

REFORM AND GROWTH FACILITY FOR THE WESTERN BALKANS
ANNUAL REPORT 2025 OF NORTH MACEDONIA¹

¹ [The report reflects on the achievements in 2025]

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LIST OF ACRONYMS

ACAA – Agreement on Conformity Assessment and Acceptance

AEC – Adult Education Centre

AEOS – Authorized Economic Operators System

AFCOS – Anti-Fraud Coordination Service

AIP – Annual Implementation Plan

BTI – Binding Tariff Information

CEFTA – Central European Free Trade Agreement

CFSP – Common Foreign and Security Policy

CHU – Central Harmonization Unit

COVID – Coronavirus Disease

CPPD – Commission for Prevention and Protection from Discrimination

CRM – Common Regional Market

CSDP – Common Security and Defence Policy

CVP – Communication and Visibility Plan

DG – Directorate-General

DIIA – Digital Identity and Authentication

EDIH – European Digital Innovation Hubs

EE – Energy Efficiency

EES – Entry/Exit System

EPF – European Peace Facility

ERP – Economic Reform Programme

ESM – Electricity System Management

ETIAS – European Travel Information and Authorization System

EU – European Union

EU4DIGITAL – EU Initiative for Digital Transformation

FDI – Foreign Direct Investment

GRECO – Group of States against Corruption

ICT – Information and Communication Technology

IPA – Instrument for Pre-Accession Assistance

IS – Information System

ITS – Intelligent Transport System

JRC – Joint Research Centre

JTAIP – Just Transition Annual Implementation Plan

MEL – Ministry of Economy and Labour

MEMMR – Ministry of Energy, Mining and Mineral Resources

MK – North Macedonia

MIZ – Municipal Industrial Zones

MoF – Ministry of Finance

MoU – Memorandum of Understanding

MP – Member of Parliament

MPA – Ministry of Public Administration

NATO – North Atlantic Treaty Organization

NCB – National Coordination Body

ODIHR – Office for Democratic Institutions and Human Rights

PAR – Public Administration Reform

PFM – Public Financial Management

PSPs – Payment Service Providers

RGF – Reform and Growth Facility

RIA – Regulatory Impact Assessment

RES – Renewable Energy Sources

S3 – Smart Specialisation Strategy

SCPC – State Commission for Prevention of Corruption

SEED – System for Electronic Exchange of Data

SEPA – Single Euro Payments Area

SMEs – Small and Medium Enterprises

SNE – Seconded National Expert

TA – Technical Assistance

TAIEX – Technical Assistance and Information Exchange

TEN-T – Trans-European Transport Network

TIDZ – Technological Industrial Development Zones

TRACES – Trade Control and Expert System

UN – United Nations

UNDP – United Nations Development Programme

WB – Western Balkans

WiFi4WB – WiFi for Western Balkans

WTO – World Trade Organization

1 OVERVIEW OF THE REFORM AGENDA IMPLEMENTATION IN 2025

1.1 Key achievements and developments

This is the second annual report on the RGF implementation prepared based on the up-to-date guidance and respective workshops organized by the European Commission.

North Macedonia has remained fully compliant with the procedural requirements under the Reform and Growth Facility (RGF), submitting all Requests for Release of Funds within the prescribed deadlines. To date, total disbursements under the RGF amount to around €24 million, combining budget support loans and WBIF-financed grants and loans, in addition to the 52.5 million euros disbursed as pre-financing. Even though the 2025 Local Elections which took place in the second half of the year, to some extent affected the dynamics of implementation of the Reform agenda steps, especially of legislative nature, still the administration remained focus on achieving progress.

A major achievement has been the continued strengthening of the rule of law and judicial independence. Implementation of the Judicial System Development Strategy (2024–2028) progressed steadily, supported by the establishment of a Council for Monitoring Judicial Reforms. Important legislative developments included the adoption of a new Law on the Judicial Council and preparation of new legislation on the Public Prosecutor's Office and the Council of Public Prosecutors, aimed at improving transparency, accountability and professional standards. Measures were also taken to address capacity gaps in the judiciary through the appointment of new judges and prosecutors and the strengthening of the role of the Academy for Judges and Public Prosecutors. Digitalisation of judicial services through the National Judicial Portal and enhanced interoperability between institutions further improved efficiency and access to justice.

