount of Denar 8,997 million, the first tranche from the EU Macro-Financial Assistance in the amount of Denar 3,231 million, the loan extended by the Hungarian EXIM Bank in the amount of Denar 30,748 million, and the Ministry of Finance and disbursement of funds from foreign loans for project financing in the amount of Denar 2,086 million. Net borrowing on the domestic financial market through the issuance of long-term and short-term government securities amounted to Denar 37,400.67 million in 2024.

As regards financing the budget deficits, in the period 2026 – 2030, the state is expected to borrow abroad, by concluding loan agreements for the purpose of budget financing, issuing securities, as well as disbursement of funds under loans by foreign financial institutions under favourable terms and conditions and credit lines intended for financing certain projects. Thereby, the choice of a specific external financing source will be based on the ongoing and the expected developments on the international capital markets. Furthermore, borrowing on the domestic market will be in the form of issuance of government securities or domestic loans, thus providing for additional financing under favourable terms and conditions. For the purpose of optimising the payments and reducing the refinancing risk, Ministry of Finance will continue issuing government securities with longer maturities, thus reducing the debt refinancing risk. To the end of efficiently managing the public debt, over the medium term, Ministry of Finance will also take into account the possibility for early repayment of part of the debt, i.e. determining more favourable debt maturity, currency and interest structure.

Table 12: Deficit Financing

	2022 Annual Account	2024 Budget Execution	2025*	2026*	2027*	2028*	2029*	2030*
<b>Budget balance</b>	<b>-41,410</b>	<b>-42,045</b>	<b>-57,725</b>	<b>-37,902</b>	<b>-34,355</b>	<b>-36,953</b>	<b>-37,508</b>	<b>-39,670</b>
<b>Deficit financing</b>	<b>41,410</b>	<b>42,045</b>	<b>57,725</b>	<b>37,902</b>	<b>34,355</b>	<b>36,953</b>	<b>37,508</b>	<b>39,670</b>
<b>Inflows</b>	<b>84,998</b>	<b>80,973</b>	<b>123,917</b>	<b>108,478</b>	<b>107,833</b>	<b>133,341</b>	<b>89,787</b>	<b>96,213</b>
Domestic sources	37,431	56,907	57,007	51,489	57,241	67,045	52,559	59,359
Foreign sources	61,855	45,062	37,925	56,800	62,200	78,026	68,100	70,250
Deposits* ("-" is accumulation on account)	-14,288	-20,996	28,985	189	-11,608	-11,730	-30,872	-33,396
<b>Outflows</b>	<b>43,588</b>	<b>38,928</b>	<b>66,192</b>	<b>70,576</b>	<b>73,478</b>	<b>96,388</b>	<b>52,279</b>	<b>56,543</b>
Repayment on the basis of domestic borrowing	7,474	18,718	16,901	15,628	26,236	32,924	33,793	40,559
Repayment on the basis of foreign borrowing	36,114	20,210	49,291	54,948	47,242	63,464	18,486	15,984
Memorandum								
Net domestic borrowing	29,957	38,189	40,106	35,861	31,005	34,121	18,766	18,800
Net foreign borrowing	25,741	24,852	-11,366	1,852	14,958	14,562	49,614	54,266

Source: Ministry of Finance and Ministry of Finance's projections(\*)

#### 2.4.4 General Government Budget (Consolidated Budget of RNM and Municipal Budget)

General Government Budget incorporates consolidated data on the Budget of the Republic of North Macedonia and the budgets of the municipalities. Budget of the Republic of North Macedonia comprises the central budget (core budget, self-financing activities, funds on the basis of donations and loan funds) and the budgets of the Pension and Disability Insurance Fund, the Health Insurance Fund and the Employment Service Agency.

In line with the gradual fiscal consolidation, General Government Budget deficit will reduce from 3.5% of GDP in 2026 to 2.8% of GDP in 2030.



Table 13. General Government Budget

	Denar million										% of GDP									
	2022	2023	2024	2025	2026*	2027*	2028*	2029*	2030*	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Central budget																				
Income	124.185	142.731	146.341	183.003	189.634	209.296	228.168	251.509	269.344	15,2	15,9	15,4	17,9	17,5	18,1	18,3	18,9	18,9		
Expenditures	157.700	181.848	190.244	221.767	227.526	243.641	265.111	289.009	309.006	19,3	20,3	20,0	21,7	21,0	21,0	21,3	21,7	21,7		
Budget balance	-33.515	-39.117	-43.903	-38.764	-37.892	-34.345	-36.943	-37.500	-39.662	-4,1	-4,4	-4,6	-3,8	-3,5	-3,0	-3,0	-2,8	-2,8		
Budget funds																				
Income	94.795	104.051	126.316	134.858	143.759	147.581	154.292	160.319	169.866	11,6	11,6	13,3	13,2	13,2	12,7	12,4	12,0	11,9		
Expenditures	96.044	106.371	124.520	137.490	143.770	147.591	154.303	160.329	169.875	11,8	11,8	13,1	13,4	13,2	12,7	12,4	12,0	11,9		
Budget balance	-1.249	-2.320	1.797	-2.632	-11	-10	-11	-10	-9	-0,2	-0,3	0,2	-0,3	0,0	0,0	0,0	0,0	0,0		
RSM budget (Central budget and funds)																				
Income	218.980	246.782	272.657	317.861	333.393	356.877	382.460	411.828	439.210	26,8	27,5	28,7	31,1	30,7	30,8	30,8	30,9	30,8		
Expenditures	253.744	288.219	314.764	359.257	371.296	391.232	419.414	449.338	478.881	31,1	32,1	33,2	35,1	34,2	33,8	33,7	33,7	33,6		
Budget balance	-34.764	-41.437	-42.107	-41.396	-37.903	-34.355	-36.954	-37.510	-39.671	-4,3	-4,6	-4,4	-4,0	-3,5	-3,0	-3,0	-2,8	-2,8		
Local government budget																				
Income	38.716	47.375	50.168	61.262	63.057	66.921	71.489	75.362	79.441	4,7	5,3	5,3	6,0	5,8	5,8	5,7	5,7	5,6		
Expenditures	38.911	44.309	48.896	60.746	63.057	66.921	71.489	75.362	79.441	4,8	4,9	5,2	5,9	5,8	5,8	5,7	5,7	5,6		
Budget balance	-195	3.066	1.282	516	0	0	0	0	0	0,0	0,3	0,1	0,1	0,0	0,0	0,0	0,0	0,0		
Budget of the general government (Consolidated Budget of RSM and Budget of municipalities)																				
Income	257.696	294.157	322.826	379.124	396.450	423.798	453.949	487.190	518.651	31,6	32,8	34,0	37,1	36,5	36,6	36,5	36,6	36,4		
Expenditures	292.654	332.528	363.649	420.002	434.352	458.152	490.902	524.699	558.321	35,9	37,0	38,3	41,1	40,0	39,5	39,5	39,4	39,1		
Budget balance	-34.958	-38.371	-40.823	-40.878	-37.902	-34.354	-36.953	-37.509	-39.670	-4,3	-4,3	-4,3	-4,0	-3,5	-3,0	-3,0	-2,8	-2,8		

Source: Ministry of Finance and Ministry of Finance projections (\*)

Source: Ministry of Finance and Ministry of Finance projections (\*)

### 2.4.5 Sectoral Approach to Expenditures

Process of creating policies is put into function by adopting the strategic priorities of the Government for the respective year and the preparation of the annual program. Policies in each area are precisely defined in the three-year strategic plans and annual programmes of the ministries, accompanied by appropriate action plans. The planning process is on parallel and coordinated track with the process of planning financial resource for implementation of policies over the medium term.

The programme approach implies presenting all activities of budget users through appropriate programmes and sub-programmes, defined as a set of related activities aimed at achieving the same, common objective.

The sectoral approach is a process in which the Government, through horizontal planning and institutional coordination, as well as optimal use of resources, acts in support of improving the existing situation within a specific area and, at the same time, through the coherence between costs and results, accomplishes its strategic priorities and creates conditions for more efficient operations of the institutions themselves.

The sectoral approach in this document is based on the Classification of the Functions of Government, developed by the Organisation for Economic Cooperation and Development and published by the United Nations Statistics Division.

## GENERAL PUBLIC SERVICES

This segment incorporates activities and policies implemented pertaining to administration, operations of executive and legislative bodies and their support, public finance management, operations of diplomatic and consular missions, economic assistance, etc.

Through clear, well-reasoned and effective audit recommendations, the State Audit Office, as independent audit institution of the Republic of North Macedonia, provides support to the state and other institutions in improving public finance management systems, contributing to better governance, timely detection and prevention of irregularities, and the strengthening of public trust in institutions. These efforts ensure increased accountability and transparency of the public funds/taxpayers' funds spending, while also adding value to the public finance management processes. The impartial, professional and integrity-driven approach of the independent audit institution facilitates the improvement of the institutional culture, identification of weaknesses and recommendations for systemic improvements, all aimed at delivery of services by adhering to the principles of reliability in rendering services, continuity and quality of service, transparency, availability, and universal service and protection of users and citizens of the Republic of North Macedonia.

The primary objective in the following medium-term period will be restoring the trust in state institutions, enhancing security, eliminating crime and corruption, and ensuring rule of law. By ensuring economic freedom to investors and creating fair conditions for all business entities, prerequisites for a new economic growth cycle, driven by stable public finances and support for a competitive private sector and substantial investments in the field of innovations and information technology, will be created. Commitment to the EU integration process will be demonstrated through the alignment of policies with EU Standards.

Higher living standards for the citizens will be the Government's primary objective and top priority, which will be accomplished by wage increase in line with the economic growth, the strengthened revenue collection, the improved efficiency and expediency in public money spending with the major focus placed on capital expenditure execution, tackling public procurement corruption, implementing significant strategic investments in the field of infrastructure and energy, as well as ensuring public debt sustainability.

Informal economy reduction and higher revenue collection will contribute to higher budget revenues, maintaining low tax rates and tax exemptions, higher capital investments and incentives for the operations of domestic private and civil sector.

The quality of public services will be enhanced through digital transformation of the public sector and continuation of the downsizing activities for state administration organisational set-up.

Government will create predictable tax and regulatory environment through an inclusive regulatory change process in all fields vital for businesses and citizens, thus creating prerequisites for doing business. Digital transformation, innovative approach and new technology application will contribute to more convenient climate for taxpayers and tax officials, based on righteousness, cooperation, transparency and strengthened trust.

Boosted competitiveness of the domestic private sector will be achieved by continuing the financial support for investments and revising the conditions under which such support is provided, thus increasing the amount of support for export-oriented companies and companies in the areas of competitive advantage. A unique registry for state aid will also be introduced, aimed at preventing misuse of financial instruments for support and their dual use.

## DEFENCE

Objective of the defence policy is achieving and protecting the national interests under the Constitution of the Republic of North Macedonia, the conceptual and the strategic documents for security and defence. Common values of the Alliance pertaining to collective defence, crisis management and cooperative security are also shared through the national interests. The defence policy of Republic of North Macedonia is fully aimed at achieving the basic national defence interests: protection of independence, territorial integrity and inviolability of the internationally recognised borders of the state, contribution to the establishment of peace, security and stability in the region, Europe and worldwide, as well as supporting civil society institutions under various situations or conditions of crisis, emergency and war.

By becoming full-fledged NATO member, Republic of North Macedonia achieved one of its most significant strategic goals, both in terms of defence and foreign policy. Moreover, remarkable progress has been made on the road to EU membership in anticipation of the start of accession talks. Development and promotion of good neighbourly relations and regional cooperation continue to be upheld as strategic and long-term objectives of the country's defence policy.

In order to support national security, the defence system of the Republic of North Macedonia is to constantly be in state of preparedness to perform the following defence missions:

- defence of the independence and the territorial integrity of the Republic of North Macedonia and NATO allies,
- strengthening regional and global security and stability by participating in international operations and missions, and
- supporting the civil authorities and the citizens.

Defence financing is one of the most important elements, contributing to the creation of prerequisites for successful strengthening and maintenance of the entire defence system. Moreover, in the past years, a lot of attention was especially paid to the obligation undertaken arising from NATO's commitment to invest in defence by allocating funds accounting for 2% of GDP and a minimum of 20% investment in equipping and modernisation, to be used for financing the defined objectives, tasks, activities and projects, the planned organisational and formational structure, the undertaken international obligations for participation in international operations and missions, the undertaken obligations of fulfilment of the accepted NATO capability targets and equipment and modernisation requirements.

### Performance Indicators

	2019	2020	2021	2022	2023	2024	2025
Ministry of Defence Budget (% of GDP)	1.19	1.37	1.57	1.77	1.85	2	2
Equipping and modernisation	15.39	18.23	23.63	31.81	30.53	29.33	32.35

The complementary long-term objectives for development of defence capabilities and capacities for the upcoming medium-term period, divided into three groups, are aimed at:

Restructuring and harmonisation:

- harmonising the priorities of the national defence planning with the priorities of NATO defence planning, in order to meet the requested NATO capability targets,

- advancement of the personnel management and talent management system, which will enable attracting, selecting, recruiting, retaining and engaging high-quality, qualified and motivated personnel with adequate professional and work-related competencies in the defence and the Army, and

- building a modern system for education and training of personnel in the defence and the Army, based on competencies, identified needs and enhanced integrity.

Modernisation:

- modernisation and equipping of the Army,

- revitalisation and functional consolidation of optimal locations of defence compounds, facilities, installations and infrastructure and transformation towards green defence,

- advancement of logistic planning and implementation at all levels, and

- upgrading of a communication information system to support management, leadership and control in defence and development of cyber defence capabilities.

Contribution:

- integration in the NATO political and military structure and interoperability in accordance with NATO standards and participation in collective defence, crisis management and cooperative security,

- providing a national support element capability to support the Army in operations abroad,

- provision of host nation support to NATO forces, and

- integrating the national air defence into the air defence system of the Alliance.

#### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Number of personnel serving abroad as MoD's representatives	31	33	35	38	40	42	42	42
Number of personnel participating in international missions and operations	226	250	200	250	300	310	310	310
Number of projects for construction, reconstruction, adaptation and modernisation of facilities and infrastructure	15	17	22	23	25	25	25	25
Number of men and women on vocational and professional trainings abroad	women	women	women	women	women	women	women	women
	35	38	42	50	55	58	60	60
	men	men	men	men	men	men	men	men
	135	145	150	155	160	165	170	170
Number of men and women on professional training and specialized development in the country	women	women	women	women	women	women	women	women
	176	181	185	190	195	202	200	200
	men	men	men	men	men	men	men	men
	313	315	318	322	325	328	300	300

## PUBLIC ORDER AND PEACE

### Police Affairs

Activities under this policy strive for a high degree of safety, security, protection of the freedoms and rights of citizens, and improvement of the quality of life in the Republic of North Macedonia. They are aimed at achieving of the objectives, as follows:

- implementing public security system,

- preventing forceful destruction of democratic institutions established under the Constitution of Republic of North Macedonia,

- protecting the life, the personal security and the property of citizens,
  - preventing escalating national, racial, religious hatred and intolerance,
  - preventing committing crimes and misdemeanours, detection and apprehension of perpetrators of crimes and undertaking other special prosecution measures against perpetrators of such crimes, stipulated by law,
  - protecting and observing basic freedoms and rights of human beings and citizens, guaranteed under the Constitution, the laws and the ratified international agreements, and
  - maintaining public order and peace in the country.
- In the upcoming medium-term period, series of activities are planned, contributing to:
- non-selective fight against organised crime and corruption, rule of law reforms and establishment of independent institutions,
  - prevention of cross-border crime and illegal migration, and control of readmission, and exercise of the right to asylum,
  - increasing the level of public safety, including road traffic safety,
  - cooperation and establishment of common standards for cyber security, and
  - support of international peacekeeping efforts by implementing activities pertaining to preparation of future NATO objectives.

### Courts and Penitentiary Institutions

This functional area incorporates programme tasks and operational activities pertaining to: judiciary, public prosecution, state attorney, notary, enforcement agents, mediation, advocacy, free legal aid, inheritance, ownership, rights in rem and contracts and torts, international legal aid, execution of sanctions for criminal deeds and misdemeanours, organisation and management of penitentiary and correctional institutions, court expertise and super-expertise; criminal, misdemeanour, litigation, extrajudicial and administrative proceedings, as well as other matters regulated by law.

Priorities and planned activities are as follow:

- efficient, independent and professional judicial system,
- fight against corruption,
- exercising human rights,
- meeting EU membership criteria in the area of justice,
- ICT upgrading in the justice system, and
- penitentiary and correctional facilities - professionally organised and managed.

### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Total number of beneficiaries of primary and secondary free legal aid	3500	5030	5600	5900	6200	6500	6800	7100
Number of applicants for free legal aid	Women 125 Men 100	Women 72 men 158	Women 80 men 178	Women 85 men 188	Women 90 men 199	Women 95 men 211	Women 100 men 224	Women 106 men 237
Registered misdemeanours against public order and peace	6,121	6,500	6,100	6,000	5,800	5,400	5,500	5,400
Registered misdemeanours in the field of traffic	211,591	165,551	145,000	140,200	130,500	120,000	115,000	110,000
Prevented illegal crossing attempts	13,954	6,809	5,500	5,200	5,100	4,800	4,200	3,500
Envisioned and implemented trainings	women	women	women	women	women	women	women	women
	404	382	420	440	470	500	520	550
	men	men	men	men	men	men	men	men
	1,781	1,489	1,500	1,550	1,600	1,650	1,700	1,750

## ECONOMIC AFFAIRS

### Agriculture, Forestry, Hunting and Fishing

Agriculture represents a significant segment in the country's development, impacting the total economic growth. For the purpose of both providing stability and basis for agricultural development and modern agriculture practice, series of activities are being carried out for natural resources' prudent utilisation in a sustainable way through measures supporting the development of agricultural and livestock primary agricultural production, by observing nature and environment protection principles; processing and marketing of agricultural products of both animal and plant origin; ensuring sustainable and economic development of rural areas; promoting hunting and fishing, providing protection for the health of animals and plants.

In support of agricultural and rural development, the following activities are planned:

- stable quality food production,
- boosted competitiveness of agriculture sector,
- stable income of agricultural holdings,
- sustainable development of rural areas, and
- optimal utilisation of natural resources by observing the principles of nature and environmental protection.

The strategic goal is to boost the competitiveness of the agricultural sector on the open and dynamic market, while maintaining the development of rural areas via optimal use of the natural resources, i.e. constructing sustainable agricultural and food sector, which will provide for generating adequate income for the farmers, which will be accomplished by fulfilling the specific objectives, as follows:

- boosted competitiveness and increase of farmers' income,
- introduction of new technologies and innovations, thus reducing the adverse climate change impact,
- development of rural areas and keeping the population therein, in particular youth population by investing in both infrastructure and job creation in the rural areas.

In order to ensure greater protection of human health, food safety, animal health care and welfare, veterinary public health, and environmental protection from animal waste by adhering to the regulations aligned with the high standards of EU, the system for controlling the safety and quality of food intended for human consumption and animal feed, as well as veterinary public health, is continuously being strengthened, accompanied by further harmonisation with EU policies in the field of food safety and veterinary public health.

The objective is to achieve a high level of animal health protection against communicable and other diseases, which implies monitoring and preventing emergence of new diseases in animals and zoonoses in humans in the country, adequately controlling and supervising the diseases present in the country with their gradual reduction, maintaining a system of control, supervision and readiness for suppression and eradication of particularly dangerous communicable diseases.

For the purpose of planning and managing fishing waters and fishing, management and use of fish and other aquatic organisms, aquaculture, financial assistance in the field of fishing, aquaculture, fish processing, technical support, as well as development of new markets, contributing to the protecting of the fish stocks of the Republic of North Macedonia, is regularly planned within the existing annual programme.

#### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Export of agricultural products (in EUR million)	771	857	818	853	888	923	942	950
Women – agricultural holding owners (as per the Sole Registry of Agricultural Holdings)	28,700	28,720	30,680	30,695	30,705	30,715	30,725	30,735

### Energy, General Economic Affairs and Labour-related Affairs

Strategic priorities and goals in the field of energy are aimed at sustainable energy development of the country, efficient use of energy and energy resources, meeting the needs of society for both electricity and heating energy, natural gas and fuels, establishing cleaner and more efficient energy generation through rational use of conventional and renewable energy sources, and improving the management of natural resources. The goal is to ensure a reliable, safe and sustainable energy supply.

In the upcoming medium-term period, country's energy security and just transition will be achieved through:

- increasing the share of renewables in the final energy consumption;

- protecting the environment and fostering energy efficiency;
- ensuring energy efficiency and stability;
- liberalising the electricity market and scaling up investments in the energy sector;
- increasing the use of natural gas and solar energy in households;
- integrating the electricity markets with the countries from the region and EU Member States, and
- Implementing energy transition process.

In the next period, a set of measure adoption is foreseen, such as: direct financial assistance to most vulnerable categories, promotion of energy renewable sources and boosting energy efficiency in households.

Hence, the focus is to be on the following priority areas: limiting energy import dependency by diversifying energy supply, saving energy and promoting the use of local resources and renewable energy sources.

Gas supply diversification will be provided by constructing the National Gas Pipeline System in Republic of North Macedonia, aimed at supplying the business sector, the public sector and the households with cheap and environmental-friendly energy, alongside reduction of greenhouse gas emissions to the atmosphere.

#### Performance Indicators

Output indicators	2024	2025	2026	2027	2028	2029	2030
Financial assistance intended for electricity generation by preferential producers using premium	54	30	30	30	30	30	30
Concessions for detailed geological investigations	1	10	15	15	15	15	15
Concessions for exploitation of mineral resources	7	15	20	20	20	20	20

Establishing, developing and promoting technological industrial development zones (TIDZ) is a significant tool in the economic growth strategies due to the possibility of economic development by attracting foreign and domestic capital, developing new technologies, their application in the domestic economy, boosting competitiveness and increasing employment.

Priorities in the upcoming medium-term period cover:

- concluding new agreements for foreign and domestic investments,
- boosted job creation;
- increased export and increased inflow of funds from the companies in TIDZ to the Budget of the Republic of North Macedonia.

For the purpose of fulfilling these priorities, Directorate for Technological Industrial Development Zones will concentrate on new investments, improvement and development of TIDZ's basic infrastructure.

#### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Number of new agreements for foreign and domestic investments	10	14	10	12	14	14	14	14

Activities in the field of economy and labour aimed at creating conditions for industry development, clustering and Macedonian companies' inclusion in the global supply chain network, developed entrepreneurship sector, integration into the European Single Market, creating employment measures and policies, improving of the labour market and protecting workers' rights, developing hospitality industry by improving hospitality industry offer standards.

In the upcoming medium-term period, series of activities are planned contributing to:

- support for development of small- and medium-size enterprises,
- dynamic entrepreneurship and innovation ecosystem;
- development and boosting of Macedonian economy competitiveness,
- enhancing the concept and practices of social responsibility,
- improvement of consumers' protection;
- activities in support of increase in employment.

#### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Number of enterprises and individuals involved in the voucher counseling programme	39	38	39	45	45	45	45	45

#### Labour Market and Boosted Labour Force Competitiveness

Employment Service Agency of the Republic of North Macedonia, with its employment centers, develops and delivers services by boosting the labour force competitiveness and meeting the labour market needs, by applying an individual approach tailored to the needs of both unemployed people and employers. This Agency finances the operations from own revenues, as well as transfers from the Central Budget.

Denar million

	2023	2024	2025	2026	2027	2028	2029	2030
<b>REVENUES</b>	<b>4,181</b>	<b>4,402</b>	<b>4,454</b>	<b>4,763</b>	<b>5,094</b>	<b>5,447</b>	<b>5,826</b>	<b>6,231</b>
Total contribution revenues	3,842	4,383	4,414	4,723	5,054	5,407	5,786	6,191
Budget transfers	319	0	0	0	0	0	0	0
Other revenues	20	19	40	40	40	40	40	40
<b>EXPENDITURES</b>	<b>2,987</b>	<b>3,269</b>	<b>4,454</b>	<b>4,763</b>	<b>5,094</b>	<b>5,447</b>	<b>5,826</b>	<b>6,231</b>
<b>Expenditures by function</b>	<b>2,671</b>	<b>2,922</b>	<b>4,037</b>	<b>4,326</b>	<b>4,637</b>	<b>4,965</b>	<b>5,313</b>	<b>5,701</b>
Unemployment benefit	1,191	1,207	1,550	1,600	1,650	1,650	1,650	1,650
Active employment policies	1,365	1,594	2,457	2,564	2,819	3,149	3,496	3,884
Other revenues	316	347	417	437	457	482	513	530

Under the Operational Plan for Active Employment Programmes and Measures and Labour Market Services, programmes, measures and services are determined, which will provide for job creation, support for job creation and increased employability of the unemployed people, in particular the youth population, long-term unemployed people and beneficiaries of the right to pecuniary assistance and social protection, as well as support for unemployed people.

When implementing the employment programmes and measures, the following basic principles are observed:

- coping with the adverse effects and consequences on the labour market and the employment,
- principle of diversity and inclusiveness for all social categories in the private sector as per the principles of fair and adequate representation of ethnic, gender, religious, racial or any other vulnerable category of citizens, in line with the standards and practices of the United Nations and the International Labour Organisation and
- encouraging balanced regional development in line with the data from the Regional Development Bureau and the degree of development of planning regions in the Republic of North Macedonia.

One of the goals is reducing the long-term unemployment and dependence on guaranteed minimum income, by effectively including the vulnerable groups, in particular the beneficiaries of guaranteed minimum income on the labour market by their inclusion in specialised programmes and services focused on skill development.

Activities are also defined, which enable each young unemployed person to re-enter the educational process (other than the regular educational process) or to be involved in any of the active employment measures or services, thus providing them with greater opportunities for employment or offering them adequate employment matching their education and skills. Activities include group and individual counselling, providing job search assistance services, motivational trainings and inclusion in any of the labour market integration measures (employment, education and training measures).

#### Performance Indicators

Output indicators	2022	2023	2024	2025	2026	2027	2028	2029	2030
Number of prepared decisions on exercising the right to pension and disability insurance	31,749	29,732	32,080	32,200	31,700	31,800	31,900	32,000	32,200
Number of beneficiaries of parental allowance for a third child	22,377	19,777	18,477	15,355	12,661	10,413	7,969	7,517	7,065

Number of female beneficiaries of the measure – Support for job creation under the Operational Employment Plan	1,070	1,177	804	850	810	865	900	920	950
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### **Transport**

As regards transport sector, projects and activities are being implemented, aimed at developing policies for ensuring an accessible, reliable and sustainable national and international transport system, quality urban and building infrastructure, and exercising supervision over the implementation of the laws falling within its competences. Development of construction activity and transport infrastructure is a driving force of the economic growth of every country, hence the commitment of the Government of the Republic of North Macedonia to finance their development, improvement and modernisation. Thus, the priorities in the field of transport are the following: improvement of the infrastructure network in the Republic of North Macedonia in its entirety, as well as improvement of all segments related to transportation - road, rail, air and inland navigation, as well as enhancing the residential and utility infrastructure. In order to accomplish these priorities, the following activities are planned: construction of new road sections and rehabilitation of part of the existing ones, completion of road and railway sections of Corridors 8 and 10, creating conditions for efficient transport of passengers and goods, as well as rendering high-quality transportation services that ensure high level of safety, construction, i.e. reconstruction of water supply and wastewater treatment systems providing for better quality of life, especially in rural areas, thus improving the quality of life and the environmental protection. Local Self-Government Units take part in the implementation of these projects as well.

### **Digital Transformation**

Digital transformation will facilitate the delivery of faster, more transparent, and more efficient public services. It will contribute to minimizing opportunities for corruption, promoting accountability, and reinforcing public trust in state institutions. The National Operational Broadband Plan (NOBP) serves as a strategic framework for policy development in the electronic communications sector. It will enable the development of fast fixed broadband networks (NGA – next generation network, и VHCN – very high-capacity network), as well as expansion of 5G coverage across the country. Policies related to fast and fixed broadband networks (NGA and VHCN) have been incorporated into relevant legal frameworks and are currently being implemented. The Law on Electronic Communications that has to be harmonized with the European Regulation: Directive 2018/1972 (CODE) and Regulation 2024/1309 (Gigabit Infrastructure Act), aims to achieve the following: promote the shared use of broadband network infrastructure; encourage the joint use of ducts and other passive physical infrastructure for the deployment of VHCN fast broadband networks; facilitate coordinated and joint construction of high-speed broadband networks; and introduce more predictable rules for joint investments by two or more investors in broadband networks, among other objectives.

### **Public Administration**

With respect to public administration, there are ongoing activities in support of effective, efficient and inclusive policy creation by having expert and professional depoliticized administration in place, via responsible, accountable and transparent operations of the respective institutions.

Ongoing efforts to modernize public administration and enhance its efficiency are centred on reinforcing managerial accountability and promoting professional conduct, guided by the principles of equality and non-discrimination. In addition, the purpose of the State Administrative Inspectorate is to guarantee that citizens of the Republic of North Macedonia are afforded equal opportunities to exercise and safeguard their rights before state administrative authorities, in full compliance with the principles of the rule of law and legal certainty.

## **ENVIRONMENTAL PROTECTION**

Implementation of policies in support of environment, climate action, spatial planning, as well as ensuring the conditions for sustainable development, waste management, protection of air, water, soil, flora and fauna, while providing monitoring to keep track of the situation regarding the environment, are activities incorporated in the environmental protection policy. The process of determining the strategic and the medium-term objectives, as well as adapting the existing or introducing new practices, are an additional input in the efforts aimed at improving the environment.

These policies are implemented at both national and local level, through adequate measures and activities implemented by different entities from the public and the private sectors so as to achieve the set goals aimed at improving the quality of surface and underground water and ensuring quality drinking water, protection and monitoring



of air quality, monitoring and reduction of noise, waste management, protection of soils and prevention of erosion, prevention and reduction of emissions from the industry, protection and sustainable use of biological and regional diversity, and adequate management of protected areas, spatial planning with the aim of sustainable use of land and other natural and manmade resources, institutional strengthening and raising awareness of the importance of the environment for the quality of life and people's health. By implementing these measures, the commitment to development and implementation of effective environmental policies is demonstrated, guided by environmental, economic and political factors at national and international level and applying the principles of sustainable development.

In the following medium-term period, the following major projects will be implemented: Reconstruction of the water supply system in Municipality of Bogdanci, Construction of Water Supply Network in Village of Slepche, Demir Hisar, River Bed Regulation on the River Section Village of Bojane to Village of Glumovo, Municipality of Saraj, Water Supply Pressurized Pipeline And Drinking Water Reservoir in the Village of Tremnik, Municipality of Negotino, construction of the water supply system in village of Virche, Municipality of Delchevo, sanation of Ratevo Dam, Municipality of Berovo, Water-supply network construction on the street, ul. Bajram Shabani, Municipality of Chair, water supply (primary network, wells and pumps) in the village Merovo, Municipality of Zhelino, construction of sewerage system/network/collector in many localities in the Municipality of Vrapchishte and rehabilitation and extension of sewerage network in Municipality of Kichevo. The following projects will continue to be implemented in the next period as well: reconstruction of the filter station for drinking water in Berovo, Municipality of Berovo, regulation of part of boundary canal in the locality Arachinovo, Municipality of Arachinovo, construction of sewerage in the Village of Mustafino, Municipality of Sveti Nikole, construction of a sewerage system – collector system between Radozdha and Kalishta, Municipality of Struga, construction of waste water treatment plant for the City of Skopje, amounting to over EUR 197.2 million, financed with a loan in the amount of EUR 68 million extended by European Investment Bank (EIB), loan in the amount of EUR 58 million extended by European Bank for Reconstruction and Development, technical assistance grant in the amount of EUR 1,429,250, extended as EIB and EBRD support, as well as an investment grant of EUR 69,784,283 extended by WBIF. One of the major priorities, which also constitutes a national priority with respect to EU accession process is the implementation of the Regional Solid Waste Project, to be implemented via EBRD's loan in the amount of EUR 55 million, grant in the amount of EUR 5 million extended by the Switzerland's State Secretariat for Economic Affairs (SECO) and EUR 22.5 million, WBIF's investment grant. The Project is expected to provide for establishing regional waste management systems in five regions in the Republic of North Macedonia, which is an important step towards a sustainable solution for solid waste management services.

Furthermore, European Investment Bank (EIB) provided a loan in the amount of EUR 50 million for financing the construction of water supply systems, water supply networks, etc., in all municipalities in the Republic of North Macedonia.

Ministry of Environment and Physical Planning has also provided funds for infrastructural projects in the field of environment. Funds will be distributed to local government units as capital grants in accordance with the adopted decisions by the Government of the Republic of North Macedonia.

Within the IPA Program, implementation of several projects will continue, including: Construction of Wastewater Treatment Plant and Rehabilitation and Upgrading of the Sewerage Network in the Municipality of Bitola, Construction of Wastewater Treatment Plant and Rehabilitation and Upgrading of the Sewerage Network in the Municipality of Tetovo.

#### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Water-supply networks construction (in meter length)	35,675	30,000	45,896	47,352	48,484	49,258	55,268	50,251
Sewerage networks construction (in meter length)	34,200	27,500	40,689	41,254	41,568	42,567	46,555	43,663
Number of prepared survey reports for environment protection	450	560	510	530	540	550	570	575

## HEALTH

Health policy is aimed at improving the effectiveness of, and the level of citizens' satisfaction with, the functioning of the sector and improving the health services.

Priorities under this policy in the period 2026-2030 are as follows:

- care pertaining to citizens' health,

- maintaining stable health care system, and
- increasing both the volume and the accessibility of health care services.

Cornerstone of the health-care system in the Republic of North Macedonia is the primary health care oriented towards the individual, the family and the community, with an emphasis on preventive health care and meeting the majority of population's health needs.

Under this policy, activities aimed at improving the health-care infrastructure and the conditions for better health care of the population are being implemented. Investment activities are directed toward the purchase of medical equipment for the needs of the PHIs in the country, construction, reconstruction and extension of the PHI facilities, as well as implementation of the project - Construction of the Clinical Hospital in Shtip.

Within the preventive and curative health care, activities are undertaken with the aim of achieving better communication and providing quality health care services. Moreover, activities of the preventive programmes are aimed at:

- prevention of cardiovascular diseases,
- systematic examinations of pupils and students intended for complete prevention of deformities, detection of bad habits and detection of individual diseases among the entire school and student population,
- activities for organising and promoting blood donation,
- immunisation of the population through procurement of vaccines,
- activities related to early detection of persons with probable brucellosis,
- continuous procurement of medicines for tuberculosis patients and protection of the population against AIDS,
- active health care of mothers and children, and
- early detection of malignancies accomplished with the activities of gynaecologists to call for a PAP test and screening for cervical cancer in women, screening activities for both colon cancer and breast cancer.

Activities carried out within the curative programmes are aimed at:

- setting up free examination points in squares and rural areas, free examinations aimed at prevention of heat waves-related conditions within the framework of the Health for All Program,
- health care for persons with mental disorders,
- supply of methadone and buprenorphine, as well as a treatment of persons with substance use disorder, covering the costs of patients on dialysis treatment, and activities pertaining to patients with haemophilia,
- procurement of drugs for the treatment of rare diseases, and
- procurement of insulin, insulin needles, glucagon, sugar measuring strips and pumps for continuous supply of insulin for insulin-dependent patients.

### Health Insurance

Health Insurance Fund of North Macedonia is established for the purpose of implementing mandatory health insurance, as an institution performing activity of public interest and public authorisations stipulated by the respective Law.

Health Insurance Fund allocates funds for the primary health care, the network of health care institutions and financing the health care sector, based on prices of health care services. i.e. programmes and agreements for providing health care to insured persons.

Health Insurance Fund finances its operations from its own revenues (wage contributions) and transfers from the Central Budget.

Denar million

	2023	2024	2025	2026	2027	2028	2029	2030
<b>Total revenues</b>	<b>42,650</b>	<b>48,837</b>	<b>53,369</b>	<b>56,228</b>	<b>59,135</b>	<b>62,887</b>	<b>66,615</b>	<b>70,819</b>
Revenues generated on the basis of wage contributions	26,170	29,849	31,610	33,823	36,190	38,724	41,434	44,335
Budget transfers	7,035	8,535	7,270	7,460	7,560	8,160	8,660	9,160
Other revenues	9,445	10,453	14,489	14,945	15,385	16,003	16,521	17,324
Percentage share of budget transfers in total revenues	16	17	14	13	13	13	13	13
<b>Total expenditures</b>	<b>43,018</b>	<b>48,558</b>	<b>53,369</b>	<b>56,228</b>	<b>59,135</b>	<b>62,887</b>	<b>66,615</b>	<b>70,819</b>

Health care protection	37,722	42,440	46,916	49,648	52,425	56,057	59,665	63,749
Sick leave compensations	4,700	5,352	5,600	5,700	5,800	5,900	6,000	6,100
Other revenues	596	766	853	880	910	930	950	970

The table indicates the revenue growth throughout the years, with health insurance wage contributions and transfers from the Ministry of Social Policy, Demographics and Youth related to maternity leave accounting for the most of the Fund's revenues. As regards revenues generated on the basis of wage contributions, they also include the health contributions for unemployed persons paid by the Employment Service Agency of Republic of North Macedonia, health contributions for beneficiaries of social assistance paid by the Ministry of Social Policy, Demographics and Youth, health contributions for pensioners paid by the Pension and Disability Insurance Fund and health contribution for uninsured persons paid by the Ministry of Health.

### Public Health Institutions

The basic health services package is divided into the following categories: primary health care, specialist-consultative health care and hospital health care. As a purchaser of health services, the Fund signs contracts with health institutions for the type and the volume of health services.

PHIs' revenues include the revenues collected by the Fund, funds from health care programmes, their own revenues and donations.

### Performance Indicators

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Number of performed controls (control of contributions, co-payments and wages, sick leave, treatment abroad, control check-up in public health institutions, specialised hospitals, pharmacies and private doctor's offices.	7,346	7,428	7,500	8,000	8,500	8,500	8,500	8,500
Number of concluded agreements with private health institutions, public health institutions and pharmacies	3,699	3,825	3,900	3,950	4,000	4,050	4,100	4,150
Percentage share of private costs for health purposes in the total health costs of the country	40%	Below 45%	Below 45%	Below 45%	Below 45%	Below 45%	Below 45%	Below 45%

## RECREATION, CULTURE AND RELIGION

### Sports and Recreation Services

In the field of sports, activities are being implemented, related to development and popularisation of sports, by increasing the percentage of citizens who play sports, improving the quality of national and international sports, creating a system, wherein professional sports and sports results will be promoted, strengthening the quality of life, social interaction, personality development and a healthy lifestyle for as many citizens as possible, providing a high-quality sports infrastructure, increasing the number of athletes and improving sports results, promoting gender equality in all areas of social life and including the gender perspective in the policy making and budget creation, as well as inclusive inclusion of persons with disabilities in all segments of sports.

### Culture-Related Services

As per the Law on Culture, culture covers three segments as follows: works, as a process of creating works of art, activities related to publication of works of art, as well as activities aimed at protecting and using the works. Hence, tasks and obligations arising from the prescribed specific competences are detected in the following areas:

- activities in the field of culture and arts;
- promotion of culture, cultural development and cultural policies;
- international cooperation and cooperation with UNESCO;
- cooperation with the EU institutions and integration of the European values;
- organisation, development and funding of culture activities;
- monitoring, analysing and proposing acts and measures for development and promotion of culture;
- protection, management and revitalisation of cultural heritage;

- exercising and protection of the copyright and the related rights;
- supervision by an entity in charge of culture activities and
- preparation of regulations and other acts in the field of culture.

Financing of the national interest in the field of culture is carried out pursuant to the Law on Culture, whereby the operations of the national institutions in the field of culture are financed and participation is taken in financing projects of national interest in the field of culture of other legal entities and natural persons in the following activities: publishing activity, library activity, music and theater, film, folklore, cultural events and visual arts, architecture and design, protection of cultural heritage, museum activities, international cooperation and EU integration.

#### **Investments in the Field of Culture**

Particular attention is paid on improving the working conditions of artists by building new facilities and investing in national institutions related to culture. Construction of the Turkish Theater in Skopje, the Theater and the Library in Tetovo, as well as the construction of the theater in Strumica, the reconstruction of the Culture Center in Kumanovo, the reconstruction of the Culture Center "ASNOM" in Gostivar, reconstruction of the Culture Center "Beli Mugri" in Kochani, and the reconstruction of the roof of the old part of the building of the National and University Library "Sv. Kliment Ohridski" in Skopje, are being financed.

In the next period, investments will continue to be made, all to the end of improving the infrastructure in the field of culture, thereby reconstructing the following facilities: Museum of the Republic of North Macedonia, National Gallery of Macedonia, Culture Center "Anton Panov" in Strumica, Culture Center "Marko Cepenkov" in Prilep, Culture Center in Bitola and the National Theater in Bitola, as well as "Partizan" cinema within the National Theater Bitola.

#### **Religious and Other Services of the Community**

As regards religion, the ongoing activities pertain to the legal status of churches, religious communities and religious groups, as well as the affairs referring to the relations between the state and the churches, the religious communities and the religious groups. Actions upon various issues of relevance for the state, the religious communities and the religious freedoms and rights of citizens, actively contributing to the improvement of interfaith relations and fostering high standards of dialogue and respect.

Priority activities are aimed at active promotion of the cultural and religious values of the Republic of North Macedonia on the basis of permanent and constructive cooperation with the registered churches, the religious communities and the religious groups and state institutions, promotion of the cultural and religious values of the Republic of North Macedonia and promotion of the inter-confessional cooperation, protection of the principle of secularism, advanced religious freedoms and rights and international cooperation, and promoting the needs of the religious communities.

Priority objectives and activities for attaining the strategic priority for the upcoming medium-term period are the following:

- promotion of cultural and religious value of the Republic of North Macedonia and promotion of inter-confessional cooperation;
- ensured protection of the principle of secularism, promotion of religious freedoms and rights, as well as strengthened cooperation;
- promoting the needs of the religious communities and achieving close cooperation therewith.

#### **Performance Indicators**

Output indicators	2023	2024	2025	2026	2027	2028	2029	2030
Number of carried out events and festivals in the field of publishing activity, music and theater, folklore, and events by specific public calls	22	27	25	26	26	26	26	26
Scope of citizens engaged in sports activities	16%	16%	16%	17%	17%	17%	18%	18%
Number of implemented inter-disciplinary projects with gender component in support of improved status of the woman in the society and the number of women – applicants for projects	30	32	35	36	40	42	42	45

## EDUCATION

Policies implemented by the Government of the Republic of North Macedonia as regards upbringing and education of all types and degrees are aimed at providing comprehensive, inclusive and integrated education focused on the participants in the upbringing and educational process, accompanied by modern programmes that provide for future generations to acquire knowledge, skills and competencies as per the needs of the democratic multicultural society, the labour market and the new challenges in the global scientific and technological environment.

2018-2025 Education Strategy of the Republic of North Macedonia is the basis of the activities implemented by the institutions in the Republic of North Macedonia in the field of education in the next medium-term period, with the existing conditions in the education system as a starting point, being aimed at their gradual improvement, as per the set priorities.

As regards this policy, a series of measures and activities are being implemented, pertaining to adult education, organisation, financing, development and promotion of education, upbringing and science, upbringing and education of children with special educational needs and children of workers temporary working or staying abroad, verification of professions and specialisations in education, improvement of high-school and university students' standard; technological development and innovation support, information technology and technical culture, development of digital skills and other activities related to education. Via monitoring, expert insight, research, promotion and development of the upbringing and educational activity in the field of preschool, primary, high-school and artistic, secondary vocational and post-secondary education, education for children with special educational needs and the adult education, upbringing and educational process of the pupils' dormitories, as well as the education of the children of the citizens of the Republic of North Macedonia abroad aimed at learning the mother tongue and culture, the educational system is being improved.

There are ongoing activities geared towards promoting the adult education, coordinating the cooperation with the international institutions and other organisations related to adult education, ensuring quality, particularly by setting standards and criteria for formal and informal adult education, validation of non-formal education and informal learning. Various types of student assessments are organised, also including the international tests (Programme for International Student Assessment – PISA, Trends in International Mathematics and Science Study -TIMSS), International Civic and Citizenship Study -ICSS, Progress in International Reading Literacy Study – PIRLS...). The controls, the inspection surveillance, as well as the implementation of an integral evaluation provides for determining the observance of the legal regulations related to education and quality of the upbringing and educational process in all educational levels.

Activities in the medium-term period are aimed at accomplishing the following priorities:

- creating education in the best interest of children, which allows each student to reach their full potential;
- ensuring high-quality and inclusive higher education and improving the student standard;
- scaled-up investments and development of science, research and innovations and
- improving the lifelong learning system.

For the purpose of accomplishing these priorities, activities will be undertaken so as to improve the contents and increase the accountability in the primary and secondary education, increase the scope of pupils and students and improve the inclusion and inter-ethnic integration, improve the learning conditions and the accomplishments of pupils and students, invest and develop digital skills and critical thinking, harmonise the vocational education and training with the labour market needs, develop regional centers for vocational education and training, modernise the adult education system line with the lifelong learning prospects, develop new model for financing the primary and secondary education with a new formula for distribution of block grants with determined cost per pupil calculated on the basis of standards, optimise the school network, ensure quality and effectiveness of higher education as per the European sound practice, develop a new model for financing the higher education, improve the higher education accreditation and evaluation system, improve the student's life and increase the living standard of the youth population and implement measures leading to easier first employment thereof, as well as keep them in the country, improve the high-school and university students' standard, invest in better conditions in the students' dormitories, energy efficient reconstruction of student dormitories, increase the national funds for research activity, strengthen the international cooperation in the field of science, research and innovations, implement the Smart Specialisation Strategy, enhance the formal adult education system, develop the system for validation of non-formal and informal learning.

Output indicators	2022	2023	2024	2025	2026	2027	2028	2029	2030
Trained career advisor in primary and secondary schools	0	0	0	50%	70%	80%	90%	95%	99%
Fully operational regional centers for vocational education and training	0	3	5	5	6	7	8	8	8
Enrolled students in the regional centers for vocational education and training	0	190	400	550	700	800	850	900	950
Inclusion of the private sector (number of companies) in dual and secondary vocational education for the purpose of acquiring competences required on the labour market	450	560	600	650	660	670	680	690	700
Number of pupils included in workplace learning in secondary vocational education, 30% of whom should be girls	1500	1800	2000	2300	2600	3000	3100	3200	3200
Number of programmes for validation of non-formal education and informal learning	0	0	8	10	13	16	17	18	20
Percentage of accredited public and private institutions of higher education, having established fully-operational quality assurance systems (internal and external), and publishing reports on quality assurance harmonised with ESG2015	50%	50%	60%	70%	80%	90%	95%	97%	99%
Increased amount for scientific and research activity as percentage of GDP	0.4%	0.4%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	1%

## SOCIAL PROTECTION

Policies related to social affairs include expenditures for activities in the field of social policy, pension and disability insurance; providing resources for the temporarily unemployed people; wages and living standard; humanitarian policy for the sake of harmonised economic and social development; protection of children and minors; protection of youth and women; protection of persons with development impairments and others.

Under this policy, activities are being implemented, which are geared towards improving the social services, whereby the investments are intended for construction, reconstruction and extension of the social protection facilities and the elderly homes, as well as realisation of projects financed with loans. Activities under the respective programmes are aimed at:

- providing social protection;

- activities aimed at protecting children and
- financing the programme activities of the national disability organisations, their unions and associations combatting family violence, the Red Cross of the Republic of North Macedonia, etc.

### Pension and Disability Insurance

Law on Pension and Disability Insurance governs the mandatory pension insurance of employees and individuals performing an activity, the bases of fully-funded pension insurance, as well as the special requirements under which certain categories of insurees exercise the rights to pension and disability insurance. Pension and Disability Insurance Fund finances the operations from own revenues and transfers from the Central Budget.

Pension system in the Republic of North Macedonia rests upon three pillars:

- First pillar - ongoing financing system, insurance based upon generational solidarity;
- Second pillar – mandatory fully-funded pension insurance and
- Third pillar – voluntary fully-funded pension insurance.

When projecting the pension-related expenditures, the existing legal regulations are taken into account, as per which the insured person acquires right to old-age pension when he/she turns 64 years of age (men), i.e. 62 years of age (women) and at least 15 years of pensionable service (tenure).