Progress was also made in strengthening anti-corruption frameworks and institutional integrity. Amendments to the legal framework on corruption prevention and conflict of interest were prepared, together with a new draft law on whistleblower protection aligned with EU standards. Institutional capacity was reinforced through improvements to the asset declaration system and the expansion of integrity systems across public institutions. Preparations for a new National Strategy for the Prevention of Corruption and Conflict of Interest (2026–2030) are also underway.

North Macedonia maintained full alignment with the EU's Common Foreign and Security Policy (100%), reaffirming its strategic commitment to EU membership. The country continued to actively support EU positions in international organisations and maintained full alignment with EU sanctions against Russia following its aggression against Ukraine. North Macedonia also continued to contribute to international peacekeeping missions and security initiatives, strengthening its role as a reliable partner within the Euro-Atlantic community.

Important progress was achieved in governance and public administration reform. A new legislative framework introduced a merit-based system for recruitment, promotion and performance evaluation in the public sector, aimed at reducing political influence and strengthening professionalism. Institutional capacity-building was further supported through the establishment of a Training Academy within the Ministry of Public Administration. In the area of public financial management, adoption of the Public Financial Management Reform Programme (2025–2028) strengthened fiscal governance, transparency and investment planning, including the establishment of a Public Investment Committee and improved oversight mechanisms.

The Government continued to promote economic competitiveness and innovation, adopting the SME Strategy 2025–2030 and establishing the new Agency for Innovation, Scientific and Technological Development and Entrepreneurship (INOVA). These reforms strengthen the national innovation ecosystem, support the implementation of the Smart Specialisation Strategy and improve the business environment for small and medium-sized enterprises.

North Macedonia also advanced regional economic integration and integration into the EU Single Market. A key milestone was the country's accession to the geographical scope of the Single Euro Payments Area (SEPA), enabling faster and more efficient cross-border payments with the EU. The country continued to actively participate in regional initiatives under the Western Balkans framework and CEFTA, promoting trade facilitation, sustainable investment and financial cooperation.

Significant progress was made in connectivity, the green transition and digital transformation. Major transport infrastructure projects along Corridors VIII and X continued, including the signing of an agreement with Bulgaria for the construction of a cross-border railway tunnel. In the energy sector, the adoption of a new Energy Law aligned the national framework with the EU Clean Energy Package and supported the expansion of renewable energy capacity. Digital transformation was accelerated through the adoption of legislation aligned with EU standards in cybersecurity, electronic communications and digital trust services, while the use of digital public services increased significantly.

1.2 Engagement with relevant stakeholders (max 1 page)

On 2 July 2025, the first meeting of the Monitoring Committee for the Reform and Growth Facility (RGF) between North Macedonia and EU was held, with the participation of CSO representatives, IFI's and other stakeholders. Their involvement in this formal monitoring structure ensures that civil society has direct insight into the implementation of reforms and can provide input and recommendations, contributing to transparency and accountability in the follow-up process.

Furthermore, on 19 May 2025, the Ministry for European Affairs, in cooperation with the Institute for European Policy – Skopje, organised the first meeting of the National Consultative Mechanism for the Reform Agenda 2024–2027 (NCM-RA). The NCM-RA serves as a national platform enabling structured, transparent, and inclusive evidence-based dialogue among public institutions, CSOs, chambers of commerce, academia, and other stakeholders. Its purpose is to support the implementation and monitoring of the Reform Agenda within the framework of the Reform and Growth Instrument for the Western Balkans. Through this mechanism, CSOs are structurally involved in discussing reform priorities, monitoring progress, and providing recommendations.

On 24 November 2025, the second meeting of the National Consultative Mechanism for the Reform Agenda was held, confirming the continuity and institutionalisation of this consultative process.

These steps demonstrate the Ministry's commitment to ensuring the structural and continuous involvement of CSOs in EU accession sector reforms and the negotiation process, through formalised platforms for dialogue, monitoring, and follow-up on recommendations.