Denar million

	2023	2024	2025	2026	2027	2028	2029	2030
<b>Total revenues</b>	<b>96,346</b>	<b>115,826</b>	<b>131,883</b>	<b>139,755</b>	<b>143,669</b>	<b>150,583</b>	<b>156,011</b>	<b>164,943</b>
Wage contributions	60,510	69,077	78,590	84,091	89,978	96,276	103,015	110,227
Budget transfers	32,105	42,474	48,400	50,710	48,566	48,998	47,490	49,000
Other revenues	3,731	4,275	4,893	4,954	5,125	5,309	5,506	5,716
Percentage share of budget transfers in total revenues	33	37	37	36	34	33	30	30
<b>Expenditures</b>	<b>99,465</b>	<b>115,380</b>	<b>134,469</b>	<b>139,766</b>	<b>143,679</b>	<b>150,593</b>	<b>156,021</b>	<b>164,952</b>
Pensions	77,967	90,646	105,495	108,660	111,920	116,605	120,505	126,621
Transitional expenditures to private Funds	12,172	14,351	14,500	16,200	16,400	18,000	19,000	21,000
Other expenditures	9,326	10,383	14,474	14,906	15,359	15,988	16,516	17,331

	2021	2022	2023	2024	2025 February
Pension beneficiaries	328,570	334,816	336,977	339,955	343,069

Average pension in the Republic of North Macedonia by years:

Year	2021	2022	2023	2024	2025 February
Average pension	15,876	17,727	20,195	23,785	23,711

Tables show the upward trend of the Fund's revenues, whereby revenues generated on the basis of wage contributions accounted for the most in the revenue structure, while Central Budget revenues accounted for 37% in 2024. In addition, percentage reduction of the transfer from the Central Budget may be recorded, from 37% in 2025 to 30% in 2030.

As per the amendments to the Law on Pension and Disability Insurance in 2022 ("Official Gazette of the Republic of North Macedonia", no. 67/2022), the manner of pension indexation was changed i.e. old-age pension indexations was carried out as per the trends of the Consumer Price Index, accounting for 50% and the increase in the average wage paid to all employees in the Republic of North Macedonia, accounting for 50%. Pension is indexed on 1<sup>st</sup> March and 1<sup>st</sup> September every year as per the percentage obtained as a sum of the increase in the Consumer Price Index in the previous half of the year and the percentage increase in the average wage paid to all employees in the Republic of North Macedonia in the previous half of the year in relation to the previous half thereof.

As per the Law on Modifications and Amendments to the Law on Pension and Disability Insurance as of September 2024, on 1<sup>st</sup> September 2024, all types of pensions paid pursuant to this Law as of 31<sup>st</sup> August 2024 inclusive, have been increased by Denar 2,500 and on 1<sup>st</sup> March 2025, all types of pensions paid pursuant to this Law as of 28<sup>th</sup> February 2025 inclusive, have been increased by Denar 2,500.

Modifications and Amendments to the Law on Pension and Disability Insurance are aimed at ensuring higher living standard, as well as better-quality life for pensioners.

#### Percentage of Pension Indexation

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
First indexation	0.82	1.69	0.7	0	1.2	2.9	8.4	5.3	Linear by Denar 2.500
Second indexation	0.76	1.8	0.4	0.6	1.2	6.8	5.3	Linear by Denar 2,500	

Law on Mandatory Social Insurance Contributions governs the types of mandatory social insurance contributions, entities in charge of paying the contributions, entities in charge of calculating and paying the contributions, bases upon which contributions are paid, contribution rates, manner of calculation, payment deadlines as regards the contributions, control over the calculation and payment of contributions, as well as other issues of relevance for determining and paying the contributions.

Mandatory social insurance contributions include the following:

- pension and disability insurance on the basis of current payment;
- mandatory fully funded pension insurance;
- reduced services years of retirement;
- health insurance and
- unemployment insurance.

As regards the percentage allocated for payment of pension insurance contributions, it dropped throughout the years, i.e. from 21.2% in 2008 to 18.8% in 2020, also being valid in 2024.

Percentage of contributions	Mandatory pension and disability insurance	Mandatory health insurance	Employment	Additional health insurance	Total
2008	21.2	9.2	1.6	0.5	32.5
2009	19	7.5	1.4	0.5	28.4
2010-2018	18	7.3	1.2	0.5	27
2019	18.4	7.4	1.2	0.5	27.5
2020	18.8	7.5	1.2	0.5	28

## 2.5 Local Government Budget

### 2.5.1 Local Government Budget

Decentralisation in Macedonia is a process of transferring competences and responsibilities from the central government to local governments, aiming to improve the effectiveness of governance and ensure more accountable and transparent functioning of local authorities. The process of decentralisation is closely linked to Macedonia's efforts to join the European Union. Within the EU Accession Partnership, Macedonia committed to continuing the decentralisation process and improving local government as part of the reforms required to meet the criteria for membership in the Union. The assumption of responsibilities by municipalities in Macedonia is a key aspect of the decentralisation process, which began after 2005 by implementing the reforms determined under the Framework Agreement. Decentralization in Macedonia is regulated by various laws and acts, including the Law on Local Government and the Law on Financing of Local Government. These laws define competencies, responsibilities, and rights of local authorities. Starting 2012, all municipalities (except for Plashnica) have been financing the transferred competences in the field of education, culture, child care and social protection through block grants provided from the Central Budget. Along with transferring these competences, tangible and financial resources were also transferred to the municipalities, being required for their efficient management.

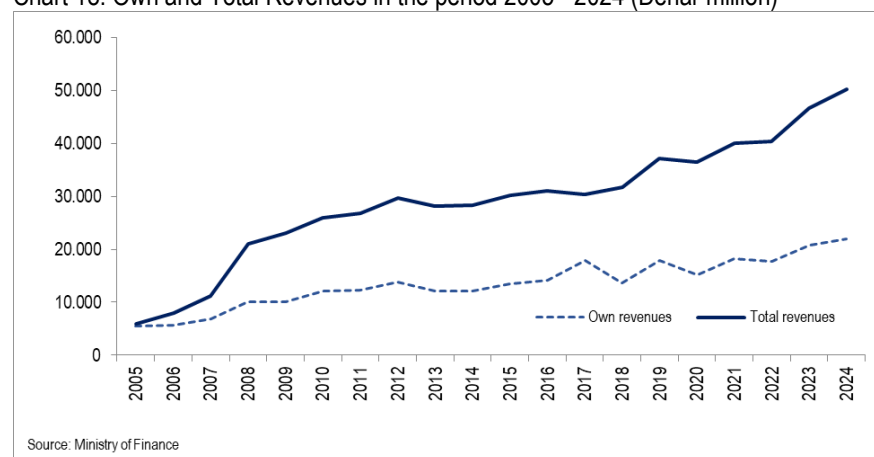
Transfer of competences in several areas by municipalities resulted in substantial increase of administrative and fiscal capacities. This process directly contributed to strengthening the municipalities' capacity to manage a larger volume of financial resources. Additionally, through efficient administration and collection of their own revenues, municipalities are experiencing continued increase in their own revenues, strengthened capacities to manage the financial resources, more efficient and higher-quality execution of the transferred competences, and improved



management of financial and other resources. In addition to the aforementioned transferred competences, municipalities are effectively managing newly assigned competences related to construction land management and handling with illegally built facilities, providing not only for improved management of urban development but also generating additional revenues for municipal budgets. Successful implementation of fiscal decentralisation has fully set the legal and institutional framework for creating developed, accountable, functional local government units, as well as an enhanced level of local democracy, thereby bringing citizens closer to the institutions. Decentralisation process has been positively evaluated by numerous international institutions, which have significantly contributed to improving governance systems, enhancing oversight and increasing transparency, and increasing coordination in managing local government reforms through the implementation of various projects. At the same time, alongside the acknowledged progress in fiscal decentralization, additional reforms are recommended to increase fiscal transparency, efficiency of tax administration, and strategic planning at local level.

By improving the borrowing terms and conditions and determining more liberal and transparent conditions, access to the capital market has become more affordable for municipalities, resulting in increased municipal interest in financing investment projects through borrowing. Accordingly, municipalities have greater opportunity to provide funding for development projects and infrastructure initiatives, thereby enhancing their role in the country's economic development.

Chart 18. Own and Total Revenues in the period 2005 - 2024 (Denar million) <sup>8</sup>



Republic of North Macedonia, according to the data on 2024 expenditure execution (around 5% of GDP) belongs to the group of countries with medium degree of decentralisation. Fiscal decentralisation process commenced in 2005, and since then, municipal revenues have increased over eight times. In 2005, municipalities generated Denar 5.9 billion, while in 2024, this amount increased to Denar 50 billion. What is exceptionally important is that tax revenues the municipalities independently collect have increased by four times over the same period (see Chart 18).

Municipalities in the Republic of North Macedonia are financed from diverse sources of revenues, including: own revenues, grants for the transferred competences (education, culture, social protection and firefighting), revenues determined in separate laws, transfers from the Budget of the Republic of North Macedonia, revenues on the basis of taxes, transfers for capital projects, as well as donations and loans. These funds provided financial assistance for local government units and their development activity.

Funds from the Budget of the Republic of North Macedonia are transferred to the municipalities, such as: capital transfers, earmarked and block grants for transferred competences in the filed of education, culture, social protection and firefighting. Allocation of funds is carried out according to criteria determined in the decrees adopted by the Government of the Republic of North Macedonia, based upon proposal by the relevant ministries.

Increased transparency is aimed at strengthening fiscal accountability, ensuring timely public engagement in creating municipal policies, and providing information on the work done by municipal authorities. For the purpose of increasing both transparency and accountability, municipalities need to publish financial statements in a clear and comprehensible manner, thus increasing accountability as regards the use of budget funds. This will support the lawful, purposeful, and effective use of public funds, which is essential for attaining municipal growth and development. This will result in more efficient service delivery for citizens and an improved quality of life in the municipalities

2024–2028 Work Programme of the Government of the Republic of North Macedonia as regards the local government, focuses on improving infrastructure, increasing transparency and accountability, and fostering economic

<sup>8</sup>In line with the submitted data under the municipal annual financial statements

development at the local level. These initiatives are aimed at ensuring lawful, purposeful, and effective use of public funds, as well as creating conditions for improving the quality of life of the citizens.

### **2.5.2 Performance in 2024 and 2023**

In 2024, total revenues of local government units in the Republic of North Macedonia were collected in the amount of Denar 48,291 million, picking up by 4.9% compared to the revenues collected in the previous year. Denar 13,250 million out of this amount was tax revenues, increasing by 11.6% compared to last year. Tax revenues account for 27.4% of total collected revenues of municipalities. Amendments to the Law on Financing Local Government Units as of 2022 impacted the revenues on the basis of personal income tax, reaching Denar 1,277 million in 2024, increasing by Denar 356 million or 2.5% more compared to 2023.

In 2024, non-tax revenues amounted to Denar 1,492 million, decreasing by 6.5% compared to the previous year. They accounted for 3.1% of total revenues of local government units. In 2024, capital revenues were collected in the amount of Denar 1,490 million, significantly decreasing by 21.5% compared to the previous year, also accounting for 3% of total revenues.

In 2024, transfers accounted for the most of total municipal revenues, accounting for 65.2% of total collected revenues. Transfers were executed in the amount of Denar 31,471 million, surging by 4.8% compared to the previous year. Within transfers distributed from the Budget of the Republic of North Macedonia, in 2024, significant increase in the amount of block and earmarked grants was recorded, rising by Denar 2,621 billion, or approximately 11% compared to 2023. This increase is a result of the 5% wage growth for employees in primary and secondary education, starting from September 2024, as well as the higher amount paid for the vocational allowance for all employees in local public institutions. Additionally, pursuant to the amendments to the Law on Financing Local Government Units, as of 2022, VAT grant increased by Denar 640 million in 2024, registering a 18% increase compared to the previous year.

In 2024, revenues on the basis of donations amounted to Denar 588 million, decreasing by 7.7% compared to the same period in 2023. Their share in the total municipal revenues accounted for only 1.2%, making this revenue category insignificant compared to the other revenue sources.

In 2024, domestic borrowing of municipalities amounted to Denar 46 million, being a significant reduction compared to Denar 74 million in 2023. This reduction by Denar 28 million or 38% demonstrated favourable changes as regards the local government financial management. Increased central government transfers in 2023 and 2024 and intensified implementation of capital investments contributed to reducing the need for borrowing. Decline in domestic borrowing reflects a positive trend in the financial stability of municipalities, indicating a reduced dependence on crediting. This, in turn, lowers the risk of accumulating additional debts and enhances their long-term fiscal capacity.

In 2024, total expenditures of local government units' budgets were executed in the amount of Denar 49,480 million, being higher by 13% compared to last year.

In 2024, current expenditures of municipalities amounted to Denar 48,675 million, accounting for 83.1% of total expenditures, Denar 27,321 million out of which was paid for wages and allowances for employees in local government and local public institutions. These expenditures grew by 13.9% compared to last year, accounting for the most of the total expenditure structure with 67.2%. The increased level of these expenditures was primarily a result of the following: 5% wage increase in September 2024 for employees in primary and secondary education; wage increase for civil servants due to the rise in the minimum wage, and the payment of the vacation allowance for municipal administration staff and employees in local public institutions, being harmonised with the provisions of the General Collective Agreement.

Expenditure reserves and non-defined expenditures were executed in the amount of Denar 36 million, decreasing by 33.3% compared to 2023. Although these expenditures recorded significant drop, their share in the total expenditures is insignificant, accounting for only 0.1% of the total Budget.

In 2024, expenditures related to goods and services were executed in the amount of Denar 9,552 million, slightly increasing by 2.1% compared to 2023. They accounted for 23.5% of total expenditures, being a substantial portion of the overall expenditure structure.

Expenditures related to interest payment recorded the highest increase, rising by 44.1% compared to those executed in 2023. However, their share in the total expenditures was negligible, accounting for only 0.2%.

In 2024, expenditures related to subsidies and transfers were executed in the amount of Denar 3,594 million, surging by 12.2% compared to the previous year, accounting for 8.8% of total expenditures. The majority of these expenditures consist of various transfers, paid by municipalities on different grounds, totaling approximately Denar 1.8 million. Additionally, subsidies to local public enterprises amount to approximately Denar 1.2 million, indicating that a significant portion of these enterprises are in poor financial condition and require additional support for stabilization.

In 2024, expenditures related to social benefits were executed in the amount of Denar 74 million, slightly surging by 2.8% compared to the previous year, accounting for 0.2% of total expenditures, thus recording insignificant share thereof.

In 2024, municipal capital expenditures were executed in the amount of Denar 8,254 million, increasing by 26% compared to last year. This increase was primarily attributable to the revenues collection from the Central Budget allocated for capital investments, which municipalities received towards the end of 2023. Increase in capital expenditures indicates a favorable investment climate and scaled-up investments at local level. Their share in total expenditures accounted for 16.9% in 2024, reflecting 1.8 percentage point increase compared to their share of 15.1% in 2023.

In 2024, principal repayments by municipalities amounted to Denar 550 million, being an increase by Denar 37 million, or 7.2%, compared to Denar 513 million in 2023. This increase was primarily due to the repayment of installments on previously taken loans, resulting in higher principal repayment amounts.

In 2024, realized local government deficit amounted to Denar 638 million. This deficit was mostly due to the spending of unspent funds, i.e. deposits from the previous years.

### **2.5.3 2025 Budgets of Local Government Units**

2025 budgets of Local Government Units are prepared as per the instructions given in the budget circular of the municipalities. Maximum amounts for projecting the Core Budget revenues, as well as the projections of the VAT grants, block and earmarked grants are determined in the circular.

Pursuant to the Law on Financing the Local Government Units, percentage of increased Core Budget own revenues over the determined average of own revenues collected in the last three years, accounts for 10% in 2025. Thereby, in case the collection of own revenues of municipality, as of the third quarter inclusive, accounts for more than 75% of the projected Core Budget own revenues, the municipality is given the opportunity to further increase the projected revenues up to 10%. At the same time, if the municipality has provided a confirmation for transfer of funds from an appropriate institution or in the case of changes pertaining to the amount and the type of own revenues of the core budget established by law, the municipality may increase the projected revenues.

In 2025, municipalities will receive 6% of the collected VAT from the previous year, out of which, 4.5% is allocated to all municipalities, 0.75% is distributed to the Equalisation Fund and the Performance Fund, respectively. Total amount, which will be distributed thereto, amounts to Denar 4,707 million, being higher by Denar 505 million compared to 2024. As regards personal income tax, in 2025, municipalities receive 6% of the collected PIT on wages of individuals as per their permanent place of residence. These revenues are projected in the amount of Denar 1,201 million, which is approximately at the same level as in the previous year.

In 2025, the trend of increasing earmarked and block grants for the transferred competencies in the field of education, culture, social protection, and firefighting continues. Total amount is Denar 28,532 million, being higher by Denar 2,065 million compared to 2024. Growth resulted from the increased wages, harmonization with the minimum wage and payment of the vacation allowance.

In 2025, total revenues of local government unit budgets are projected in the amount of Denar 56,910 million, being an increase by 17.8% compared to the revenues collected in 2024. Expenditures are projected in the amount of Denar 62,163 million, being higher by 27% compared to the expenditures in 2024. Increase in expenditures is primarily due to a significant rise in capital expenditures, being projected in the amount of Denar 15,329 million, marking a 85.7% growth compared to 2024. These funds are intended for construction and reconstruction of streets and local roads, reconstruction and construction of schools, kindergartens, sports halls and playgrounds, environmental protection projects, etc. The financing of these Projects is also supported by Central Budget funds—over Denar 4.5 billion—which were approved and allocated to the municipalities by the Government at the end of 2024. These funds will be disbursed to the municipalities in 2025 upon submission of interim certificate for completed investment activities.

Such projected revenues and expenditures for 2025 will result in a budget deficit of EUR 5,230 million. The main reasons for this high deficit are the utilization of deposits—i.e. unspent funds the municipalities received as capital transfers from the Central Budget at the end of 2023 and 2024, and projected borrowings, particularly by the City of Skopje, having projected over Denar 930 million for procurement of new buses.

### **2.5.4 Revenue Collection and Expenditure Execution in the period January – March 2025**

Performance of revenues and inflows to the budgets of local government units in the period January – March 2025, amounted to Denar 11,795 million and, compared to the same period last year, they grew by around 5%. Denar 3,040 million out of this amount was tax revenues, being higher by 2.6% more compared to last year. Revenues collected on the basis of property taxes in this period of 2024 amounted to Denar 915 million, being slight decline of

2.2%. Increase of approximately 10% is observed in income taxes, primarily due to the increased wages, in particular the rise in the minimum wage, as well as an increase in the percentage of personal income tax revenues allocated to municipalities, collected from individuals with permanent or temporary place of residence in the respective municipality. Collection of revenues on the basis of tax on specific services amounted to Denar 1,804 million, increasing by 4.2%, while fees for usage or licenses for performing an activity recorded 7.6% drop.

During the analysed period, non-tax revenues were collected in the amount of Denar 455 million and, compared to the same period in 2024, they recorded significant 29% increase. As for non-tax revenues, inflows on the basis of fees and charges predominated, amounting to Denar 253 million, slightly increasing by 2.6% compared to the revenues collected in the same period last year, while other non-tax revenues amounted to Denar 178 million, which compared to the revenue collected in the same period last year recorded twofold increase. Other non-tax revenues amounted to around Denar 24 million, growing by 11.2% compared to the previous year.

In the period January - March 2025, capital revenues were collected in the amount of Denar 406 million, being slightly higher by 2% compared to the previous year. As for capital revenues, they almost fully comprised revenues collected on the basis of sale of land and intangible investments.

Revenues on the basis of grants for the transferred competences in the field of primary and secondary education, culture, kindergartens and elderly homes and firefighting amounted to Denar 6773 million, i.e. they significantly increased by around 7% during the analysed period of 2025. During the period January – March 2025, the revenues on the basis of transfers from the Central Budget and other levels of government, were collected in the amount of Denar 1,011 million, and they were collected at nearly the same level compared to those collected in March 2024.

During the period January – March 2025, revenues on the basis of donations were collected in the amount of Denar 107 million, i.e. they significantly decreased by approximately 37% compared to last year, whereby inflows from loans were collected in the amount of Denar 2 million, significantly decreasing by 75% compared to the same period last year.

In the period January – March 2025, no revenue inflows were recorded from the sale of parts, shares or other securities.

In the period January – March 2025, expenditures executed in the amount of Denar 12,149 million increased by 8.5% compared to the same period last year. These expenditures are used for regular settlement of the liabilities arising from the competences transferred to the municipalities. The included costs for day-to-day operations of the municipalities, implementation of capital projects and repayment of principal on the previously taken loans. In the period January - March 2025, expenditures related to wages and allowances accounted for the most of the expenditures with 58.1%, i.e. Denar 7,061 million. Compared to the same period last year, these expenditures were higher by 8.2%. The largest part of the wage bill, i.e. 83% or Denar 5,859 million, pertained to the employees in the institutions at local level, such as primary and secondary education, culture, kindergartens, elderly homes and firefighting. These institutions are financed, to a great extent, with block grants, covering around 98.2% of their costs.

In the period January – March 2025, expenditures related to goods and services amounted to Denar 2,201 million, accounting for 17.3% of total expenditures. These expenditures surged by 4.4% compared to the same period last year. This increase can be attributed to the growing needs for procurement of goods and services within the scope of the ongoing activities and the project implementation.

Expenditures related to subsidies and transfers were executed in the amount of Denar 1,022 million, accounting for 8.4% of total expenditures. These funds are intended for supporting various programmes and projects in the public sector, as well as for social transfers and subsidies for the citizens.

On the other hand, principal repayment amounts to Denar 182 million, comprising 1.5% of the total expenditures. This amount is allocated for repayment of previously taken loans, reflecting the municipalities' ongoing obligations to manage the public debt.

Expenditures executed from reserves, social benefits, and interest payments collectively account for approximately 0.6% of total expenditures, highlighting their smaller yet significant role in ensuring financial stability and supporting social programmes.

In the period January – March 2025, capital expenditures accounted for 14% of total expenditures, amounting to Denar 1,705 million. The majority of these expenditures (95.8%) are financed from revenues generated within the Core Budget, with the largest portion consisting of transfers from the Central Budget designated for capital investments. Other sources of financing for capital expenditures include 2.5% from donations, 1.2% from grants, 0.2% from loans, and 0.3% from self-financing activities. The 17.9% increase in capital expenditures compared to the same period last year indicates significant intensification of capital investments. This increase is explained by the greater utilization of funds allocated as capital grants from the Central Budget, in accordance with the Government's decision in 2024. This demonstrates that municipalities and local governments are actively leveraging their budgets to support development projects, which may include infrastructure and other capital investments, aimed at enhancing public

services and improving the economic condition in the municipalities. The rise in capital investment funding reflects active policies for supporting local development and creating conditions for better quality of life and work environment of the citizens.

### **2.5.5 Medium-Term Framework of Local Government Budget**

One of the priorities indicated in the 2024-2028 Work Programme of the Government of the Republic of North Macedonia, covers developed local government units and equal regional development. Government's main principles are aimed at having modern, transparent and financially stable municipalities in place, through even distribution of funds between the planning regions and the municipalities, while also providing for equal development of all regions.

Government's financial support and cooperation with the municipalities will be geared towards: continuous investment of the Central Budget funds in capital infrastructure projects for the municipalities, up to EUR 250 million, increased financial stability of municipalities by ensuring equal distribution of funds, while paying attention to the balanced regional development principles, benefits and incentives for those municipalities with well-designed budgets, high expenditure execution, high local tax collection, as well as improved methodology for calculating the maintenance costs of educational facilities in the municipalities, as per which funds are paid thereto via block grants.

In cooperation with local government units, Government will work on enhancing the decentralisation process via continuous increase of the transfers of competencies by the state administration bodies to the local government units in line with the built capacities of local government units.

Capital investments are the key factor for boosting the competitiveness of the economy and improving the quality of life for the citizens. In the upcoming period, the Government will be dedicated to the following: capital investments to be solely aimed at productive projects: infrastructure and energy projects in support of the business sector, and capital projects in the field of utilities and other local infrastructure, geared towards improving the living conditions of the Macedonian citizens.

During its term of office, the Government will be also focused on revising the system for distribution of the transfers from the Central Budget to the municipalities. Central Budget transfers will be in correlation with efficient genuine revenue collection. Correlating the budget transfers with the performance of municipalities in collecting their own genuine revenues will imply fair taxation and transfer of budget funds to the municipalities.

Municipalities are expected to continue the trend of improved collection of own revenues, as well as strengthening the capacities for development of policies for financing the municipalities and enhancing the capacities for financial management. Strong devotion will continue in the coming period, by encouraging sustainable local development, sound local governance and creating conditions for more active, more effective and more innovative role of the local authorities in accomplishing the national objectives for growth and development, all to the end of realising the strategic commitments.

By taking into account the activities undertaken in the past period related to completing the second phase of fiscal decentralisation, during 2025, it is expected for all activities for entering of Plashnica Municipality in the second decentralisation stage, to be completed,

In 2025 and in the medium term, many activities and measures are envisaged for the purpose of strengthening the fiscal decentralisation, in particular improved fiscal capacity and increased municipal revenues, strengthened fiscal discipline and increased transparency and accountability as regards municipalities' operations.

Amendments to the Law on Financing Local Government Units provided for improved fiscal capacity and increased municipal revenues, by which PIT revenues gradually increased from 3% in 2022 to 6% in 2024. In addition, as per these amendments, in 2025 and the next years, municipalities will receive 6% of the collected PIT revenues.

In 2025 and beyond, VAT revenues will account for 6% of the collected VAT generated in the previous year.

During 2025 and 2026, New Law on Financing Local Government Units will be prepared, as per the assessment of the existing Law carried out in 2022, which will be harmonised with the new Organic Budget Law, to be followed by adopting the respective bylaws.

As regards strengthening the fiscal responsibility of the municipalities, the legal amendments are expected to provide for increased transparency of their operations, by which the municipalities are obliged to publish financial data, in a transparent manner, on their websites, coupled by spending accountability for all funds transferred by the Government. Data on revenue collection and expenditure execution of municipalities, as well as the arrears reported in the Electronic System for Reporting and Recording of Liabilities are published on MoF's website on quarterly basis, whereby the Annual Report on the Budget of the Republic of North Macedonia also includes the Annual Report on the Municipal Budgets. With UNDP support, the financial data under the periodical financial reports of around 55 municipalities were published on the websites of the municipalities, as well as on MoF's website.

Additional revenues are also transferred to the municipalities' budgets as grants from the Budget of the Republic of North Macedonia and the Funds' budgets for the purpose of financing their competences stipulated by law.

Block grants for the transferred competences in the field of primary and secondary education, culture, kindergartens and elderly homes, earmarked grants for firefighting, as well as capital grants from the Central Budget, have been transferred from the Budget of the Republic of North Macedonia. For the purpose of more even distribution of the grants by municipalities, the competent ministries will carry out analyses of the criteria, as per which the funds are distributed for the separate transferred competences, while also determining new distribution models in line with the needs, thus rendering better-quality services.

Moreover, increase will be recorded at own revenue performance at the municipalities, in particular revenues collected on the basis of taxes on real estate, as a result of greater coverage of the real estate of natural persons and legal entities and re-assessment of the value of the real estate. In the coming period, improvements of the legal framework concerning local taxes and fee as direct revenues for local self government units, are expected. These improvements will focus on modernization, digitalisation, updating real estate registries, and continuous cooperation between the Real Estate Cadastre Agency and the Central Registry of the Republic of North Macedonia. All this will result from previously well-prepared analysis, application of the best practices from the region and beyond, as well as monitoring the latest trends on the economic market.

Government of the Republic of North Macedonia remains, through its competent ministries and institutions, committed to actively supporting local development by providing for implementation of a wide range of infrastructure projects across municipalities throughout the country. In the course of 2024, over Denar 4 billion was allocated from the State Budget as capital grants, aimed at implementing more than 280 infrastructure projects. Funds were allocated at the end of 2024, with the respective implementation being primarily expected in 2025, in cooperation with the local government units. Additionally, in 2025, a dedicated Programme AA – Infrastructure Projects in Municipalities was adopted, with a total budget of up to Denar 15 billion for projects to be implemented in 2025, 2026, and 2027. There is ongoing process of submitting applications by municipalities to the Ministry of Local Government, along with the submission of project documentation to the competent ministries. Upon completing the evaluation, the Government is expected to make a decision in May 2025 to support positively assessed projects, as well initiate the procedure for concluding contracts with the municipalities.

In the next medium-term period, stable revenues have been provided by allocating funds from lease of state-owned agricultural land to the municipalities, the proportion of which is 50% for the Budget of the Republic of North Macedonia and 50% for the municipalities and the municipalities in the City of Skopje, which distribution depends on the location of the agricultural land under lease, provided that collection of revenues on the basis of tax on real estate exceeds 80% in relation to the projected ones. Stable own revenues are provided from funds distributed to the municipalities on the basis of the fee collected by issuing concession for usage of water resources for electricity generation (50% for the central government budget and 50% for the municipalities), depending on which area the concession activity is performed.

Special efforts will be put in supporting the municipalities by encouraging the local development via supporting the local projects and harmonising them with the national ones. The goal of fiscal equalisation within the context of the Strategy for Regional Development is to ensure equal offer of public goods and services at all LGUs, thereby achieving a complementary effect of more balanced development of certain planning regions. Providing joint assistance to the financially weakest municipalities, i.e. municipalities with the least revenue collection capacity, yields positive effects for both their development and the development of the planning region which they belong to.

In addition to the support as regards the transfer of competences for collection of part of the public revenues, as well as the Central Budget transfers, support to building municipal capacities is also implemented through projects of the central government funded by international financial institutions.

In cooperation with the World Bank, new Sustainable Municipal Development Project is prepared, all to the end of further extending the support for the municipal projects by awarding loans and grants thereto.

Under the Local Roads Connectivity Project, which is part of the ongoing Country Partnership Framework with the World Bank, implemented by the Ministry of Transport and Communications, EUR 70 million is intended to be disbursed to all 80 municipalities and the City of Skopje for construction and rehabilitation of local roads and streets, as well as other road infrastructure in local government units. Such direct support ranging from EUR 500,000 up to EUR 2 million per municipality (depending on the project the respective municipality applies for) provides for improved local infrastructure in the municipalities.

In the period to come, Public Sector Energy Efficiency Project will continue to be implemented via the Ministry of Finance with World Bank support under Loan Agreement in the total amount of EUR 25 million. Main objective of this Project is reducing energy consumption in the public sector, at the same time improving the energy class and the quality of the public buildings and the public lighting. All local government units are eligible to use the funds under this component. Amount of funds per municipality can vary from EUR 50,000 to EUR 750,000 and is dependent on the municipal borrowing capacity and the estimated investment value of the proposed municipal project. By signing a sub-loan agreement with the Ministry of Finance, 80% of the loan funds is allocated to the municipality as on-lending, with

the remaining 20% being allocated as a grant. Moreover, within the funds Ministry of Finance provided for this Project, the expenses for preparation of energy audit and technical design will also be covered. Investment grant in the amount of EUR 2.140.000 has also been provided for this Project through the Western Balkans Investment Framework (WBIF).

Backed by a EUR 50 million loan from the European Investment Bank, aimed at financing the Municipal Water Infrastructure North Macedonia Project, the Government will keep providing support for all municipalities, with a focus on building more sound water supply infrastructure and wastewater treatment stations. This Project is implemented via the Ministry of Environment and Physical Planning

In the field of environment, major capital Project for Construction of Skopje Wastewater Treatment Plant is implemented, funded with European Investment Bank's loan amounting to EUR 68 million, followed by a loan by the European Bank for Reconstruction and Development in the amount of EUR 58 million, as well as investment grant under the Western Balkans Investment Framework - WBIF, amounting to EUR 69,784,283 million. As regards solid waste management, Regional Solid Waste Management Project is of vital significance, foreseeing establishment of management systems, i.e. solid waste stations in Southwest, Vardar and Pelagonia Regions, Southeast Region and Polog Region, funded with a loan amounting to EUR 55 million by the European Bank for Reconstruction and Development and investment grant under the Western Balkans Investment Framework, amounting to EUR 22.5 million.

In cooperation with foreign donors, activities are undertaken in order to create municipal "sustainable development index", harmonised with the sustainable development objectives, to serve as a local development policy instrument, thus assisting the authorities at all levels, in planning and distributing funds for development, all to the end of promoting equal social and economic growth, as well as easing the monitoring of the development progress. For the purpose of a complete review of municipal development, Municipal Development Index will be set. Index will incorporate 11 main pillars with 44 indicators for measuring development, which will be used for further projecting of the funds allocated from the Central Budget, thus providing information on the development of each municipality separately. Municipal Development Index offers valuable insights into the overall development of municipalities by providing a comprehensive assessment of the key indicators, promoting sustainable and inclusive municipal development. Activity is carried out within UNDP project activities.

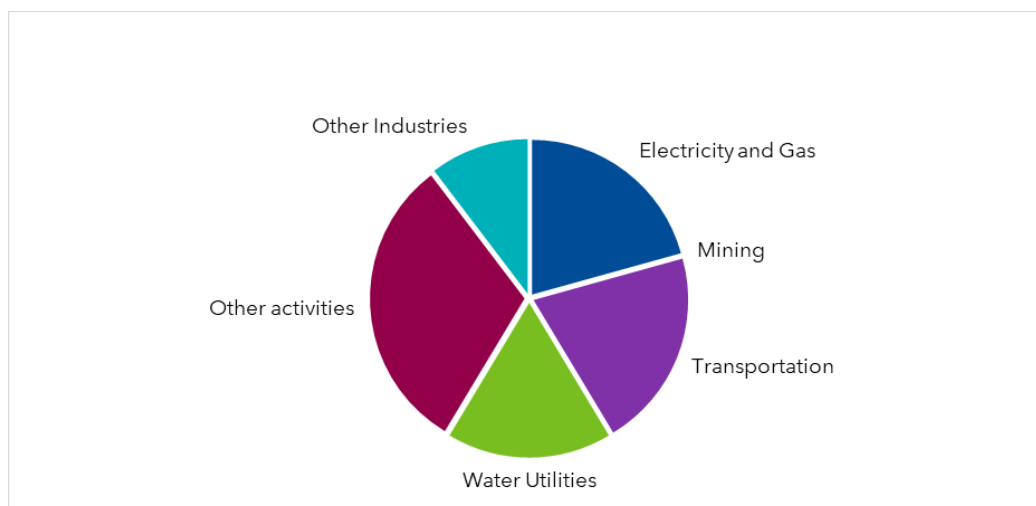
Table 14. Medium-Term Projection of Local Government Budget (Denar million)

	2022	2023	2024	2025	2026*	2027*	2028*	2029*	2030*
<b>Total revenues</b>	<b>38.716</b>	<b>47.375</b>	<b>50.168</b>	<b>61.262</b>	<b>63.057</b>	<b>66.921</b>	<b>71.489</b>	<b>75.362</b>	<b>79.441</b>
Tax revenues	10.716	11.811	13.250	13.983	13.859	14.303	14.746	15.199	15.658
Non-tax income	1.419	1.585	1.474	2.824	2.943	3.163	3.383	3.603	3.823
Capital income	1.784	1.899	1.489	2.082	2.055	2.155	2.260	2.360	2.460
Transfers	24.105	30.347	33.264	41.276	43.000	45.900	49.600	52.600	55.800
Donations	692	1.733	691	1.096	1.200	1.400	1.500	1.600	1.700
<b>Total expenses</b>	<b>38.911</b>	<b>44.309</b>	<b>48.886</b>	<b>60.746</b>	<b>63.057</b>	<b>66.921</b>	<b>71.489</b>	<b>75.362</b>	<b>79.441</b>
Wages and allowances	19.899	23.981	27.321	30.456	31.524	33.928	36.996	39.479	40.716
Goods and services	9.900	9.832	9.588	11.699	11.960	12.600	13.150	13.700	15.092
Interest payments	37	67	98	108	110	110	110	110	110
Subsidies and transfers	2.857	3.421	3.589	4.169	4.230	4.450	4.680	4.900	5.120
Social transfers	67	71	74	90	90	90	90	90	90
Capital expenditure	6.151	6.937	8.216	14.224	15.143	15.743	16.463	17.083	18.313
<b>Balance</b>	<b>-195</b>	<b>3.066</b>	<b>1.282</b>	<b>516</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Ministry of Finance and Ministry of Finance projections (\*)

## 2.6 Public Enterprises and State-Owned Companies

Government of the Republic of North Macedonia has founded 15 public enterprises, being a single shareholder/member in 14 companies, being under full (100%) state ownership. These entities are employers of around 14 thousand workers, constituting a substantial part of Macedonian economy. Their operations span multiple sectors, including energy and gas, transport, water economy, media services, and other activities of public interest.



Operations of public enterprises and state-owned companies are regulated in the Law on Public Enterprises, the Company Law, as well as other sectoral laws defining the operations in the specific area of the enterprise, i.e. the company (Law on Energy, Law on Railway System, Law on Public Roads, Law on Water Management, Law on Forests, etc.).

The Table – consolidated financial statement presents the consolidated data on the portfolio of these entities in the period 2019–2023, based on the Annual Accounts submitted to the Central Registry of the Republic of North Macedonia.

Consolidated financial statement (000 Denar)					
	2019	2020	2021	2022	2023
<b>Total Revenue</b>	<b>36.427.633,5</b>	<b>32.227.977,9</b>	<b>37.457.632,8</b>	<b>59.603.169,3</b>	<b>61.909.036,5</b>
Percent of GDP	5,26	4,91	5,18	7,26	6,86
<b>EBITDA</b>	<b>3.918.327,9</b>	<b>-94.160,9</b>	<b>2.087.674,7</b>	<b>9.501.667,2</b>	<b>4.528.772,3</b>
Percent of GDP	0,57	-0,01	0,29	1,16	0,50
<b>Net Profit</b>	<b>2.229.342,9</b>	<b>1.758.709,0</b>	<b>-1.373.695,1</b>	<b>6.568.588,0</b>	<b>4.324.556,5</b>
Percent of GDP	0,32	0,27	-0,19	0,80	0,48
<b>Total Assets</b>	<b>315.806.148,2</b>	<b>317.458.736,6</b>	<b>326.674.707,7</b>	<b>343.013.248,2</b>	<b>375.993.627,3</b>
Percent of GDP	45,59	48,40	45,17	41,79	41,69
<b>Total Current Assets</b>	<b>27.353.157,9</b>	<b>23.154.288,9</b>	<b>25.687.417,9</b>	<b>33.375.827,3</b>	<b>35.692.997,2</b>
Percent of GDP	3,95	3,53	3,55	4,07	3,96
<b>Total Liabilities</b>	<b>106.301.009,5</b>	<b>106.415.409,8</b>	<b>117.036.773,5</b>	<b>126.598.947,3</b>	<b>151.066.290,0</b>
Percent of GDP	15,35	16,22	16,18	15,42	16,75
<b>Total Current Liabilities</b>	<b>19.709.760,8</b>	<b>23.201.044,1</b>	<b>26.597.650,9</b>	<b>27.384.057,9</b>	<b>36.079.645,3</b>
Percent of GDP	2,85	3,54	3,68	3,34	4,00
<b>Total Equity</b>	<b>209.505.138,8</b>	<b>211.043.326,8</b>	<b>209.637.934,2</b>	<b>216.414.300,9</b>	<b>226.506.816,1</b>
Percent of GDP	30,25	32,17	28,99	26,37	25,11

Total capital of these entities ranges between Denar 209.5 billion in 2019 and Denar 226.5 billion in 2023. During this period, total liabilities picked up by around 8.1%, with the net profit amounting to Denar 4.3 billion in 2023.

Total expenditure execution and revenue collection in 2024 (according to the 2024 quarterly reports), as well as the revenues and expenditures projected for 2025, are presented in the Table – Revenues and Expenditures (2024 performance and 2025 projections).



Table – Revenues and Expenditures (2024 performance and 2025 projections)

	Public enterprise / State-owned companies	total revenues	total expenditures	financial result	total revenues	total expenditures	financial result
Denar million							
		2024			Plan 2025		
1	Power plants of North Macedonia ESM, JSC - Skopje	24.172,1	31.741,7	-7.569,6	25.784,9	25.733,9	51,0
2	Electricity Transmission System Operator of the Republic of North Macedonia, a JSC for electricity transmission and power system control, in state ownership - Skopje	6.579,9	6.050,4	529,5	5.544,0	5.544,0	0,0
3	Public enterprise for state roads - Skopje	13.371,3	9.203,7	4.167,6	13.000,0	3.650,0	9.350,0
4	Railways of the Republic of North Macedonia Transport, JSC - Skopje	1.228,1	1.559,5	-331,4	825,9	1.536,4	-710,5
5	Public enterprise for managing forests „National Forests“ - Skopje	1.282,2	1.323,6	-41,4	2.720,5	2.457,0	263,5
6	State owned JSC for postal traffic "Post of North Macedonia" - Skopje	1.253,8	1.634,7	-380,9	1.432,5	1.453,1	-20,6
7	Public enterprise for railway infrastructure Railways of Republic of North Macedonia - Skopje	1.070,1	1.258,8	-188,7	1.246,8	1.614,7	-367,9
8	Public enterprise for the maintenance and protection of national and regional roads - Skopje	1.474,4	1.370,4	104,0	2.084,5	2.079,5	5,0
9	Public enterprise "National Television" - Skopje	1.365,5	1.266,5	99,0	1.411,9	1.411,9	0,0
10	JSC for construction and management of residential and commercial property significant to the country - Skopje	651,1	705,7	-54,6	882,3	844,6	37,7
11	Air Navigation service provider of the Republic of North Macedonia, JSC „M- NAV“ - Skopje	1.557,4	1.314,0	243,4	1.423,4	1.418,0	5,4
12	JSC Water Economy of Republic of North Macedonia	614,3	701,9	-87,6	1.063,4	1.041,4	22,0
13	Public enterprise for water supply "Strezevo" - Bitola	272,9	430,1	-157,2	294,4	450,7	-156,3
14	JSC "State lottery of North Macedonia" - Skopje	2.020,4	1.565,4	455,0	3.477,2	2.151,7	1.325,5
15	Public enterprise Hydrosystem "Zletovica" - Probitip	46,9	178,4	-131,5	67,7	186,0	-118,3
16	Public enterprise "National Broadcasting" - Skopje	248,8	277,4	-28,6	372,0	372,0	0,0
17	JSC for airport services "Airports of the Republic of North Macedonia" - Skopje	33,3	20,5	12,8	17,2	118,0	-100,8
18	„Boris Trajkovski“, state owned limited liability company established by one person - Skopje	72,6	108,9	-36,3	114,8	156,6	-41,8
19	Public enterprise for water supply "Lisice" - Veles	50,8	88,3	-37,5	47,3	92,0	-44,7
20	JSC for management of state - owned business premises - Skopje	82,4	79,8	2,6	91,7	90,8	0,9
21	Public enterprise "Official Gazette of Republic of North Macedonia" - Skopje	106,0	90,6	15,4	116,0	113,8	2,3
22	Public enterprise for water supply "Studenica" - Kicevo	77,4	83,1	-5,7	88,6	88,0	0,6
23	Media information agency - Skopje, a state owned JSC	62,7	75,8	-13,1	78,2	78,2	0,0
24	Public enterprise „JASEN“ - Skopje	47,1	47,1	0,0	53,8	46,2	7,6
25	Public enterprise for management of pastures - Skopje	32,1	27,7	4,4	45,1	39,4	5,7
26	JSC „Nomagas“ - Skopje	416,7	333,3	83,4	479,6	441,7	37,9
27	Public enterprise „Agro - Berza“ - Skopje	16,0	15,0	1,0	17,8	17,8	0,0
28	Public enterprise „Collector system“ - Skopje	151,9	149,7	2,2	134,4	128,1	6,3
29	State owned limited liability company established by one person „Naftovod“ - Skopje	7,0	7,0	0,0	7,0	7,0	0,0

Source: Quarterly reports and Financial plans of public enterprises and state - owned trading companies

Pursuant to the Law on Public Enterprises, and for the purpose of increasing transparency, public enterprises are obliged to publish the annual and the quarterly reports on their websites, thus providing for timely and transparent monitoring of financial operations of these entities, at the same time providing opportunity for more realistic prediction of the fiscal risk in this field and timely undertaking of appropriate measures. Ministry of Finance publishes, on its website, data on expenditure execution and revenue collection and the projections thereof, and based on the data shown in the financial plans, as well as the quarterly and the annual reports of these entities.

Public enterprises and state-owned companies are obliged, pursuant to the Law on Reporting and Recording of Liabilities, to report, on monthly basis, undue liabilities and arrears in the Electronic System for Reporting and Recording Liabilities, being kept by the Ministry of Finance. On the basis of the recorded data on reported liabilities, Ministry of Finance publishes, in continuity and on quarterly basis, summary reports on its website, thus additionally contributing to strengthened and increased transparency.

Government of the Republic of North Macedonia, as founder of these entities continuously monitors their financial operations via the annual accounts and annual reports, 3-month reports, financial plans and investment programmes, under which consideration and approval, observations and remarks are provided to the competent bodies of the enterprises/the company, being geared towards reducing the non-productive expenditures, undertaking measures for collection of uncollected claims and timely settlement of the liabilities.

Modifications and amendments to the Organic Budget Law include provisions aimed at ensuring consistent monitoring of the financial operations of enterprises and companies fully or predominantly owned by the state, as well as the companies founded thereby, timely and coordinated planning of the current and investment activities of these entities in accordance with the strategic plans, the Government's set policies, and adopted strategies relevant to their operations. It is of particular importance for the planned investment activities within the programmes of these entities, which are financed with budget funds, to be timely and realistically structured and incorporated into the budget process, in order to ensure their successful implementation in line with the planned dynamics and the set action plans. As for this process, alongside the Government and the Ministry of Finance, the line ministries responsible for implementing strategic priorities within their respective domains, both in on ongoing basis and over the medium run, also play a significant part therein.

Contemporary public financial management concept designed in the new Organic Budget Law is aimed at improving the public finance management and strengthening the medium-term budgeting, as one of the biggest priorities of the Government of the Republic of North Macedonia in the EU accession process. This concept also covers public enterprises and state-owned companies as substantial segment in the public sector, thus, activities are planned for the next period, pertaining to introduction of medium-term planning at these entities as regards capital investments.

The financial plans and investment programmes of these entities for 2025 include several ongoing and investment activities that are planned to be implemented during 2025, as well as to continue over the medium term. In the period 2025-2030, investment activities are planned for the period 2025-2030, aimed at reconstruction and construction of Corridor VIII (eastern section), reconstruction and upgrading of the existing route for the purpose of implementing the Urban Train Project, Construction of New and Reconstruction of Existing Beljakovce-Kriva Palanka Railway Section, Reconstruction of Corridor X, modernisation of road crossings, Construction of Kriva Palanka-Republic of Bulgaria Railway Line, investment maintenance of rolling stock, reconstruction and modernisation of passenger transport means, as well as maintenance of freight wagons as an investment".

As regards road infrastructure investments for 2025, the Public Enterprise for State Roads plans investment activities totaling Denar 23,644,610,000, Denar 5,572,110,000 out of which will be financed from its own funds. The majority of these funds or Denar 3,662,110,000 are intended for road construction, rehabilitation, reconstruction, lighting, signalisation, road equipment, bridges, landslides, with some of the funds being own share in projects funded with loans.

With respect to activities related to gasification of the country and the supply of affordable environmental-friendly energy to the business sector, the public sector, and the households, AD 'NOMAGAS' has, within the investment plan, projected funds totaling Denar 2,877,699,475 for 2025, most of which are intended for construction of interconnector gas pipeline between the Republic of North Macedonia and Greece (Denar 1,838,850,000).

### **3. Other Aspects and Improvement of Public Financial Management**

#### **3.1 2022-2025 Public Financial Management Reform Programme**

Effective public finance management is of key significance not only for improving the fiscal discipline and the strategic distribution of the scarce public resources, but also for ensuring transparency, accountability and efficiency in

budget spending, as well as rendering high-quality public services, which play major role in gaining public trust and increasing overall domestic support for implementing the challenging reforms.

Moderate economic growth and moderate high public debt – primarily for managing the adverse effects of the pandemic and the energy crisis – contributed to limited fiscal space. Increased public resources are required for scaled-up investments in the field of infrastructure, education, health and digital transformation, which are of crucial importance for boosting both productivity and competitiveness, as well as improving the quality of life for citizens. Hence, intensified implementation of the reforms aimed at enhanced revenue mobilisation, optimisation and re-prioritising public expenditures, as well as promoting investments in capital projects, which provided for boosted productivity, is of essential importance for creating convenient environment for accelerating economic growth and facilitating EU convergence.

Even with managing the global price and energy crisis, the Government carried out major public finance reforms aimed at accelerated, inclusive and sustainable economic growth, higher standard and quality of life. Times of crisis best show the required changes to the system. New Organic Budget Law is among the major reforms implemented, introducing medium-term budgeting, as well as the reform aimed at strengthening fiscal decentralisation from the aspect of financing and accountability, and the reform aimed at broadening the tax base.

Public finances reform is aimed at longer-term and better planning of budget programmes and budgets, sustainability and continuity in implementing the policies, more just model in view of revenues and expenditures and the manner of financing, as well as monitoring and measuring the performance. Among the main pillars of public finance reforms are transparency, accountability, allocating public funds where greater benefits are generated when prioritising the optimal policies in support of both the citizens and the business sector, by introducing “value for money” concept and so-called Key Performance Indicators. Such reforms are essential for rapid recovery from the crisis and accelerated economic growth. All this encompasses maintaining stable budget over the long run, thereby continuing the rendering of quality and prompt services to the citizens and the businesses through a modern and efficient public administration based on digitalisation.