To ensure meaningful participation, it is essential that citizens understand the objectives, content, and expected outcomes of the Reform Agenda. Increased awareness and understanding among CSOs and the broader public enable them to engage actively, contribute informed recommendations, and monitor progress effectively.

1.3 Communication and visibility (max. 0.5 page)

Due to the election period in the second half of 2025, the visibility events related to the Growth Plan and Reform Agenda were limited. Nevertheless, the National RGF coordinator held media briefing in July 2025, immediately after the submission of the second Request for Release of Funds, whereby media were informed on the state of play of the implementation of the Reform agenda and the expectations in regard to the achievement of the steps. Another media briefing was held by the Prime Minister and the National RGF Coordinator in August 2025. MEA's website was regularly updated with documents related to the RGF. Progress was also achieved in the development of the IT platform for the Reform Agenda and the software was installed on MEA servers in December 2025.

2 CONTRIBUTION TO THE ACHIEVEMENT OF THE REFORM AND GROWTH FACILITY GENERAL OBJECTIVES² (RGF WB REGULATION ARTICLE 3.1) (MAX 2 PAGES)

During the reporting period, North Macedonia continued to implement comprehensive reforms aligned with the objectives of the Reform and Growth Facility (RGF), focusing on strengthening the rule of law, governance, economic competitiveness, regional integration, green and digital transitions, and social development. Significant progress has been achieved across several policy areas contributing to institutional resilience, economic transformation and alignment with European Union standards.

Implementation of the Judicial System Development Strategy (2024–2028) continued, with a semi-annual assessment showing 46.09% implementation by August 2025. Institutional oversight of judicial reforms was strengthened through the establishment of the Council for Monitoring Judicial Reforms, which ensures systematic monitoring of reform implementation.

² The general objectives of the RGF are:

- (a) support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') through the adoption and implementation of reforms with a view to future Union membership;
- (b) accelerate regional economic integration and progressive integration into the Union single market;
- (c) accelerate the socio-economic convergence of the beneficiaries' economies with the Union;
- (d) foster regional cooperation, good neighbourly relations, reconciliation and the settlement of disputes in the Western Balkans, as well as people-to-people contact.

Efforts to enhance the efficiency and transparency of the judiciary included further digitalisation of judicial services through the National Judicial Portal, which now provides additional electronic services such as criminal record certificates. Interoperability between institutions is also being improved to facilitate data exchange and streamline judicial processes.

Measures were undertaken to address human resource shortages in the judiciary. In March 2025, 97 candidates from the eighth generation of the Academy for Judges and Public Prosecutors were elected, including 49 judges and 28 prosecutors, while additional judicial appointments were made during the year. Legislative amendments enabled judges and prosecutors to continue their functions until the age of 67 in order to mitigate staffing gaps.

Important legislative progress was achieved with the adoption of the new Law on the Judicial Council in December 2025, strengthening the independence, transparency and accountability of the judicial governance framework. Draft legislation on the Public Prosecutor's Office and the Council of Public Prosecutors was also adopted by the Government, introducing clearer procedures for appointments, disciplinary procedures and guaranteed minimum budget allocations for prosecution services.

Further reforms include preparation of a new Criminal Code and amendments to the Criminal Procedure Law, aimed at aligning national legislation with EU standards on combating organised crime, corruption and financial crime.

The Government continued to strengthen the anti-corruption framework. Amendments to the Law on Prevention of Corruption and Conflict of Interest were prepared to enhance enforcement mechanisms and strengthen the capacity of the State Commission for the Prevention of Corruption (SCPC). In addition, a Draft Law on Whistleblower Protection was prepared to transpose the relevant EU directive.

Institutional capacity to prevent corruption was strengthened through expanded integrity systems across public institutions and the introduction of improvements to the electronic asset declaration system. A National Strategy for the Prevention of Corruption and Conflict of Interest (2026–2030) is under preparation, focusing on key risk sectors such as public procurement, justice, health and infrastructure.

Progress was also achieved in strengthening human rights protections and social inclusion. A National Action Plan for the Rights of the Child (2025–2029) was adopted, while new mechanisms were established to monitor implementation of the Strategy for the Rights of Persons with Disabilities (2023–2030). Implementation of the Roma Strategy 2022–2030 continued, resulting in improved educational participation and increased scholarship support.