Public Financial Management Reform Programme is a strategic document for development of the public financial management system, always including the civil society, the development partners and other relevant stakeholders in its preparation. Such concept of an inclusive and open dialogue with all stakeholders about the PFM policies is applied, as a good practice, for the preparation of all PFM Programmes.

Public Financial Management Reform Programme covers all aspects of public financial management: economic analysis, macroeconomic and fiscal framework, revenue mobilisation and collection, Budget planning, public investment management, effective instruments under the Growth Acceleration Plan, public procurement, including PPP, establishment of Integrated Financial Management Information System (IFMIS), Public Finance Academy, budget accounting, public internal financial control, external control and parliamentary oversight and PFM at local level.

Key goals of the Programme are improved fiscal framework, strengthened process of public finance planning, execution and reporting, increased revenue collection, strengthened public procurement system and improved internal and external control by increasing transparency and accountability in operations, which are to ensure accelerated and sustainable economic growth, higher living standard and better quality of life for the citizens. All this encompasses maintaining stable budget in the long run, thereby continuing the rendering of quality and prompt services to the citizens and the businesses through a modern and efficient public administration based on digitalisation. Further improvement of public financial management is necessary not only to underpin the measures aimed at fiscal consolidation and structural reforms, but also as a process, which improves the quality of the public administration and ensures an attractive and desired environment for the investors. Moreover, the Government has developed sub-system reform strategies in the areas of public internal financial control and tax system.

On 15<sup>th</sup> September 2022, Parliament of the Republic of North Macedonia adopted the new Organic Budget Law, which entered into force on 27<sup>th</sup> September 2022. Pursuant to Article 25 referred to in the modifications and amendments to the Law ("Official Gazette of the Republic of North Macedonia", no. 272/24), it is planned for the Law to start to apply as of 1<sup>st</sup> January 2026, except for Article 121, which has been applied since 1<sup>st</sup> January 2023.

In addition, starting January 2025, the application of the following new measures commenced: Gender Budget Statement, Form of Assessment of Medium-Term Fiscal Implications and Spending Review from the Implementation of Certain Budget Policy.

The Law incorporates numerical fiscal rules and fiscal principles harmonised with the EU Standards, for the purpose of ensuring more accountable and more predictable fiscal policy. Establishment of Fiscal Council, being already established and functional institutional body, medium-term budget planning, improved public fund management at state and municipal level, as well as strengthened monitoring of the financial operations of state-owned enterprises, is also envisaged within the Law.

During 2024 and at the beginning of 2025, Ministry of Finance adopted a series of by-laws for the purpose of implementing the Law, as follows:

- Rulebook on Functional Classification,
  - Rulebook on Economic Classification
  - Rulebook on Form and Contents of Misdemeanour Payment Order,
  - Rulebook on Programme Classification,
  - Rulebook on Budget Classification by Sources of Financing,
  - Guidelines on the Manner of Preparing the Macroeconomic and Fiscal Projections and the Process of Coordination between the Organisational Units and the Institutions related to the Macroeconomic and Fiscal Projections,
  - Rulebook on Organisational Classification,
  - Rulebook on the Form, the Contents and Establishment and Manner of Maintaining the Registry of Public Entities,
  - Rulebook on the Form and Contents of Gender Budget Statement,
  - Rulebook on the form and contents of F-1 Form and
  - Rulebook on the Form and the Contents of the Medium-Term Fiscal Implications Assessment Form
- Pursuant to the new Law, two key strategic documents were also prepared:
- 2024–2028 Fiscal Policy Statement,
  - 2025 – 2029 Fiscal Strategy of the Republic of North Macedonia, and 2026 - 2030 Fiscal Strategy of the Republic of North Macedonia.

Thus, firm foundations are laid for the sake of full and effective execution of the Budget Law, thus increasing public finance transparency, accountability and sustainability.

### **3.2. Report on Recorded Arrears pursuant to the Law on Reporting and Recording the Liabilities**

For the purpose of providing and maintaining transparency and accountability and strengthening the accountability when managing public funds, the Law on Reporting and Recording Liabilities regulates the reporting, recording and publication of the data on reported undue liabilities and arrears.

Such legal solution regulates the recording of liabilities on monthly basis in the electronic system by the general government bodies, local government units and institutions performing activities in the field of culture, education, health, child care, social protection, as well as in other activities of public interest determined by Law, established by the Republic of North Macedonia or by the local government units, public enterprises, state-owned companies and other legal entities founded by the Republic of North Macedonia or the local government units.

For the purpose of informing the public and greater transparency, and on the basis of the recorded data on reported liabilities, reporting is carried out on monthly basis through the Electronic System for Reporting and Recording Liabilities, by the 10<sup>th</sup> day in the month for the previous month at the latest, and Ministry of Finance publishes, on quarterly basis, summary reports on its website.

On quarterly basis, Ministry of Finance (<https://finance.gov.mk/ecneo/>) publishes, on its website, the following reports:

- Report on Recorded Arrears by entities,
- Report on Recorded Arrears by groups of entities,
- Report on Recorded Arrears by types of expenditures and
- Report on Recorded Arrears by types of clients.

Entities reporting data in the Electronic System for Reporting and Recording Liabilities are responsible for full accurate and timely reporting of the liabilities.

Implementation of the provisions referred to in this Law is supervised by the Ministry of Finance through the Department for Public Sector Financial Inspection pursuant to the Law on Financial Inspection in the Public Sector.

In line with the data in the Electronic System for Reporting and Recording Liabilities, as of March 2025 inclusive, 1,397 active entities have been registered and active.

Under Table 15, the reported due liabilities by groups of entities, arrears by groups of entities are indicated, covering 2017-2025 period and in line with the reported liabilities, one can notice that the liabilities in the month of March 2025 (the latest published quarterly data) compared to 2017, increased by 79% (Denar 17,742 million), whereas compared to 2024 (December), they increased by 4% (Denar 1,571 million). As for total arrears for the month of March 2025, public enterprises/companies founded by the Republic of North Macedonia (55%) had the highest share, with the largest debtors being the following: Nomagas JSC Skopje, Macedonian Railways Transport JSC Skopje, JSC Power Plants of North Macedonia under state ownership, Macedonian Railways Infrastructure JSC – Skopje and JSC

Water Economy. Largest debtors among the municipal public enterprises are the following: Public enterprise "Water Supply and Sewerage" – Skopje, Public Traffic Enterprise Skopje, Public Enterprise "Water Supply" Kumanovo SO C.O. Kumanovo, Public Enterprise "Collector System" Skopje and Public Enterprise "Utility Hygiene" Skopje.

Analysed as group of entities, compared to 2017, increased liabilities have been recorded at six groups of entities: public health institutions, public enterprises/companies established by the Republic of North Macedonia, municipal public enterprises, regulatory bodies, planning regions and other entities, whereas reduced liabilities have been observed at four groups of entities: first-line budget users, second-line budget users – institutions at national level, municipalities and second-line spending units - local institutions financed via block grants.

Compared to 2024, liabilities have been increased at almost all groups of entities, except for planning regions and other entities.

Table 15. Reported Due Liabilities by Groups of Entities in the period 2019–2025 (Denar million)

No.	Group of Entities	2017	2018	2019	2020	2021	2022	2023	2024	03.2025
1	First-line budget users	5.158	1.044	468	510	591	654	760	843	983
2	Second-line budget users		326	106	96	130	74	256	434	400
3	Municipalities	4.613	5.248	3.306	3.698	4.252	4.084	3.613	3.738	3.901
4	Spending units (local) - second-line budget users	893	861	446	312	263	289	355	381	548
5	Public health institutions	3.183	2.868	2.726	2.757	4.187	5.224	3.770	3.345	3.678
6	Public enterprises and state-owned companies	6.045	4.509	5.962	7.418	11.059	9.769	10.301	21.121	22.058
7	Municipal public enterprises	2.454	3.263	3.600	2.961	3.630	4.666	4.679	6.995	6.851
8	Regulatory authorities	0	1	6	2	11	2	2	1	1
9	Planning regions	0	36	22	59	35	39	49	40	22
10	Other entities	0	583	54	6	1	1.028	1.360	1.617	1.644
	Total:	22.344	18.740	16.697	17.819	24.160	25.829	25.142	38.515	40.086

Source: Ministry of Finance - Electronic System for Reporting and Recording Liabilities

Note: Data pertain to the entities, having reporting such data

As per the data on the type of expenditures shown in Table 16 compared to 2019, the arrears have increased for all types of expenditures, except for current transfers to the local government units and the liabilities for subsidies and transfers. During the first quarter of 2025, arrears for goods and services accounted for the most of the total arrears, and compared to 2019, arrears for reserves and non-defined expenditures, as well as arrears for principal repayment have significantly increased.

By analysing the type of expenditures as regards arrears, as per the economic classification, compared to 2019, the arrears have increased, pertaining to wages and allowances, reserves, non-defined expenditures, goods and services, interest payments, capital expenditures and principal repayment, with the current transfers to local government units, as well as the subsidies and transfers being reduced, whereby social benefits remain at the same level.

Table 16. Reported Due Liabilities by Types of Expenditures in the period 2019-2025 (Denar million)

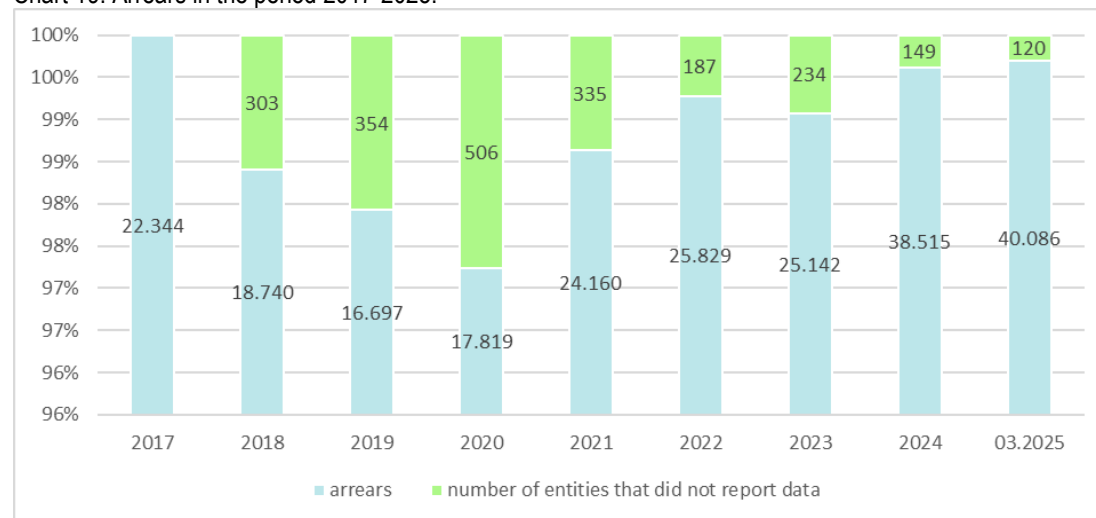
Type of expenditures	2019	2020	2021	2022	2023	2024	03.2025
Total:	16.697	17.819	24.160	25.829	25.142	38.515	40.086
40 Wages and allowances	647	664	577	668	496	546	715
41 Reserves and non-defined expenditures	12	170	537	690	729	2.173	3.286
42 Goods and services	10.566	10.211	12.990	16.570	16.784	19.996	21.450
43 Current transfers to extrabudgetary funds	0	7	7	8	0	0	0
44 Current transfers to local government units	2	0	0	1	0	0	0
45 Interest payments	802	907	1.392	565	968	899	902
46 Subsidies and transfers	1.280	1.214	1.308	1.019	1.022	1.023	1.131
47 Social benefits	3	3	2	1	2	2	3
48 Capital expenditures	2.763	3.026	3.470	3.353	2.870	4.131	4.196
49 Principal repayment	621	1.618	3.877	2.953	2.272	9.745	8.403
Number of entities that did not report data	354	506	335	187	234	149	120

Source: Ministry of Finance - Electronic System for Reporting and Recording Liabilities

Note: Data pertain to the entities, having reporting such data

Chart 19 shows the comparison of arrears for the period 2017-2025 and the number of entities failing to report data thereon, pursuant to the Law on Reporting and Recording of Liabilities. Most of the entities failing to report data were recorded in 2020, whereas the least number was recorded in March 2025. Implementation of the provisions referred to in this Law is supervised by the Ministry of Finance through the Department for Public Sector Financial Inspection pursuant to the Law on Financial Inspection in the Public Sector.

Chart 19. Arrears in the period 2017-2025.

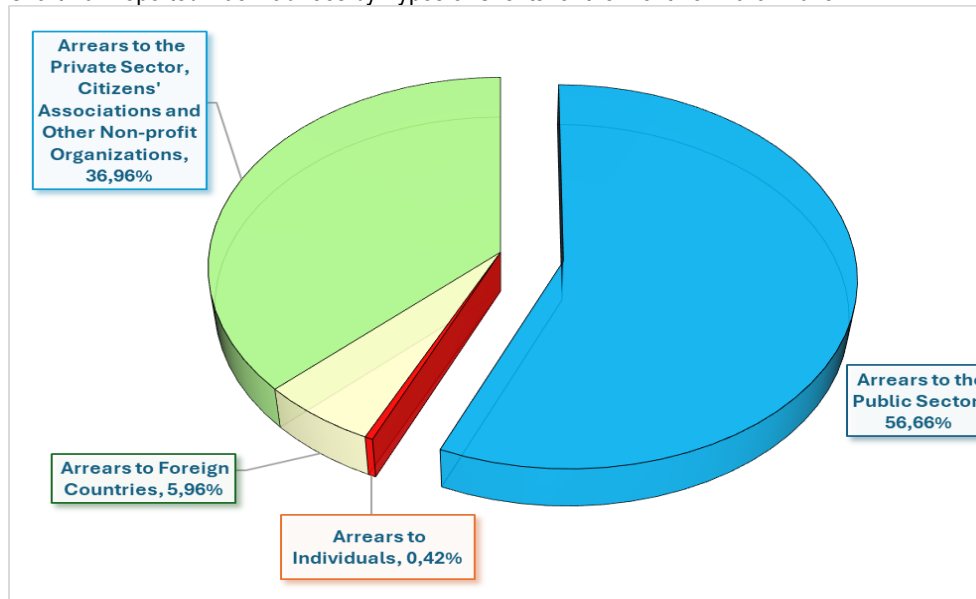


Source: Ministry of Finance - Electronic System for Reporting and Recording Liabilities

Note: Data pertain to the entities, having reporting such data

Reported due liabilities according to types of clients for the month of March 2024 are indicated in Chart no.20. Liabilities to the public sector (56.66%) accounted for the most of total arrears, whereas liabilities reported to natural persons (0.42%) accounted for the least thereof during this period.

Chart 20. Reported Due Liabilities by Types of Clients for the month of March 2025



Source: Ministry of Finance - Electronic System for Reporting and Recording Liabilities

Note: Data pertain to the entities, having reporting such data

#### 4. Use of EU Pre-Accession Assistance

Republic of North Macedonia, as a candidate country for EU membership, is available funds under the EU Pre-Accession Assistance (IPA) Instrument. IPA funds have been planned under the following financial perspectives: IPA 2007 - 2013 Financial Perspective (IPA 1), IPA 2014 - 2020 Financial Perspective (IPA 2) and 2021-2027 (IPA 3) Financial Perspective.

This section of the document presents only the part of EU Pre-Accession Assistance implemented under the decentralised/indirect management method. On the other hand, when it is a matter of centralised management, these are responsibilities of the EC, via the Delegation of the European Union to Republic of North Macedonia.

IPA decentralised/indirect management method is a management method within which the European Commission (EC) entrusts tasks for implementation of certain IPA programmes to the accredited structure in the Republic of North Macedonia, such as tender procedures, contracting, project monitoring and execution of payments.

Funds for national co-financing intended for projects are projected within the budget of the Ministry of Finance, organisational code 09002 - Functions of the State, except for the national co-financing necessary for financing the IPARD projects, which is planned within the budget of the Agency for Financial Support in Agriculture and Rural Development, organisational code 14004, as well as the national co-financing for payment of financial contribution to EC for participation in the Union Programmes, which is planned in the line ministries.

##### 4.1. IPA 1 2007 - 2013 Financial Perspective

Within IPA 1 2007- 2013 Financial Perspective, Republic of North Macedonia has available, through the five IPA Components, funds in the amount of EUR 614 million (Denar 37.8 billion), around EUR 467 million (Denar 28.7 billion) out of which or approximately 76% of the total allocations were employed through the decentralised management method (through structures accredited by the EC services in support of independent management of the European Funds).

##### 4.2 IPA 2 2014 - 2020 Financial Perspective

Under IPA 2 2014 - 2020 Financial Perspective, Republic of North Macedonia has EUR 664 million available. With respect to the manner of implementation, around 50% of the total allocations under IPA 2 will be earmarked for projects planned to be implemented through indirect management system, i.e. through accredited IPA structures.

Awarded assistance will be used for financing projects in the following areas: justice and home affairs, road and railway infrastructure, environment protection, education, employment, promotion of gender equality, human resources development and agriculture and rural development.

IPA funds under indirect management are implemented through the following annual and multi-annual programmes:

- 2014 Action Programme for financing projects in the following areas: Judiciary, Disaster Recovery System and ensuring business continuity, developing capacities for on-site inspections, entry tickets for the Union Programmes, local and regional competitiveness, by focusing on tourism and support for the EU integration (SEA).

- 2015 Action Programme, 2016 Action Programme, 2018 Action Programme and 2020 Action Programme for financing the entry tickets for EU Programmes;

- 2017 Action Programme for financing projects in the following areas: labour and education, entry ticket for the Union Programmes;

- Multi-Annual Sectoral Operational Programme of the Republic of North Macedonia for Environment and Climate Action 2014 – 2020;

- IPARD 2 Programme.

Under the 2014 Action Programme, EUR 20 million was made available to the Republic of North Macedonia, as IPA funds, which Programme was fully implemented with payments made in 2022.

Financing of projects in the field of road and rail transport, as well as projects for construction of waste water treatment plants, sewerage networks and waste management and climate changes is envisaged within the Multi-Annual Sectoral Operational Programme of the Republic of North Macedonia for Environment, Climate Action and Transport.

IPA funds amounting to EUR 114.95 million were allocated to the environment and climate activities sector, with EUR 110.91 million being allocated to Transport sector. Out of these total allocated funds amounting to EUR 225.86 million, due to untimely employment of the funds as per H+5 rule, as of 31<sup>st</sup> December 2024 inclusive, EUR 122 million was foregone as funds from donations. Accordingly, in addition to the previously projected EUR 39.9 million provided as national co-financing from the Budget of the Republic of North Macedonia, additional EUR 122 million is planned to be provided within the Budget in order to finance the planned projects. In line with the signed Financial Agreement for this Programme, the repayment period and the deadline for completing the respective contracts is 31<sup>st</sup> December 2026.

Projects in the field of labour and education are financed within 2017 Action Programme, the aim of which is to reduce high unemployment rate, increase share on the labour market, in particular the one of young people and women, increase the access to quality education and training, improve the results and the skills and establish a modern and flexible social protection system. In order to achieve the general objective, several projects are envisaged in the following areas: Institutional strengthening of the capacities for sustainable sectoral reforms; improving the educational and training system; promoting the skill development, employment and working conditions; social protection, social inclusion and equal share on the labour market and the society.

IPARD 2 Programme supports projects that will provide for attaining EU Standards introduced in the field of agricultural production, food processing and rural development. Total IPA funds in the amount of EUR 60 million are made available to the Republic of North Macedonia under this Programme. 2014 - 2020 IPARD Programme implementation is launched with 4 measures (Investments in tangible assets of agricultural holdings, Investments in fixed assets concerning processing and marketing of agricultural and fishery products, Farm diversification and business development and Technical assistance for Programme implementation). By the end of 2024, under this Programme, 2416 contracts out of total of 11 public calls, have been concluded. This Programme reached an 85% execution rate upon closure.

#### **4.3 IPA 3 2021 - 2027 Financial Perspective**

New 2021 - 2027 financial package is expected to be increased by 6% compared to the previous package IPA 2. IPA 3 focuses on several investment funds via grants and loans and increased convergence. In addition, under IPA 3, EU focus is placed on the cooperation with EIB and EBRD, as well as other international financial institutions, which will offer so-called "leverage" loans. IPA 3 should contribute to implementing the "Economic and Investment Plan for Western Balkans" adopted at the Summit held in Zagreb in May 2020, aimed at spurring intensified medium-term recovery, job creation and intensifying trade between Western Balkan countries and EU Member States, via funding major infrastructure projects in the field of transport, environment, digitalisation and energy, having regional importance and enhancing the regional connectivity, as well as mature projects to be implemented in the next 4 years.

IPA 3 funds will be absorbed at national and regional level. Funds deployed under the Instrument for Pre-Accession Assistance IPA III for the 2021-2027 period, are envisaged to be used through 5 so-called "windows" as follows:

- Window 1: Rule of law, fundamental rights and democracy;



- Window 2: Rule of law, acquis alignment, good neighbourly relations and strategic communication;
- Window 3: Green agenda and sustainable connectivity;
- Window 4: Competitiveness and inclusive growth;
- Window 5: Territorial and cross-border cooperation.

At national level, the available funds will range between the so-far EUR 80-100 million on annual basis. Under the national package, focus will remain on the start of the negotiations, adaptation of the administration to the intensive reform pace and the coordinative mechanisms, which should boost the negotiating process, in line with the new methodology of accession negotiations, grouping the negotiation chapters into clusters and aligning the use of IPA funds for supporting the process of negotiations and the structural reforms in the whole society. Amount of financial resources at national level will depend on the readiness of the administration to prepare relevant and mature projects arising from the needs of the EU integration process, as well as the political commitment to implementing these projects, since under IPA 3, the assistance could be modulated upwards or downwards among the beneficiary countries (Western Balkan countries and Türkiye) within the so-called fair share.

At regional level, majority of the announced IPA 3 funds will be made available through the regional programmes, intended for providing support to the following sectors - transport, environment, energy, social support and digitisation. Therefore, it will be important for these sectors to implement their long-term strategies defining the national priorities, as well as the trends arising from the European agenda, such as digitisation, broadband and fast Internet, energy projects and transformation towards decarbonisation, renewable energy sources, gas infrastructure, circular economy, clean environment, private business guarantees and traffic connectivity, etc. Our country will still have available the funds under the Western Balkans Investment Framework upon the principle of so-called blending of grants and loans. Mature projects ready for implementation will have a priority to be financed. Thereby, the new Fiscal Strategy will be more eased as regards the borrowing of capital from international financial institutions.

Within the new Instrument for Pre-Accession Assistance (IPA 3), in line with the Financial Framework Partnership Agreement 2021 - 2027, a new system for indirect management of IPA funds was put in place. As for the Annual 2022 Action Programme, construction and modernisation of the wastewater treatment station systems have been foreseen via the indirect management system.

Under 2021-2027 IPARD Programme, Republic of North Macedonia is made available total of EUR 97 million as IPA funds, with a national co-financing in the amount of EUR 31,073,333.

#### **4.4 List of Projects Planned for the 2025-2029 Period**

##### **IPA 2 Multiannual Programme on Transport:**

- Works Contract – Construction of the Road Section Gradsko – Drenovo as part of Road Corridor 10d, project completed, and the road section officially put into operation. Starting from February 2024, the defect liability period has commenced, lasting for 24 months, i.e. until February 2027.

- Services Contract – Supervision of Road Section Gradsko – Interchange Drenovo as Part of the Road Corridor 10d Contract implementation is to be completed in Q1 2027.

- Works Contract – Rehabilitation of State Road A2, Section Kumanovo – Stracin (phase 1); Implementation period ended in Q3 2024. On 7<sup>th</sup> March 2025 Performance Certificate was issued by the Supervisor.

- Services Contract – Supervision of the Rehabilitation of State Road A2, Section Kumanovo – Stracin (phase 1); Contract implementation is to be completed in Q1 2025.

- Services Contract – Preparation of Project Documentation for Multi-modal Node Trubarevo. To extend the implementation period for the respective contract until Q4 2025, an Annex must be signed.

##### **IPA 2 Multiannual Programme for Environment and Climate Action:**

- Services Contract – Improving Capacities for NATURA 2000 and CITES. The contract, signed in 2022, reached completion with implementation finalized in December 2024.

- Services Contract – Improved Implementation of the EU Floods Directive by Harmonising National Legislation and Preparing Flood Risk Management Plans. The contract was signed in Q3 2024, with implementation commencing in Q1 2025, and scheduled to last for 30 months, concluding in Q3 2027.

- Services Contract – Implementation of Priority Actions in the Climate Changes Sector. The contract was signed in Q3 2024, with implementation commencing in Q1 2024, and scheduled to last for 30 months, concluding in Q3 2026.

- Services Contract – Supporting the Implementation of Regional Waste Management Systems in the East and North-East Regions. The contract was signed in Q4 2023, with implementation commencing in Q1 2024, and

scheduled to last for 24 months, concluding in Q1 2026.

- Services Contract – Preparation and Revision of National Waste Planning Documents. The contract was signed in Q3 2023, with implementation period scheduled to last for 18 months, concluding in Q3 2025.

- Services Contract – Support in the Implementation of Waste Management Legislation and Extended Producer Responsibility Scheme. The project entered the implementation phase in Q4 2022 and has been ongoing for 27 months, concluding in Q2 2025.

- Services Contract – Support in the Implementation of Air Quality Directives. The contract was signed in Q3 2024, with implementation commencing in Q4 2024, and scheduled to last for 24 months, concluding in Q4 2026.

- Services Contract – Further Support in the Implementation of Reforms in the Water Sector. The contract was signed in Q1 2024, with a duration of 30 months.

- Twinning Agreement - Strengthening the Capacity for Enforcement of Environment and Climate Change Legislation. The contract was signed, with implementation commencing in Q2 2024, and scheduled to last for 24 months, concluding in Q2 2026.

- Twinning Agreement - Further Strengthening the Capacities for Effective Implementation of the Acquis in the Field of Industrial Pollution. The contract was signed in Q1 2023, with implementation period scheduled to last for 27 months, concluding in Q1 2025.

- Supply Contract - Supply of Specific Equipment for Water Monitoring Information System. The contract was signed in Q3 2024, with implementation commencing in Q4 2024, and scheduled to last for 24 months with included defect liability period.

- Works Contract and Services Contract - Construction of Wastewater Treatment Plant in the Municipality of Bitola and Rehabilitation and Upgrading of the Sewerage Network in the Municipality of Bitola; Supervision of the Works Contract for Construction of Waste Water Treatment Plant and Rehabilitation and Upgrading of the Sewerage Network in the Municipality of Bitola. The contracts are scheduled for signing in Q2 2025, with a 36-month implementation timeframe for construction works and a 39-month duration for the supervision contract.

- Works Contract and Services Contract - Construction of Wastewater Treatment Plant in the Municipality of Tetovo and Rehabilitation and Extension of the Sewerage Network in the Municipality of Tetovo; Supervision of the Works Contract for Construction of Waste Water Treatment Plant and Rehabilitation and Upgrading of the Sewerage Network in the Municipality of Tetovo. The contracts are scheduled for signing in Q2 and 2025, with a 36-month implementation timeframe for construction works and a 39-month duration for the supervision contract.

- Services Contract – Technical Audit for Major Wastewater Projects The contract was signed in Q1 2024, with implementation commencing in Q2 2024, and scheduled to last for 18 months, concluding in Q3 2025.

- Services Contract - Technical Audit for Wastewater Investment Projects. The contract is scheduled to be signed in Q3 2025, with implementation commencing in Q1 2024, and scheduled to last for 40 months, concluding in Q3 2029.

- Works Contract and Services Contract – Closure of Non-Compliance Landfills and Dumpsites in the East Region – Lot 1, Supervision of the Works Contract for Closure of Non-Compliant Landfills and Dumpsites in the East and North-East Region – Phase 1. Contract is in the implementation phase and is expected to be completed in Q3 2025.

- Works Contract – Construction of Central Waste Management Facility for the East and North-East Regions in the Municipality of Sveti Nikole. The contract is scheduled to be signed in Q3 2025, with a duration of 30 months and included defect liability period, concluding in Q1 2028.

- Works Contract – Construction of Six (6) Local Waste Management Facilities in the East and North-East Regions – Municipalities of Berovo, Makedonska Kamenica, Vnica, Shtip, Rankovce and Kumanovo. The contract is scheduled to be signed in Q3 2025, with a duration of 30 months and included defect liability period, concluding in Q1 2028.

- Services Contract – Supervision of the Works contract for Establishment of Integrated and Self-sustainable Regional Waste Management System in the East and North-East Regions. The contract is scheduled to be signed in Q2 2025, with an implementation period of 33 months, concluding in Q1 2028.

- Services Contract - Technical Audit for Major Wastewater Projects The contract is scheduled to be signed in Q1 2026, with an implementation period of 32 months, concluding in Q3 2029.

- Services contract – Evaluation of the Operational Programme. The contract is scheduled to be signed in Q2 2026, with an implementation period of 12 months, concluding in Q2 2027.

### **IPA 2 Annual Action Programme 2017 - Education, Employment and Social Policy:**

- Services Contract - Raising the Quality of Preschool Education and Care. Completed implementation, with payments under the Programme until Q4 2025;
- Services Contract – Improving the Working conditions – Contract was concluded in Q3 2024;
- Direct Grant Contract – Labor Market Activation of Vulnerable Groups – implementation completed, with payments under the Programme until Q4 2025;
- Works Contract and Services Contract – Construction of Kindergartens in the Municipalities of Tetovo and Tearce and Supervision of the Works Contract – completed implementation, with payments under the Programme until Q4 2025;
- Twinning Agreement – Further Support to the Implementation of the National Qualification Framework – implementation completed, with payments under the Programme until Q4 2025;
- Services Contract – Improving the Quality of Education – implementation completed, with payments under the Programme until Q4 2025;
- Services Contract – Increasing Attractiveness, Inclusiveness and Relevance of VET and Adult Education – implementation completed, with payments under the Programme until Q4 2025.

### **IPA 3 Annual Action Programme 2022:**

- Works Contract and Services contract – Investment Project for Wastewater Collection and Treatment in the Municipality of Štip – Lot 1: Design and Construction of the Wastewater Treatment Plant in the Municipality of Štip; Lot 2: Construction, Rehabilitation, and Extension of the Sewerage Network in the Municipality of Štip, including Supervision of the Works. Contracts are scheduled to be signed in Q3 and Q4 2025, with an implementation period of 36 and 39 months, respectively.
- Works Contract and Services Contract - Connection of Vinica to the Kočani Wastewater Treatment Plant, including Partial Rehabilitation and Extension of the Sewerage and Stormwater Systems in the Municipality of Vinica, with supervision of works contract. Contracts are scheduled to be signed in Q2 2026 and Q4 2025, with an implementation period of 36 and 39 months, respectively.

### **IPARD Programme 2021 – 2027:**

Grant contracts in the field of agricultural production, food processing and rural development. As of the end of 2024, 362 contracts have been signed across four public procurement calls in total.

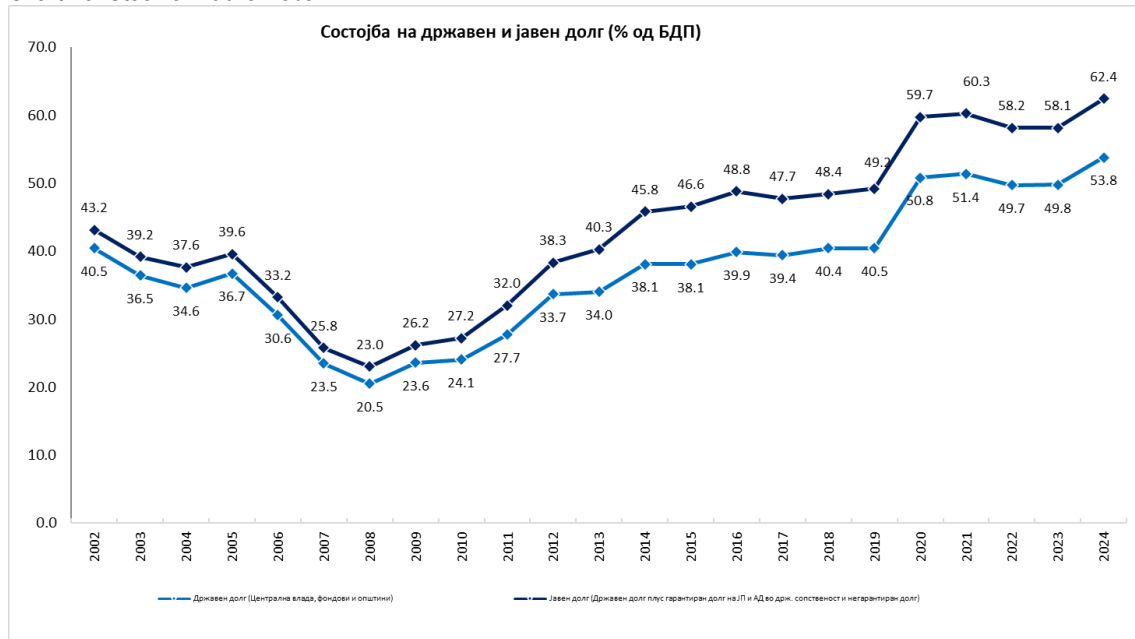
## **5. Public Debt**

Efficient public debt management is of essential importance, encompassing reduced risks when designing the debt structure and the debt management policy, all to the end of preventing any possible inability to service the debt on regular basis and in a timely manner. Main objective is to ensure the funds necessary to finance the budget deficit and repay the due liabilities on the basis of prior borrowings, as well as funds for project financing, thereby not increasing the debt to a level that can jeopardise the stability of the economy and the economic growth of the country. Quality debt management, among other things, is determined by the institutional framework and the capacity to set and implement the public debt management policy. This implies defining of the public debt management objectives and measures in clear terms.

### **5.1. Amount of public and general government debt**

On 31<sup>st</sup> December 2024, general government debt of the Republic of North Macedonia amounted to EUR 8,298.0 million, i.e. it accounted for 53.8% of GDP. Central government debt accounted for the most in the general government debt, amounting to EUR 8,288.0 million, while the debt of the municipalities amounted to EUR 10.0 million. Total public debt comprises the general government debt and the debt of public enterprises and companies predominantly or fully owned by the state (guaranteed and non-guaranteed debt), amounting to EUR 9,619.4 million on 31<sup>st</sup> December 2024, accounting for 62.4% of GDP.

Chart 18: Stock of Public Debt



Central government debt accounted for 99.9% of the total general government debt at the end of 2024 and it is managed directly by the Ministry of Finance. As regards the other levels of debt, such as debt of municipalities and debt of public enterprises and companies predominantly owned by the state of the municipalities, Ministry of Finance participates in the process of borrowing, however, it cannot influence the intensity of withdrawing the funds under the concluded loan agreements.

More thorough projections on general government and public debt trends will be presented in the 2026-2028 Public Debt Management Strategy (with prospects until 2030).

## 6. Comparative Analysis of Macroeconomic and Fiscal Projections

### 6.1 Comparison with 2025 - 2029 Fiscal Strategy

2026 - 2030 Fiscal Strategy of the Republic of North Macedonia, compared to the 2025-2029 Fiscal Strategy of the Republic of North Macedonia demonstrates minor deviations as regards the macroeconomic projections. Thereby, the projected economic growth rates reflect a more moderate intensification of economic activity, taking into account the heightened uncertainties in the global environment, thus leading to further downward revision of global growth expectations, including those of the country's major trade partners over both the short and the medium run. At the beginning of the projection period, the adverse effects of the external environment are expected to be offset by intensified investment activity, driven by the more dynamic implementation of major infrastructure projects, as well as the measures aimed at supporting private investments, along with the initiation of the announced foreign direct investments. The net export is expected to positively contribute to Amidst anticipated stabilisation of the external environment and the country's boosted export capacity, net export is expected to positively contribute to the economic activity in the second half of the analysed period.

With respect to inflation, a higher rate is expected for 2025, primarily reflecting the performance observed at the beginning of the year. Nevertheless, as a result of the Government measures that contributed to a significant reduction in inflation in March, this trend is expected to continue by the end of the year. Starting 2026, inflation is expected to stabilize at annual 2% rate.

Compared to the previous Fiscal Strategy, balance of payment projections indicates a slower narrowing of the current account deficit, amidst less favorable external environment, and more moderate reduction in the trade deficit, as well as the expected lower growth rate of foreign transfers.

As regards the labour market, there are minor deviations compared to previous projections, amidst continuous employment growth and unemployment reduction, as well as increase in wages aligned with productivity growth.

Table 17. Comparison of Macroeconomic Projections with 2025 - 2029 Fiscal Strategy

Indicabrs	Fiscal Strategy 2025-2029					Fiscal Strategy 2026-2030				
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029
GDP, real growth rate (%)	3,7	4,0	4,4	5,0	5,0	3,7	4,0	4,2	4,6	4,8
Inflation rate (average)	2,2	2,0	2,0	2,0	2,0	2,8	2,0	2,0	2,0	2,0
Current account balance (% of GDP)	-1,8	-1,7	-1,5	-1,5	-1,4	-2,2	-2,1	-2,0	-2,0	-1,9
Net wage - nominal growth (%)	7,5	5,5	5,0	5,0	5,0	7,6	5,5	4,6	4,8	5,0
Unemployment rate (average)	11,2	10,1	9,0	7,5	7,3	11,1	10,1	9,0	7,6	7,4
Employment (average)	47,1	48,2	49,4	50,6	51,6	47,0	48,0	49,1	50,3	51,3

Source: Projections of Ministry of Finance

Table 18. Comparison of the Medium-Term Projections for the State Budget with the 2025-2029 Fiscal Strategy (Denar million)

	Fiscal strategy 2025-2029							Fiscal Strategy 2026-2030							Deviation (Fiscal 2025-2029/ Fiscal 2026-2030)							% of deviation						
	2023*	2024*	2025*	2026*	2027*	2028*	2029*	2023*	2024*	2025*	2026*	2027*	2028*	2029*	2023*	2024*	2025*	2026*	2027*	2028*	2029*	2023*	2024*	2025*	2026*	2027*	2028*	2029*
Budget of the Republic of North Macedonia																												
Total revenues	277.129	318.151	348.553	376.121	405.219	437.230	471.785	277.129	305.822	358.838	376.093	402.477	431.760	464.128	0	-12.529	10.285	-28	-2.742	-5.470	-7.657	0	-4	3	0	-1	-1	-2
Tax revenues and contributions	250.355	284.469	311.134	338.537	367.211	399.772	433.936	250.355	283.558	319.234	337.029	362.653	392.376	424.343	0	-911	8.100	-2.508	-4.558	-7.396	-9.993	0	0	3	-1	-1	-2	-2
Tax revenues	157.733	179.257	196.539	214.690	231.792	252.884	274.606	157.733	177.890	202.139	211.750	228.618	248.972	270.914	0	-1.367	5.600	-2.940	-3.174	-3.912	-3.692	0	1	4	6	6	6	-1
Contributions	92.622	105.212	114.595	124.847	135.419	146.888	159.330	92.622	105.668	117.095	125.279	134.035	143.404	153.429	0	456	2.500	432	-1.384	-3.484	-5.901	0	4	6	8	10	11	-4
Non-tax income	16.866	22.541	24.520	24.228	24.778	24.228	24.619	16.866	16.988	26.362	27.062	27.822	27.182	27.583	0	-5.553	1.782	2.834	2.844	2.954	2.964	0	11	11	8	8	5	12
Capital income	2.071	3.240	3.510	3.530	3.730	3.730	3.730	2.071	1.851	3.510	2.510	2.710	2.710	2.710	0	-1.389	0	-1.020	-1.020	-1.020	-1.020	0	1	-1	0	0	0	-27
Donations	7.836	7.900	9.389	8.826	9.500	9.500	9.500	7.836	3.225	9.792	9.492	9.492	9.492	9.492	0	-4.675	403	666	-8	-8	-8	0	6	20	0	0	0	0
Total expenses	318.539	362.816	397.323	413.148	439.274	473.830	506.311	318.539	347.867	402.626	415.483	438.362	470.289	503.254	0	-15.140	14.703	2.337	-912	-3.341	-5.057	0	6	7	7	6	8	-1
Current expenses	275.015	316.118	342.872	364.739	386.410	413.843	444.809	275.015	316.989	355.470	364.290	391.369	403.170	436.230	0	801	12.798	-489	-5.044	-10.473	-16.789	0	7	9	10	10	11	-4
Wages and allowances	36.877	44.537	48.985	53.294	56.950	59.905	63.327	36.877	43.809	48.141	50.379	52.056	53.996	55.171	0	-648	-1.444	-2.715	-4.494	-6.329	-8.156	0	8	16	17	16	14	-13
Goods and services	21.117	25.509	26.797	26.612	26.512	30.012	33.112	21.117	22.923	26.325	25.857	26.862	28.490	29.553	0	-2.586	-472	-755	-1.630	-1.532	-3.559	0	2	12	6	11	12	-11
Transfers to LGUs	27.459	30.787	33.257	35.292	39.509	43.527	48.603	27.459	30.784	33.229	35.202	38.271	42.223	45.987	0	-3	-58	-1.090	-1.238	-1.304	-3.036	0	3	6	11	13	16	-6
Subsidies and transfers	27.754	29.858	26.115	28.655	30.155	37.155	42.155	27.754	33.358	33.436	33.380	35.830	38.930	43.930	0	3.500	7.321	4.725	5.675	1.775	1.775	0	26	-4	-2	-10	8	4
Social transfers	148.867	169.794	187.544	198.533	208.145	218.069	227.732	148.867	170.203	191.046	196.508	203.150	213.496	222.452	0	409	3.502	-2.025	-4.995	-4.573	-5.280	0	5	11	13	13	13	-2
Interest payments	12.941	17.632	19.333	21.373	23.532	24.955	28.080	12.941	17.812	20.845	21.277	23.640	24.860	27.931	0	180	1.512	-96	108	-95	-140	0	5	-6	-5	-6	-6	-1
Capital expenditure	43.524	44.698	45.251	48.387	52.861	59.987	65.302	43.524	28.698	47.156	51.193	56.993	67.119	77.034	0	-16.000	1.905	2.806	4.132	7.132	11.732	0	-1	-5	-12	-13	-11	18
Budget balance	-41.410	-44.666	-39.370	-37.025	-34.055	-36.400	-36.526	-41.410	-42.045	-43.788	-39.390	-35.885	-38.529	-39.126	0	2.621	-4.418	-2.385	-1.830	-2.129	-2.600	0	33	24	9	0	11	7
Primary budget balance	-28.469	-27.033	-20.037	-15.832	-10.523	-11.445	-8.446	-28.469	-24.233	-22.943	-18.113	-12.245	-13.869	-11.195	0	2.800	-2.906	-2.461	-1.722	-2.224	-2.749	0	62	81	35	17	86	33
Total revenues, % of GDP	39.0	35.2	35.8	36.8	36.1	36.1	36.3	39.0	32.2	35.1	34.6	34.7	34.7	34.8														
Total expenditures, % of GDP	37.9	40.2	39.8	39.5	39.1	39.1	39.1	37.9	36.6	39.4	38.3	37.8	37.8	37.8														
Budget balance, % of GDP	-4.9	-4.9	-4.0	-3.5	-3.0	-3.0	-2.8	-4.6	-4.4	-4.3	-3.6	-3.1	-3.1	-2.9														
Primarily bhuji, balance, % of GDP	-3.4	-3.0	-2.1	-1.5	-0.9	-0.9	-0.6	-3.2	-2.6	-2.2	-1.7	-1.1	-1.1	-0.8														

Source: Ministry of Finance and Ministry of Finance projections (\*)

## 6.2 Comparison with the Projections of Other Domestic and International Institutions

Recent developments related to geopolitical tensions and the introduction of tariffs by the United States, which outcome remains uncertain, are expected to impact the global economic trends, as well as the developments in the major trade partners. Taking into account the present global risks, as well as the domestic economic performance as opposed to the previous developments, there are certain differences as regards the projections at certain institutions. Moreover, assumptions and the period used in designing the projections should also be taken into account, as they further increase the differences among certain institutions.

Table 19. Comparison of Projections for GDP Growth and Inflation for North Macedonia

Institution	Real GDP growth (%)						Inflation rate (%)					
	2025	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029	2030
IMF	3,2	3,2	3,2	3,1	3,1	3,0	3,4	2,2	2,0	2,0	2,0	2,0
World Bank	2,6	2,7	2,8	:	:	:	2,5	2,3	2,0	:	:	:
European Commission	2,6	2,9	:	:	:	:	2,2	2,1	:	:	:	:
NBRNM	3,3	4,0	:	:	:	:	2,5	2,0	:	:	:	:
Ministry of Finance	3,7	4,0	4,2	4,6	4,8	4,7	2,8	2,0	2,0	2,0	2,0	2,0

Source: IMF (World Economic Outlook, April 2025), World Bank (Western Balkans Regular Economic Report, Spring 2025), European Commission (European Economic Forecast, November 2024) and NBRNM (Quarterly Report, November 2024).

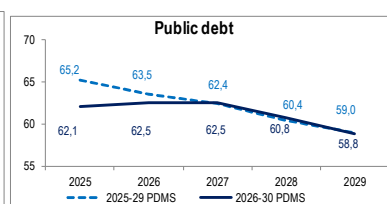
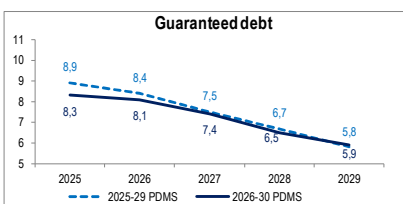
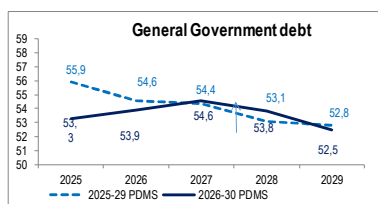
### 6.3 Comparison with Public Debt Management Strategy 2025–2029

Compared to the Public Debt Management Strategy 2025–2029, the Public Debt Management Strategy 2026–2030 anticipates increased needs for both foreign and domestic borrowing, as a result of greater budget needs for financing capital infrastructure projects.

Despite the increase in foreign and domestic borrowing, the level of government and public debt as a percentage of GDP projected in the Public Debt Management Strategy 2026–2030 demonstrates a slight downward trend, due to revised projections of higher GDP growth.

Comparative analysis of the level of general government and public debt in relation to GDP, as per the new and previous Strategy, is given below.

	2025-29 PDMS					2026-30 PDMS					deviation (in p.p.)				
	Public debt management strategy 2025-2029					Public debt management strategy 2026-2030									
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029
as % of GDP															
General Government debt	55,9	54,6	54,4	53,1	52,8	53,3	53,9	54,6	53,8	52,5	-2,6	-0,7	0,2	0,7	-0,3
Guaranteed debt	8,9	8,4	7,5	6,7	5,8	8,3	8,1	7,4	6,5	5,9	-0,6	-0,3	-0,1	-0,2	0,1
Public debt	65,2	63,5	62,4	60,4	59,0	62,1	62,5	62,5	60,8	58,8	-3,1	-1,0	0,1	0,4	-0,2



### 6.4 Comparison of the EU Instrument for Pre-Accession Assistance (IPA) under 2024 State Budget and its Execution with 2023 State Budget and Its Execution, as well as a Qualitative and Quantitative Explanation of the Main Deviations

As for 2024 Budget, as regards EU Integration segment, total of Denar 210 million was allocated as mandatory national co-financing, as well as additional Denar 2.872 billion as donations, aimed at implementing the IPA-funded projects.

amounts expressed in Denar thousand

Areas	2023 Budget	Execution in 2023	% 2023 execution versus 2023 Budget	2024 Budget	Execution in 2024	% 2024 execution versus 2023 Budget
Programme						
Transport, Environment, Education, Employment						
ME/Account 603	100,922	87,963	87%	210,453	163,058	77%
ME/Account 785	1,597,560	613,335	38%	2,872,974	982,705	34%
MV/Account 603	2,000	1,618	81%	0,049	0,0481	98%
Rural Development						
MD/Account 785	805,090	616,383	77%	502,028	450,037	89%

As for 2024 Budget, as regards EU Integration segment in the field of transport, environment, labour and education, total of Denar 210 million was allocated as mandatory national co-financing, as well as additional Denar 2,9 million as donations, aimed at implementing the IPA-funded projects. Out of the total funds allocated under the 2024 Budget, 77% of the projected national financing and 34% of the projected donations were used. Poor absorption of funds was mainly due to the inadequate quality of tender documents prepared by the line ministries, delays in the

implementation and monitoring of conclude contracts caused by unresolved property right issues, expropriation, untimely preparation of mature projects, and similar.

Under Rural Development Programme (IPARD), sound execution of the respective funds was recorded as a result of the considerable interest by the end users, as evidenced by the great number of submitted applications and concluded agreements with the Agency for Financial Support in Agriculture and Rural Development.