North Macedonia maintained 100% alignment with the EU's Common Foreign and Security Policy (CFSP), confirming its strong strategic commitment to EU membership. The country continued to support EU positions in international organisations and actively participated in multilateral forums.

In response to Russia's aggression against Ukraine, North Macedonia maintained full alignment with EU sanctions and provided 16 assistance packages to Ukraine, including military and humanitarian aid. The country also continued to contribute to international peacekeeping missions such as EUFOR ALTHEA, KFOR, and UNIFIL, reinforcing its role as a reliable security partner.

Substantial progress was made in strengthening public administration and public financial management. A new legislative framework for public sector employment introduced a merit-based system for recruitment, career development and performance management, reducing political influence and enhancing transparency.

Institutional capacity-building was supported through the establishment of a Training Academy within the Ministry of Public Administration, while transparency was enhanced through the modernisation of the Open Data Portal and the preparation of new legislation on open data and reuse of public sector information.

In public financial management, the Government adopted the Public Financial Management Reform Programme 2025–2028, introducing programme-based budgeting, strengthened fiscal discipline and improved investment management. Reforms also included the creation of a Public Investment Committee, development of a Public Investment Management Information System, and measures to strengthen fiscal risk management and public procurement transparency.

Government policies continued to support private sector development and economic competitiveness. The SME Strategy 2025–2030 was adopted to improve the business environment, facilitate access to finance and promote the green and digital transition of enterprises.

Important institutional reforms were implemented through the adoption of the Law on Innovation Activity and Entrepreneurship and the establishment of the Agency for Innovation, Scientific and Technological Development and Entrepreneurship (INOVA). This new agency consolidates support mechanisms for innovation and SMEs and plays a central role in implementing the Smart Specialisation Strategy.

Implementation of the Smart Specialisation Strategy Action Plan (2024–2026) progressed significantly, with around 80% of planned measures implemented, strengthening collaboration between academia, business and government.

North Macedonia remained actively engaged in regional economic integration initiatives. Important regional agreements were adopted within the Western Balkans framework, including initiatives related to sustainable finance, investment facilitation and tourism cooperation. Progress was also achieved within CEFTA, including decisions on authorised economic operators and trade statistics cooperation.

Integration with the EU Single Market advanced through North Macedonia's accession to the geographical scope of the Single Euro Payments Area (SEPA), enabling faster and more efficient cross-border payments. The majority of domestic banks have already joined the SEPA Credit Transfer scheme.

Significant progress was made in transport connectivity and infrastructure development. North Macedonia continued implementation of the Transport Community Treaty and advanced projects related to Corridors VIII and X, including a landmark agreement with Bulgaria on the construction of a cross-border railway tunnel under Corridor VIII.

In the energy sector, adoption of the new Energy Law in 2025 established a comprehensive framework aligned with the EU Clean Energy Package. The revised National Energy and Climate Plan set ambitious decarbonisation targets and supports the development of approximately 1.7 GW of renewable energy capacity by 2030.

Digital transformation also advanced significantly through the adoption of legislation aligned with key EU frameworks, including laws on electronic communications, cybersecurity, digital identification and trust services. The number of digital public services increased substantially, while usage of the national services portal and interoperability platform grew significantly.

Policies aimed at improving employment and skills development continued through annual operational employment plans implemented by the Employment Agency. Measures focus on training, reskilling and supporting youth employment. Programmes supporting youth entrepreneurship provide grants of up to €10,000 for business start-ups, while additional incentives encourage private sector employment of young people.

Overall, the reforms implemented during the reporting period demonstrate North Macedonia's strong commitment to the objectives of the Reform and Growth Facility. Progress in strengthening institutions, improving governance, advancing economic competitiveness and accelerating green and digital transitions contributes to the country's socio-economic development and supports its continued alignment with the European Union *acquis* and accession process.