### **6.5. Comparison of the Projections of the EU Instrument for Pre-Accession Assistance (IPA) in the Previous Fiscal Strategy with the Projections in the New Fiscal Strategy, as well as Qualitative and Quantitative Explanation of the Major Changes, Including Changes in the Policies**

As for the ME Programmes, the 2026–2030 Fiscal Strategy foresees an increase in Budget funds, as all contracts planned to be concluded under the IPA II Programmes will be either in the process of implementation or in the final stage of realisation. Additionally, the implementation of contracts in the environmental sector under the IPA III Programme will commence. Reduction of the funds on the basis of IPA donations was due to the cancellation of the Project “Construction of Rail Section from Kriva Palanka - Border with the Republic of Bulgaria; Supervision of the Construction of the Rail Section from Kriva Palanka - Border with the Republic of Bulgaria, which accounted for substantial portion of IPA funds.

Rural Development Programme (IPARD), 2026–2030 Fiscal Strategy foresees 178% increase in funds compared to those projected in the previous 2025–2029 Fiscal Strategy. This increase is due to the commencement of the implementation of the new IPARD 3 Programme, whereby the total value of contracts concluded with farmers, as well as related payments, is expected to reach EUR 23 million in the course of 2025.

amounts expressed in Denar thousand

	2025-2029 Fiscal Strategy	2026–2030 Fiscal Strategy	% changes in the projections
ME/Account 603	2,589,313	2,949,645	14%
ME/Account 785	3,386,858	1,112,919	-67%
MD/Account 785	810,184	2,251,914	178%

## **7. Fiscal Risks and Sensitivity Analysis**

Fiscal risks represent the exposure of public finances to certain circumstances that may cause deviations from the projected fiscal framework, most often caused by macroeconomic shocks and execution of any contingent liabilities. Possible materialisation of these risks, assuming conditions different from those taken as basis for the medium-term projections discussed above, would result in deviations from the medium-term baseline scenario, i.e. different performance of the key fiscal variables. Identifying the major fiscal risks that could affect public finances in the medium term represents a starting point in the process of improving fiscal risk management. For certain fiscal risks, data is available, allowing for their identification and for the assessment of their likelihood to impact fiscal indicators over the medium term. However, as for other risks, detailed data may be lacking; nonetheless, their identification raises awareness of the possibility that they could lead to deviations from the planned fiscal framework in the coming period.

Sources of fiscal risks specific to our country include: macroeconomic risks, transfers to public enterprises, implementation of public investments and public-private partnerships (PPPs), municipalities, public debt and arrears, legal claims against the state, and environmental risks. Therefore, this section of the Fiscal Strategy analyses the potential effects of the materialisation of several key macro-fiscal and other risks on the budget deficit and general government debt.

### **7.1 Macroeconomic Risk Analysis**

Over the past period, the country's economic activity was under the influence of the challenges and the uncertainties triggered by the global factors, adversely affecting the prospects for growth of both global and domestic economy. COVID-10 pandemic triggered substantial contraction of economic activity, and the fiscal measures taken to manage the economic consequences of the crisis contributed to a rise in both the budget deficit and the public debt. During 2021, the domestic economy was still affected by the pandemic, whereby the implemented measures contributed to mitigating the adverse effects and its gradual recovery. The prospects for growth in 2022 were largely constrained by global developments, primarily the war in Ukraine, which was accompanied by a deepening energy crisis, elevated prices of energy sources and food on international markets, and tightened financial conditions in response to heightened inflation expectations. Against such backdrop, inflation reached 14.2%, whereby high prices of

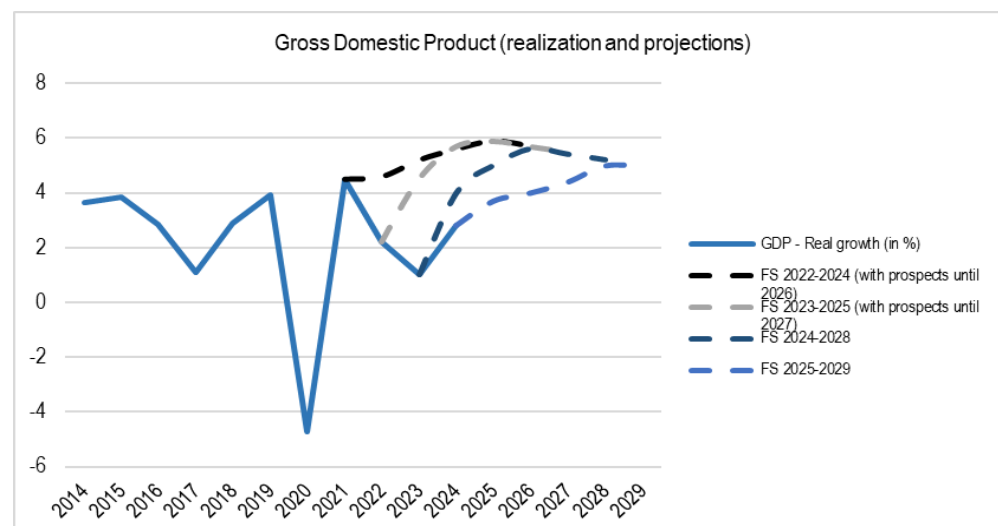
primary commodities on international markets were spilled over to the domestic economy, mostly via increased prices of food products, electricity and oil derivatives. Throughout 2023, the economy continued to face challenges stemming from the energy crisis and the rising inflation from the previous period, amidst slowed down activity and negative growth rates in the economies, as our major trade partners, as well as the global supply chain disruptions. The measures implemented to address the consequences of the energy crisis contributed to mitigating the adverse effects, coupled by gradual recovery of the economy. In 2024, economic activity showed signs of improvement, with GDP growth reaching 2.8%. Rising prices of both energy sources and food continued to impact inflation, albeit with less intensity compared to previous years. Inflation stabilised at 3.5%, which was within the expected range.

In the period to come, the country may face certain macro-fiscal risks related to its economic and fiscal stability, which could impact economic growth and development. The country is dependent on global economic conditions, particularly economic developments within the EU and neighbouring countries. Changes in global markets and trade policies of other countries, such as the introduction of tariffs, customs duties, or other trade barriers, as well as fluctuations in global prices of both energy sources and food, may impact domestic economic activity.

Table. Review of Macroeconomic Indicators by Years

		2020	2021	2022	2023	2024
Real GDP growth rate (%)	projected	3.8	4.1	4.6	2.9	3.4
	actual	-4.7	4.5	2.8	2.1	2.8
Inflation (%)	projected	1.7	1.5	2.4	7.1	3.6
	actual	1.2	3.2	14.2	9.4	3.5
Budget deficit (% of GDP)	projected	-2.3	-4.9	-4.3	-4.6	-3.4
	actual	-8.0	-5.3	-4.4	-4.6	-4.4
General government debt (as % of GDP)	projected	40.9	53.2	53.4	51.1	53.4
	actual	50.8	51.4	49.7	49.8	53.8
Public debt (as % of GDP)	projected	50.4	63.4	63.5	60.6	63.2
	actual	59.7	60.3	58.2	58.1	62.4

Source: Ministry of Finance (State Budget and Fiscal Strategy, by years) and State Statistics Office



This section of the Fiscal Strategy provides a thorough overview of the sensitivity analysis' results pertaining to the budget deficit and the level of general government debt in the event of potential materialisation of the four main identified risks for the medium-term fiscal policy. Thereby, all risks are analysed separately and all scenarios assume absence of other deviations from the baseline scenario and occurrence of the particular risks only:



- Scenario 1 - Reduced economic growth;
- Scenario 2 - Lower tax revenues by 5%;
- Scenario 3 - Lower execution of capital expenditures by 25%;
- Scenario 4 - servicing the liabilities on the basis of issued guarantees with State Budget funds.

Given that the medium-term baseline fiscal projection is based on particular macroeconomic assumptions, they are considered to be primary factor with a potential effect on the fiscal trends. Hence, as a first risk scenario, we assume materialisation of the downside risks related to tariffs by the US administration and reciprocal measures, geopolitical tensions, economic activity among key trade partners, as well as domestic risks such as the potential further delays in the implementation of major infrastructure projects. Such scenario implies projection of an average growth of GDP in real terms in the 2026 – 2030 period to be 1.2 p.p. lower than the baseline scenario projection. Thereby, the potential lower economic growth would also imply a lower performance of the cyclical component of the budget revenues. Hence, compared to the baseline projection, this scenario would result in a higher budget deficit by 0.6 p.p. of GDP on average on annual basis in the period between 2026 and 2030, whereas the general government debt would be higher by 4.4 p.p. of GDP at the end of 2030.

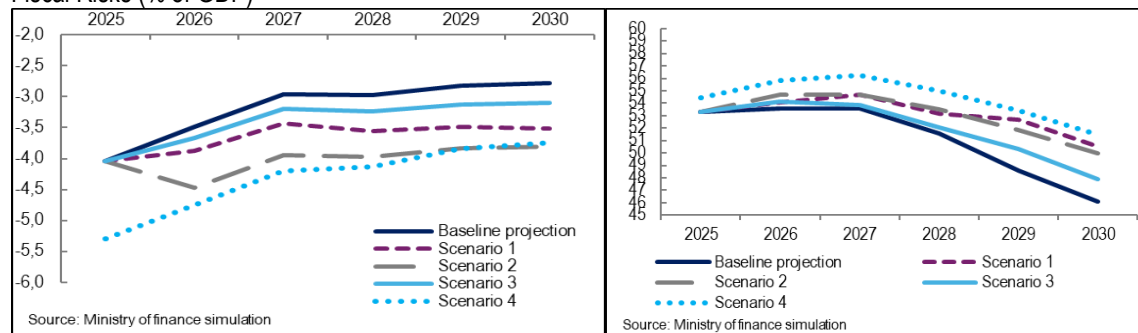
Second risk scenario assumes lower collection of tax revenues by 5% compared to the baseline projection. Against a background of unchanged level of budget expenditures and unchanged economic growth, lowered tax revenues would lead to increased budget deficit by 1.0 p.p. of GDP on average on annual basis in the period 2026 – 2030 compared to the baseline projection, whereas general government debt would be higher by 3.9 p.p. of GDP at the end of 2030 compared to baseline projection.

Third risk scenario assumes lower implementation of gross investments, accounting for 75% compared to the projections in the baseline scenario. Lower implementation of investments would have a negative impact on the economic activity growth, in view of being lower by 0.6 percentage points in average annually compared to the baseline scenario. This scenario would also have negative implications on the tax revenues, the performance of which would be lower compared to the expenditure execution. Hence, under this scenario, budget deficit would be higher by 0.3 p.p. of the GDP on average on annual basis in the forecasting period compared to the baseline projection, whereas the general government debt would be higher by 1.8 p.p. of GDP at the end of 2030 compared to the baseline projection.

Fourth risk scenario assumes sovereign guarantees' principal and interest liabilities to be fully serviced by the State Budget, being an extreme assumption. Possible materialisation of such extreme scenario would result in increase of budget expenditures in the coming period. Against a background of unchanged level of budget revenues and unchanged economic growth, this would cause an increase of budget deficit by 1.1 p.p. of GDP on average on annual basis in the period 2025 - 2030 compared to the baseline projection, whereas the general government debt at the end of 2030 would be higher by 5.4 p.p. compared to the baseline projection. Thereby, the effect of this scenario on the debt would be felt throughout the entire medium-term period.

In summary, materialisation of any of the four risk scenarios, reflecting the main identified macro-fiscal risks in the upcoming period would mostly result in relatively limited effects on the budget deficit and the general government debt (Graphic 21). In more precise terms, the sustainability of the fiscal policy over the medium term is under no threat in any of the cases.

Chart 21: Sensitivity Analysis of Budget Deficit (left) and General Government Debt (right) of the Main Macro-Fiscal Risks (% of GDP)



## Review of Tax Revenue Collection

Deviations between budget projections and actual public revenues in the country arise from economic, political, and technical factors. Differences often arise due to unmet forecasts of macroeconomic indicators (economic growth, inflation, final consumption, wage growth, employment, and others), being important input in projecting tax revenues, thus leading to overestimation or underestimation of those revenues. Changes in tax policy, as well as

delays in their implementation, also affect revenues. Informal economy, tax evasion, and slow digital reforms cause additional deviations. External factors, such as political instability, global crises, and economic shocks, can lead to underperformance of the projected revenues.

Table. Review of Projected and Collected Tax Revenues

Budget of the Republic of Macedonia	2020		2021		2022		2023		2024	
% of GDP	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual
<b>TOTAL REVENUES</b>	33.2%	28.3%	29.1%	29.9%	29.3%	29.8%	31.4%	30.9%	32.4%	31.9%
<b>Tax revenues and contributions</b>	29.5%	25.9%	25.5%	26.9%	25.8%	27.0%	27.9%	27.9%	29.2%	29.6%
<b>Taxes</b>	19.1%	15.8%	15.9%	17.0%	16.4%	17.2%	17.9%	17.4%	18.3%	18.4%
<b>Personal Income Tax</b>	3.0%	2.8%	2.8%	2.8%	2.6%	2.9%	3.0%	3.0%	3.3%	3.3%
<b>Corporate Income Tax</b>	2.4%	1.6%	1.6%	1.5%	1.5%	1.9%	1.6%	1.9%	2.0%	2.1%
<b>VAT (net)</b>	8.3%	7.0%	7.2%	8.0%	7.6%	7.9%	8.7%	7.8%	8.4%	8.5%
<b>Excise duties</b>	4.3%	3.4%	3.5%	3.5%	3.5%	3.1%	3.3%	3.0%	3.2%	3.0%
<b>Import duties</b>	0.9%	1.0%	0.8%	1.2%	1.1%	1.2%	1.2%	1.3%	1.3%	1.3%

Source: Ministry of Finance

When designing budget revenue projections, certain risks, both positive and negative are taken into account, which can affect the revenues in the following ways:

- Excessive or understated GDP growth: Revenue projections are based on expected economic growth, but deviations occur due to unexpected recessions, slowdowns, or external shocks (e.g., global crises, economic trends in the EU).
- Inflation variability: if inflation is lower than projected, revenues from indirect taxes (VAT and import duties) may decrease. Conversely, inflation higher than expected may lead to an overestimation of nominal revenues.
- Tax Reforms: Changes in tax or excise rates often lead to revenue deviations that were not fully accounted for when preparing the projections.
- Delays in policy implementation: If the planned tax reforms are postponed or executed ineffectively, revenues may fall short of the projected amounts.
- Lower-than-expected tax compliance: revenue projections assume certain level of tax compliance; however, higher tax evasion, informality, or poor enforcement may lead to shortfalls.
- Impact of digital reforms: if measures aimed at improving compliance (e.g., digital tax collection, e-invoice) are implemented at a slower pace than anticipated, the collection of projected revenues may deviate significantly.
- The informal economy affects deviations from projected budget revenue collection. Low tax morale, poor tax discipline, and tolerance of informality undermine the integrity of the tax system, erode the tax base, and consequently hinder the collection of budget revenues within the projected amounts.
- Inconsistencies over the years, driven by delays as regards the EU accession, and fluctuations in foreign investments, result in the underperformance of expected projections, which may have assumed stronger inflows, scaled-up investments, and greater benefits from the economic integration into the single market.
- External shocks (pandemics, energy shocks, climate-related disasters, geo-strategic developments, and wars): Sudden global economic downturns impact foreign trade, reducing economic activity and tax revenues.

## 7.2 Public Debt<sup>9</sup>

Risks to which general government debt and public debt are exposed are thoroughly elaborated in the 2026-2030 Public Debt Management Strategy (PDMS), containing forecasts for the general government and public debts dynamics in the medium run, while determining the short-term and medium-term limits and targets for the indicators,

<sup>9</sup>For the purpose of this section, public debt and general government debt are defined in line with the National Methodology set in the Law on Public Debt, as per which general government debt covers all liabilities incurred on the basis of indebtedness by the central government entities, local government and extra-budgetary funds, whereby public debt covers liabilities incurred on the basis of general government debt and debt of public enterprises founded by the state or the municipalities.

pertaining to the risks to which the debt portfolio is exposed, which ultimate goal is optimising the debt structure, all to the end of achieving the lowest possible costs with moderate level of risk.

In addition, the precise projections of interest-related costs when preparing the State Budget have significantly contributed to accomplishing this purpose. On the basis of the data in the table showing the projected and executed amounts of interest-related costs in the period 2019-2024, it is evident that the spent costs range within the projected amounts, with minor discrepancies in certain years. From the aspect of share of interest-related costs in GDP, one may conclude that in the 2019-2021 period, share of interests in GDP is maintained at 1.2% of GDP, registering a drop by 0.1 p.p. in 2022. As a result of the increase in interest rates on financial markets accompanied by slowed down economic growth caused by the stagnated global economy in 2023 and 2024, share of interest-related costs in GDP this year was increased, reaching 1.4% and 1.9%, respectively.

Table. Projected and Executed Interest-Related Costs in the period 2019-2024

Year	Projection		Actual	
	(EUR million)	% of GDP	(EUR million)	% of GDP
2019	149,3	1,3%	131,7	1,2%
2020	134,1	1,2%	130,2	1,2%
2021	153,8	1,3%	147,4	1,2%
2022	163,4	1,2%	148,3	1,1%
2023	209,7	1,4%	209,6	1,4%
2024	286,4	1,8%	289,4	1,9%

Market risks stemming from the changes of interest rates on domestic and international financial markets (interest risk), as well as exchange rate risk pose a significant challenge in the public debt management, and consequently, the management of risks, to which it is exposed.

Hence, one of the main focuses of PDMS is maintaining optimal interest structure of the general government debt, all to the end of its protection against the negative fluctuations of the interest rates, which will lead to higher interest-related costs in the State Budget. To that end, as per the interest structure limit determined in PDMS, minimum threshold of fixed interest rate debt is set at 60%, thus maintaining the stable trend of projected interest-related costs and their share in relation to GDP.

Risks arising from the changes of foreign exchange rates pertain to the portion of the debt portfolio indexed or denominated in foreign currencies, being reflected on both the level of debt and the amount of interest-related costs. Although the majority (90.6% on 31<sup>st</sup> December 2024) of the general government debt portfolio is denominated in euros, due to the de facto fixed exchange rate of the denar in relation to the euro, one may conclude that this risk was considerably cushioned.

For the purpose of assessing the market risks of external general government debt, sensitivity analysis has been prepared, pertaining to costs on the basis of interest on external general government debt in conditions of change of interest rates, as well as amongst decrease of the value of the euro. Further details on the results arising from the sensitivity analysis are presented in PDMD.

### 7.3 Sovereign Guarantees

Sovereign guarantee is the contingent liability assumed by the Republic of North Macedonia on behalf of the public debt issuer, for the account of which the guarantee is being issued.<sup>10</sup>

On 31<sup>st</sup> December 2024, sovereign guarantees amounted to EUR 1,264.4 million, accounting for 8.2% of GDP, slightly increasing by 0.3 p.p. in relation to end-2023.

Table. Stock of Sovereign Guarantees on 31<sup>st</sup> December 2024

Business Entity/Main Debtor (guarantee beneficiary)	EUR million	% of total	% of GDP
AD ESM	190.5	15.1	1.2

<sup>10</sup> Law on Public Debt ("Official Gazette of the Republic of Macedonia", nos.62/05, 88/08, 35/11 and "Official Gazette of the Republic of North Macedonia", nos. 98/19, 151/21 and 12/2025)

AD MEPSO	6.7	0.5	0.04
Development Bank of North Macedonia	239.7	19.0	1.6
Macedonian Railways Transport JSC	14.8	1.2	0.1
Public Enterprise for State Roads	806.4	63.8	5.2
Public Transport Enterprise Skopje	5.7	0.4	0.04
National Forests Public Enterprise	0.6	0.0	0.00
<b>Total</b>	<b>1,264.4</b>	<b>100.0</b>	<b>8.18</b>

Taking into account the contingent liability in the State Budget arising from sovereign guarantees, caution is to be taken for their sustainability. In fact, considering the many guarantees issued for loans extended to the Public Enterprise for State Roads, intended for financing road infrastructure projects, maintaining sustainable level of the issued guarantees is crucial, adhering thereby to the limit set under the Public Debt Management Strategy, which limit should not exceed 15% of GDP over the medium term (2026 – 2030).

As regards caution to be undertaken, process of issuance of sovereign guarantees is regulated under the Law on Public Debt and the respective bylaws. According to these acts, when making decision on issuance of sovereign guarantee, the Ministry of Finance is to carry out a credit analysis, i.e. to assess the creditworthiness of the public debt issuer, by assessing its liquidity, solvency and profitability. Thus, managing contingent liabilities has been significantly improved and aligned with the international practice on issuance of sovereign guarantees.

#### 7.4 Public Investments

The increase in the budget deficit, driven by the rise in capital expenditures, has a further impact on macroeconomic trends, contributing to the acceleration of economic growth. At the same time, it is crucial to ensure fiscal space to enable a timely policy response to the economic shocks. Given the continued uncertainty in the global economic environment, any potential fiscal intervention by the government aimed at mitigating external negative effects will be combined with the efforts to sustain development programmes and infrastructure projects financed through the Budget.

When assessing the risks associated with financing public investments, attention is paid to the share of the State Budget allocated for capital expenditures, as well as to the impact factors that directly influence their implementation, particularly considering their direct effect on both gross investment growth and economic growth.

Historically, execution of capital expenditures and public investments has often deviated significantly from the initially approved budget. Consequently, during the year, funds are reallocated, with funds originally intended for capital expenditures redirected towards to less productive spending. This in itself poses a risk in terms of planning high amount of capital expenditures, ensuring the availability of financing and the resulting increase in the budget deficit. In this regard, the Fiscal Council has recommended that, in cases where capital investments are not fully realised, the funds allocated therefor should not be reallocated to current spending through a supplementary budget, but rather set aside and used in subsequent years for their originally intended purpose.

Table. Capital Expenditures

CAPITAL EXPENDITURES 2019-2025				Denar million		
Year	GDP	Projected Capital Investments	Actual Capital Investments	% of Actual Capital Investments	% of Projected Capital Expenditures/GDP	% of Actual Capital Investments/GDP
2019	692,683	22,709	17,813	78.4	3.3	2.6
2020	669,280	19,063	16,115	84.5	2.8	2.4
2021	729,444	29,871	23,408	78.4	4.1	3.2
2022	816,083	32,109	28,637	89.2	3.9	3.5
2023	897,693	44,977	43,524	96.8	5.0	4.8
2024	948,904	38,349	28,698	74.8	4.0	3.0
2025 Budget	1,022,542	47,156			4.6	

Investments in productive projects are the driving force of the growth of the Macedonian economy: infrastructure and energy projects that support the business sector, along with capital projects in transport, utilities, and other forms of local infrastructure aimed at improving the overall quality of life for the Macedonian citizens.

To that end, substantial amount of funding is allocated through the Budget of the Republic of North Macedonia for financing Corridor 8/10d Project. Funds are projected for the design and the construction of part of Corridor 8, the planning, the design, the construction and the use of part of Corridor 8 - Tetovo - Gostivar section/highway extension, construction of new Highway Trebenishta - Struga- Kjafasan, construction of Gostivar - Bukojchani and Bukojchani - Kichevo sections, as well as Corridor 10d, Prilep - Bitola section.

In line with the Law on Determining Public Interest and Nominating a Strategic Partner for the Implementation of the Project for Construction of Corridor 8 and Corridor 10d, the respective Project has been designated as one of national relevance and a strategic partner has been nominated to implement the Project, with the aim of ensuring a sustainable development of the regional connectivity of the Republic of North Macedonia through the completion of the Pan-European Corridors 8 and 10d.

Funds for the implementation of this major infrastructure project are provided from the State Budget through the Ministry of Transport and Communications, upon prior adopted programme of the Government of the Republic of North Macedonia, in the form of transfer to the Public Enterprise for State Roads. Thereby, it is essential that the transfer of funds is directly linked with the physical progress of the construction, rather than the funds being provided as advance payments from the central government to the public enterprises.

Denar thousand

project	implementer	2022		2023		2024		2025	2026	2027	2028	2029	2030
		Budget	final account	Budget	final account	Budget	final account	Budget	Plan	Plan	Plan	Plan	Plan
Corridor 8 and 10d	Public Enterprise for State Roads	5.938.874	0	15.000.000	14.500.000	15.100.000	4.100.000	8.000.000	8.000.000	9.000.000	9.000.000	9.000.000	9.000.000

Risks to infrastructure projects usually materialise as increased project costs or delays during project implementation phase, with the risk factors being determined already in the project preparation and appraisal phase. Therefore, risk assessment is to commence even in the project preparation phase, with the project concept, the risks being defined in more details in the feasibility study, which will contribute to undertaking timely and better informed actions to overcome or mitigate them. With the adoption of the Organic Budget Law in September 2022, Ministry of Finance has been assigned a crucial role as gatekeeper of public finances in the public investment management processes. For the purpose of regulating the procedure for setting medium-term priorities and selecting new initiatives in the form of public investment projects, Decree on Public Investment Management was prepared which, among other things, stipulates the procedure for project preparation and project monitoring. Diligent monitoring and periodic reporting requirements provide information to the Government as regards the progress of the financed projects, promoting thereby transparency, accountability and timely intervention, if needed, so as to ensure successful implementation of the project.

The Government will introduce a risk-based centralised monitoring, which also includes high-level monitoring by the Ministry of Finance for the most of the projects and closer scrutiny of projects with higher delivery risk. When providing funding for the project, the responsibility for its implementation falls on the project implementers. These entities are not only accountable for the project execution, but also for closely monitoring its financial and physical progress throughout the implementation phase. Such dual oversight guarantees that the project stays on track and adheres to both the budget and timeline expectations. In addition to the continuous monitoring, it should be a mandatory requirement for these entities to compile and submit progress reports to the Ministry of Finance. Such reports serve as crucial documentation to monitor the project development, aimed at better budget planning and assessment of fiscal risks arising from the public investment project. They are also instrumental in maintaining transparency and accountability.

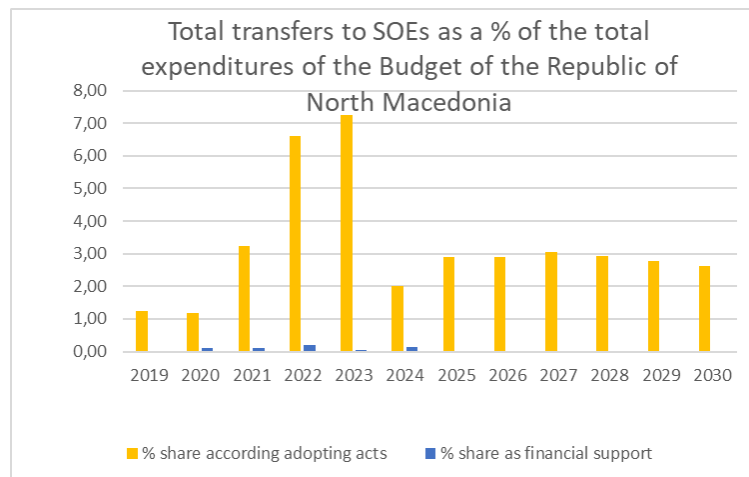
Ministry of Finance will prepare progress reports, on the basis of data provided by the project implementers, as regards the portfolio of public investment projects and inform the Government thereof. Moreover, the Government will set special rules on fundamental review of projects deviating from the initial project implementation plan as regards project costs exceeding the initially projected one and implementation delays. Thus, proactive action will be taken as regards project risk management, all to the end of minimising their fiscal impact.

## 7.5 Transfers to Public Enterprises

State-owned enterprises play a vital role in providing social value and encouraging economic growth, at the same time being a potential source of fiscal risk which could result in certain deviations from the medium-term baseline scenario. This type of fiscal risk usually occurs when budget transfers from SOEs are lower than expected and budget

transfers to SOEs are higher than projected. Deviations on the revenue side most often appear when state-owned enterprises make lower-than-projected dividend payments and revenue collection, as well as lower-than-projected payments related to servicing the debt on the basis of on-lending. On the other hand, payments from the State Budget to the SOEs are higher than the projected when payments are to be made for higher-than expected subsidies, loans or capital transfers, as well as payments arising from contingent liabilities. This is most often a result of the risks materialising at the SOEs due to, for instance, deterioration of the economic performances, changes in the exchange rate or the commodity prices, regulated tariffs insufficient to cover the costs or not adjusting quickly to the tariff changes, risks related to implementing major reforms in the sectors in which state-owned enterprises operate, etc.

Section 2.4.2 Expenditures shows the execution of transfers from the State Budget to SOEs in the period 2019 - 2024. As it can be noted, these transfers account for an average of 1.85% of the total budget expenditures. The higher share (6.73%) in 2023 reflects a transfer from the Ministry of Transport's Budget for the implementation of public investment projects — Corridor 8 and Corridor 10d.



Analysis of transfers from the Budget of the Republic of North Macedonia to public enterprises between 2019 and 2024 shows that almost all are regular transfers made according to prior set and adopted acts (laws, contracts, decisions, programmes, etc.), while only a small portion (less than 1%) comprises unforeseen transfers provided as financial support to certain public enterprises facing difficulties.

Projections for 2026 – 2030 period mainly relate to the continuation of regular transfers and the planned implementation of capital projects during this timeframe.

## 7.6 Local Government

In the course of their operations, municipalities face many challenges related to revenue collection and expenditure execution. As a result of certain factors, of objective or subjective nature, fiscal risks occur when collecting revenues and executing expenditures.

In recent years, one of the main risks facing municipalities has been unrealistic budget planning. However, the introduction of the fiscal rule for budget planning has helped reduce such deviations. Hence, in 2024, municipalities executed over 90% of their planned budgets, significantly lowering fiscal risk on one hand, while also reducing the risk of accumulating large amounts of arrears, which negatively impact their financial operations. Analysis of municipal financial operations is provided in Section 2.5 Local Government Budget.

A further risk identified in municipal operations is the high volume of transfers to local public enterprises, intended to help them overcome financial difficulties. In 2024, subsidies to local public enterprises amounted to approximately Denar 1.2 million, indicating that a large number of these enterprises were facing financial difficulties and required additional support to stabilise operations. Arrears of local public enterprises in 2024 amounted to Denar 6,995 million, increasing by about 50% compared to the previous year. Section 3.2 Report on the Recorded Arrears pursuant to the Law on Reporting and Recording Liabilities includes an analysis of the arrears.

## 7.7 Public-Private Partnership

Pursuant to the existing Law on Concessions and Public-Private Partnership, Ministry of Energy, Mining and Minerals is the authority in charge of public-private partnership (PPP) and it keeps the Registry of Concluded PPP Contracts. The Registry is kept in paper form and an excel table, containing data on concluded PPP contracts reported by the public partners, i.e. the authorities in charge of implementing the contracts, on the basis of a stipulated form. The Register contains general information on 62 contracts for establishment of public-private partnerships and concessions across various sectors: modernisation and maintenance of public lighting systems, organisation of wholesale markets, construction of administrative and commercial buildings and underground parking facilities, construction of small hydropower plants, construction of sports complexes, waste collection and disposal, etc. However, the Register lacks comprehensive data and parameters from the signed contracts and provides only limited financial information. Available data includes partial details such as the contract value (estimated investment), the percentage of the concession fee, certain information on property rights transfers, and monetary payments by the public partner, where applicable.

Implementation of the current legal framework has revealed several weaknesses, particularly in the planning, selection, preparation and approval of PPP projects, as well as in the monitoring and oversight of both PPP contract award procedure and contract implementation process. To address these gaps and establish an effective PPP and concessions system and to align with the EU legislation, a new Draft Law on Public-Private Partnerships has been prepared and is currently in its finalisation phase. In cooperation with the World Bank, the Government plans to develop a Single Electronic PPP System to carry out the entire PPP award procedure — from initial publication to contract award. This system will include the establishment of a new Register of signed/awarded contracts, serving as a centralised digital database for the entire PPP contract award process at both central and local levels. The goal is to enable consistent monitoring of the implementation of PPP and concession projects (including project planning, preparation and approval, tender procedures, selection of the most favourable bidder, contract signing, implementation and contract monitoring). This will provide a foundation for a more effective management of the fiscal risks associated with such projects.

## 7.8 Legal Claims

Budget payments related to settlement of court claims against the state has recorded an upward trend in recent years, as has the number of court proceedings filed against the state. The number of civil lawsuits rose from 14,871 in 2020 to 29,690 in 2024, being an increase of 99.7%. Over the same period, payments from the Budget increased from EUR 16.5 million in 2020 to EUR 36 million in 2024 (accounting for 0.6% of the budget expenditures), increasing by 118.7%.

The majority of the litigation proceedings (more than two-thirds) are labor disputes brought by employees of state bodies and institutions under the labour legislation (Law on Administrative Servants, Labour Relations Law, Collective Agreements and other *lex specialis* laws and by-laws governing employment relations). These are followed by commercial disputes related to contracts and torts (on the basis of the Law on Contracts and Torts and public procurement contracts, capital investments/infrastructure projects and concession agreements. The remaining cases (approximately one-tenth) involve property disputes and other legal matters. Additionally, there are court proceedings filed against public enterprises, state-owned joint stock companies, local government units and arbitration cases, for which the State Attorney's Office does not hold detailed information.

Table. Funds Paid by Year and Number of Litigation Proceedings

Year	Denar million	No. of litigation proceedings*
2020	1,016.6	14,871
2021	1,436.4	18,278
2022	1,304.7	23,459
2023	2,157.0	26,717
2024	2,223.7	29,690

Source: Ministry of Finance; \*State Attorney's Office (as of the end of the year)

The State Attorney's Office does not currently operate a unified IT system for automatic case management, which hinders the process of analysing the legal claims lodged against the state, including the potential financial risks. Activities are underway to introduce an information system that will provide case tracking, automatic allocation,

document flow and management, and development of databases for statistical data, thereby strengthening the capacity for analysing, monitoring and planning the effects of fiscal risks related to court disputes.

## 7.9 Environmental Risks

Pursuant to the OBL provisions, it is prescribed for funds for budget reserve requirement to be provided in the Budget, to be used for eliminating the consequences from natural disasters, environmental disasters, state of emergency and crisis situation, as well as pandemics and epidemics. Hence, as regards the funds projected as reserve requirement for eliminating the consequences from state of emergency and natural disasters in 2025, Denar 200 million is projected in the 2025 Budget of the Republic of North Macedonia, Denar 100 million out of which (position Permanent Reserve Requirement) is intended for eliminating the consequences from: natural disasters, epidemics and environmental disasters.

Table. Projected and Executed Funds under Permanent Reserve Requirement

Year	Projected Funds	Executed Funds
2020	Denar 100 million	Denar 126.3 million
2021	Denar 100 million	Denar 93.5 million
2022	Denar 100 million	Denar 268.5 million
2023	Denar 100 million	Denar 50.7 million
2024	Denar 100 million	Denar 9.2 million

Source: Ministry of Finance

Natural disasters which the country is exposed to include floods, wildfires, droughts, landslides, earthquakes, other disasters, epidemics caused by infectious diseases in humans and animals, etc. According to the international disaster database, floods are the most common phenomenon in the country, accounting for around 50% of the total registered natural disasters, followed by extreme weather conditions (25%), wildfires (12.5%), drought (6.3%) and storms (6.3%). During the period 2020–2024, financial resources were allocated to address crisis situations arising from the increased incidence of wildfires in multiple municipalities, flooding and its consequences in the municipalities of Delchevo and Kriva Palanka, as well as shortages of electricity nationwide and thermal energy within the City of Skopje.

Over the past decade, the impact of natural disasters has been moderate, however, climate change is expected to lead to an increased frequency of such events. Crisis Management Centre and Protection and Rescue Directorate have established a disaster risk management system. A comprehensive Risk Assessment of the country's exposure to various threats and hazards is currently being prepared and will be adopted by the Government, while similar assessments are prepared at municipal level and adopted by the respective municipal councils. The assessment findings are prepared in accordance with the Decree on the Types of Plans, Programmes, Sub-Programmes and Activities for Crisis Management and Protection and Assessment of Required Resources for their Implementation, Including Financial Resources. Natural disasters result in damage to productive capital and infrastructure, which in turn leads to a contraction in domestic economic activity and lower GDP growth. This effect is most pronounced in the year the disaster occurs. In addition, due to reduced public revenues and increased public expenditures, the shock from a natural disaster leads to widening of the fiscal deficit, ultimately creating the need for additional financing and resulting in higher public debt.

## 8. Expected Results of Medium-Term Projections

As per the fiscal projections, the expectations in the medium run are the following:

- maintenance of macroeconomic stability and fiscal sustainability is to create more favorable conditions for intensifying the economic activity.
- active and accountable fiscal policy in support of economic growth, by adhering to the numeric fiscal rules,
- Disciplined budget spending via efficient absorption of the funds and generating improved operational performance by rendering better-quality public services and digitalising public sector services,
- execution of capital expenditures and implementation of infrastructure projects in the priority areas, in line with the government policies, which will generate positive effects on medium-term economic growth.



Annex 1					
Budget User	2026 Projections	2027 Projections	2028 Projections	2029 Projections	2030 Projections
01001 PRESIDENT OF THE REPUBLIC OF NORTH MACEDONIA	119,471,000	122,245,000	130,479,000	134,089,000	141,098,000
01002 INTELLIGENCE AGENCY	376,334,000	387,623,000	403,947,000	418,017,000	432,873,000
02001 PARLIAMENT OF THE REPUBLIC OF NORTH MACEDONIA	1,032,065,000	1,069,705,000	1,128,469,000	1,161,928,000	1,186,900,000
02002 STATE AUDIT OFFICE	212,839,000	218,357,000	228,552,000	236,081,000	243,408,000
02003 STATE COMMISSION FOR PREVENTION OF CORRUPTION	99,105,000	101,038,000	107,367,000	111,055,000	110,759,000
02004 STATE ELECTION COMMISSION	103,907,000	100,531,000	1,044,524,000	1,565,339,000	118,154,000
02005 COMMISSION FOR PROTECTION OF COMPETITION	38,583,000	38,207,000	42,010,000	44,029,000	45,709,000
02006 AGENCY FOR PROTECTION OF PERSONAL DATA	23,540,000	22,658,000	25,951,000	27,404,000	28,470,000
02007 STATE APPEALS COMMISSION	28,057,000	27,359,000	30,785,000	32,534,000	33,695,000
02009 HOUSING REGULATORY COMMISSION	13,638,000	12,481,000	15,368,000	16,579,000	17,105,000
02010 COUNCIL ON AUDIT ADVANCEMENT AND OVERSIGHT	12,544,000	11,351,000	14,358,000	14,645,000	16,005,000
02011 COMMISSION FOR PREVENTION AND PROTECTION AGAINST DISCRIMINATION	36,039,000	35,852,000	39,607,000	41,004,000	41,947,000
02012 STATE COMMISSION FOR DECISION-MAKING IN ADMINISTRATIVE PROCEDURE, EMPLOYMENT PROCEDURE, AND SECOND-INSTANCE INSPECTION SUPERVISION	139,278,000	142,160,000	149,468,000	153,173,000	157,755,000
02013 AUDIT AUTHORITY FOR AUDIT OF THE INSTRUMENT OF PRE-ACCESSION ASSISTANCE	56,360,000	56,626,000	61,203,000	62,823,000	63,045,000
02015 OPERATIONAL TECHNICAL AGENCY	83,270,000	85,094,000	116,789,000	128,616,000	140,608,000
02016 FISCAL COUNCIL	14,290,000	13,220,000	16,291,000	16,392,000	16,779,000
03001 CONSTITUTIONAL COURT OF THE REPUBLIC OF NORTH MACEDONIA	83,447,000	84,634,000	90,171,000	93,198,000	95,837,000
04001 GOVERNMENT OF THE REPUBLIC OF NORTH MACEDONIA	6,872,483,000	6,995,796,000	7,078,967,000	8,396,164,000	9,556,828,000
04002 COMMON SERVICE AGENCY OF THE GOVERNMENT OF THE REPUBLIC OF NORTH MACEDONIA	1,202,148,000	1,226,747,000	1,165,223,000	1,179,388,000	1,356,202,000

04003 LEGISLATIVE SECRETARIAT	31,717,000	31,119,000	32,159,000	33,376,000	34,626,000
04006 STATE ATTORNEY'S OFFICE OF THE REPUBLIC OF NORTH MACEDONIA	223,778,000	229,292,000	237,667,000	245,545,000	254,693,000
04008 ADMINISTRATION AGENCY	49,870,000	49,974,000	54,237,000	55,848,000	58,329,000
04009 MINISTRY FOR EUROPEAN AFFAIRS	193,292,000	199,775,000	210,926,000	218,632,000	231,747,000
04010 MINISTRY FOR INTER-COMMUNITY RELATIONS	251,847,000	258,658,000	269,500,000	278,499,000	292,353,000
04012 AGENCY FOR EXERCISING THE RIGHTS OF THE COMMUNITIES	19,896,000	18,901,000	19,575,000	20,425,000	21,334,000
04013 AGENCY FOR MANAGEMENT OF CONFISCATED PROPERTY	40,746,000	40,522,000	44,590,000	45,639,000	48,153,000
04014 INSPECTION COUNCIL	38,450,000	38,359,000	42,269,000	42,450,000	44,131,000
04015 LANGUAGE IMPLEMENTATION AGENCY	42,267,000	42,210,000	46,319,000	48,777,000	50,124,000
05001 MINISTRY OF DEFENCE	16,827,029,000	16,979,977,000	17,037,206,000	17,163,542,000	17,252,184,000
05002 DIRECTORATE FOR SECURITY OF CLASSIFIED INFORMATION	37,578,000	37,189,000	41,174,000	43,180,000	45,109,000
05003 PROTECTION AND RESCUE DIRECTORATE	269,789,000	275,132,000	291,423,000	303,020,000	320,920,000
05004 CRISIS MANAGEMENT CENTER	282,140,000	289,726,000	304,119,000	313,545,000	324,216,000
06001 MINISTRY OF INTERNAL AFFAIRS	14,395,647,000	14,627,268,000	15,093,554,000	15,392,823,000	15,715,509,000
06003 NATIONAL SECURITY AGENCY	548,237,000	565,057,000	586,912,000	606,084,000	620,622,000
07001 MINISTRY OF JUSTICE	826,177,000	833,347,000	846,692,000	857,880,000	873,490,000
07002 DIRECTORATE FOR EXECUTION OF SANCTIONS	1,499,466,000	1,553,411,000	1,611,888,000	1,668,294,000	1,712,035,000
07003 VITAL RECORDS OFFICE	293,668,000	302,290,000	315,655,000	324,630,000	338,684,000
07004 BUREAU FOR REPRESENTATION OF THE REPUBLIC OF NORTH MACEDONIA BEFORE THE EUROPEAN COURT OF HUMAN RIGHTS	9,936,000	8,661,000	11,519,000	13,864,000	14,107,000
08001 MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE	1,693,943,000	1,737,193,000	1,772,852,000	1,815,344,000	1,877,554,000
09001 MINISTRY OF FINANCE	966,721,000	1,001,182,000	1,043,924,000	1,080,346,000	1,133,493,000
09003 CUSTOMS ADMINISTRATION OF THE REPUBLIC OF NORTH MACEDONIA	1,468,256,000	1,513,586,000	1,597,535,000	1,670,157,000	1,766,625,000
09004 COMMODITY RESERVES AGENCY	127,712,000	135,646,000	151,130,000	163,076,000	167,264,000
09005 PUBLIC REVENUE OFFICE	3,796,699,000	3,911,395,000	3,961,183,000	4,630,305,000	5,405,548,000

09006 FINANCIAL POLICE OFFICE	101,953,000	103,610,000	109,728,000	113,972,000	117,366,000
10001 MINISTRY OF ECONOMY AND LABOUR	4,633,019,000	4,769,452,000	5,398,547,000	5,945,346,000	6,498,964,000
10002 AGENCY FOR FOREIGN INVESTMENTS AND EXPORT PROMOTION OF THE REPUBLIC OF NORTH MACEDONIA	57,669,000	58,132,000	63,059,000	65,992,000	67,340,000
10003 AGENCY FOR TOURISM PROMOTION AND SUPPORT	44,840,000	44,976,000	49,656,000	54,669,000	56,794,000
10004 DIRECTORATE FOR TECHNOLOGICAL INDUSTRIAL DEVELOPMENT ZONES	2,477,358,000	2,557,049,000	2,584,665,000	2,617,632,000	2,639,250,000
10101 MINISTRY OF ENERGY, MINING AND MINERAL RESOURCES	489,355,000	602,064,000	774,087,000	970,714,000	1,019,166,000
11002 STATE OFFICE OF INDUSTRIAL PROPERTY	5,000,000	5,250,000	5,678,000	5,788,000	6,500,000
12101 MINISTRY OF ENVIRONMENT AND PHYSICAL PLANNING	1,577,999,000	1,619,991,000	1,669,716,000	1,533,263,000	1,357,375,000
13001 MINISTRY OF TRANSPORT	15,346,880,000	15,478,337,000	16,017,747,000	16,294,197,000	15,915,651,000
MINISTRY OF AGRICULTURE, FORESTRY AND WATER ECONOMY	1,534,393,000	1,587,376,000	1,651,460,000	1,711,855,000	1,741,325,000
14002 AGENCY FOR PROMOTION OF AGRICULTURE DEVELOPMENT - BITOLA	78,767,000	79,663,000	84,952,000	89,064,000	93,391,000
14003 NATIONAL HYDROMETEOROLOGICAL SERVICE	114,759,000	116,308,000	123,742,000	128,134,000	132,512,000
14004 AGENCY FOR FINANCIAL SUPPORT OF AGRICULTURE AND RURAL DEVELOPMENT	8,205,345,000	8,388,139,000	8,504,732,000	9,781,894,000	11,091,515,000
14005 FOOD AND VETERINARY AGENCY OF THE REPUBLIC OF NORTH MACEDONIA	493,040,000	507,239,000	523,455,000	525,165,000	538,326,000
15001 MINISTRY OF SOCIAL POLICY, DEMOGRAPHICS AND YOUTH	68,196,351,000	66,463,405,000	67,426,074,000	66,380,996,000	68,314,238,000
16001 MINISTRY OF EDUCATION AND SCIENCE	40,187,406,000	43,054,843,000	46,454,285,000	49,543,449,000	53,132,586,000
16002 EDUCATION DEVELOPMENT BUREAU	253,132,000	265,715,000	275,462,000	285,207,000	302,497,000
16003 NATIONAL AGENCY FOR EUROPEAN EDUCATIONAL PROGRAMMES AND MOBILITY	34,117,000	33,625,000	37,319,000	39,367,000	41,901,000
16201 MINISTRY OF SPORT	1,093,102,000	1,141,494,000	1,157,588,000	1,292,840,000	1,315,149,000
17001 MINISTRY OF DIGITAL TRANSFORMATION	2,588,768,000	2,714,845,000	2,911,478,000	3,153,031,000	3,409,184,000
17101 MINISTRY OF PUBLIC ADMINISTRATION	180,512,000	186,729,000	197,270,000	203,280,000	209,035,000
18001 MINISTRY OF CULTURE AND TOURSIM	247,691,000	255,068,000	272,928,000	286,383,000	300,509,000

18010 FINANCING ACTIVITIES IN THE AREA OF CULTURE	4,820,187,000	5,103,466,000	5,448,633,000	5,863,239,000	6,255,673,000
19001 MINISTRY OF HEALTH	6,324,757,000	6,478,086,000	6,695,643,000	7,186,061,000	7,249,032,000
19101 MINISTRY OF LOCAL GOVERNMENT	263,685,000	274,201,000	285,783,000	291,574,000	307,317,000
19201 EMIGRATION AGENCY	21,979,000	21,169,000	24,535,000	25,775,000	27,679,000
19302 AGENCY FOR PROTECTION OF THE RIGHT TO FREE ACCESS TO PUBLIC INFORMATION	23,603,000	22,685,000	26,003,000	26,715,000	27,876,000
20001 COMMISSION FOR RELATIONS WITH RELIGIOUS COMMUNITIES AND GROUPS	13,454,000	12,122,000	15,210,000	15,954,000	16,764,000
21001 REAL ESTATE CADASTRE AGENCY	266,343,000	274,333,000	282,563,000	291,040,000	299,771,000
22001 STATE STATISTICAL OFFICE	236,965,000	243,986,000	255,817,000	257,441,000	266,662,000
24001 STATE ARCHIVES OF THE REPUBLIC OF NORTH MACEDONIA	204,512,000	209,626,000	219,098,000	225,088,000	232,881,000
25001 BUREAU FOR APPRAISAL	23,876,000	24,592,000	25,330,000	26,090,000	26,873,000
26001 MACEDONIAN ACADEMY OF SCIENCES AND ARTS	162,662,000	167,106,000	176,357,000	180,877,000	190,351,000
28001 REGIONAL DEVELOPMENT BUREAU	242,654,000	255,258,000	262,808,000	280,575,000	249,499,000
29010 JUDICIAL POWER	2,995,773,000	3,095,940,000	3,202,745,000	3,308,592,000	3,436,115,000
31010 PUBLIC PROSECUTOR'S OFFICE OF THE REPUBLIC OF NORTH MACEDONIA	924,800,000	956,551,000	994,299,000	1,029,754,000	1,078,536,000
31011 COUNCIL OF PUBLIC PROSECUTORS	36,480,000	36,069,000	39,946,000	41,974,000	44,694,000
31101 OMBUDSMAN	101,828,000	104,439,000	110,424,000	113,919,000	118,772,000