3 CONTRIBUTION TO THE ACHIEVEMENT OF THE SPECIFIC OBJECTIVES OF THE REFORM AND GROWTH FACILITY (RGF WB REGULATION ARTICLE 3.2) (MAX 0.5 PAGE PER SPECIFIC OBJECTIVE)

3.1 Specific objective 1: Rule of Law

Implementation of the Judicial System Development Strategy (2024–2028) and its Action Plan continued. The Annual Report for 2025 will be finalised in March 2026, while a semi-annual assessment showed a 46.09% implementation rate as of August 2025. The Council for Monitoring Judicial Reforms, responsible for monitoring implementation of judicial reforms and the Reform Agenda 2024–2027, was established and held two sessions on 10 September and 22 October 2025.

On 26 December 2025, the Council for Coordination of Information and Communication Technology in Judicial Bodies was established. The National Judicial Portal now offers additional digital services, including confirmations and certificates of criminal records. Work is also ongoing to strengthen digital connectivity and data exchange between institutions through the Interoperability Platform, contributing to greater efficiency and transparency in the judiciary.

To address the shortage of judges and prosecutors, 97 candidates from the eighth generation of the Academy for Judges and Public Prosecutors were elected in March 2025 (49 judges and 28 prosecutors). In addition, 19 judges and one public prosecutor were appointed in spring 2025. Amendments to the Labour Relations Law (February 2025) allow judges and prosecutors to continue performing their functions until the age of 67, even after meeting retirement conditions. By 31 August 2025, 30 judges and 5 public prosecutors had requested continuation of their mandates.

Amendments to the Law on the Academy for Judges and Public Prosecutors are under preparation and were published on ENER on 2 January 2026. In October 2025, with the support of the EU IPA Rule of Law Project, a Report on the Implementation of the Human Resources Strategy for the Judicial Network, together with a roadmap, was prepared, providing recommendations for strengthening human resource management in the judiciary.

A new Law on the Judicial Council was adopted on 29 December 2025, in line with recommendations from the EU Peer Review Mission and the Venice Commission, aiming to strengthen independence, transparency and public trust. Implementation has already started. In January 2026, the Assembly elected two new members upon proposal of the President of the Republic and one member from among judges belonging to communities constituting more than 20% of the population. The procedure for electing a member from among distinguished legal professionals remains ongoing.

The Judicial Council continued implementing its Communication Strategy (2024), with measures aimed at strengthening procedural transparency, including improved public accessibility of sessions, timely announcements, increased information on its website and live-streaming of sessions with archived recordings available online. In December 2025, the Council adopted the Programme for the Prevention and Monitoring of Corruption in the Judiciary (2026–2029) with an accompanying Action Plan.

On 30 December 2025, the Government adopted the Draft Law on the Public Prosecutor's Office, introducing clearer procedures for the election of the Public Prosecutor of the country, defined deadlines for promotion and disciplinary procedures, and a guaranteed minimum budget allocation of 0.4% of tax revenues. The Draft Law on the Council of Public Prosecutors, adopted by the Government on 10 February 2026, further clarifies the Council's competencies regarding the selection, dismissal and evaluation of prosecutors. Both draft laws received a joint positive opinion from the Venice Commission in October 2025, whose recommendations have been incorporated.

In November 2025, the Council of Public Prosecutors adopted a Communication and Transparency Strategy (2025–2028) and established a commission responsible for its implementation.

A new draft Criminal Code has been prepared to align national legislation with EU policies on combating organised crime and corruption, as well as relevant directives and international conventions. The draft introduces clearer definitions of criminal offences and new provisions addressing financial crime, strengthening sanctions for serious offences. Alignment with four EU directives is underway.

A Draft Law on Criminal Procedure has also been prepared to further align the legal framework with international standards, including provisions on asset confiscation, financial investigations, electronic evidence, special investigative measures and appeal procedures. Recommendations from the EU Peer Review on Organised Crime (February 2026) will be incorporated in the finalisation of both draft laws.

A Draft Law amending the Law on Prevention of Corruption and Conflict of Interest has been prepared to strengthen enforcement mechanisms and improve the effectiveness of the State Commission for the Prevention of Corruption (SCPC). Following an assessment of the existing whistleblower protection framework, a Draft Law on Protected Reporting and Whistleblower Protection has been prepared in order to transpose EU Directive (EU) 2019/1937. Inter-ministerial consultations are in the final phase.

In December 2025, a new President of the State Commission for the Prevention of Corruption was elected. Preparation of the National Strategy for the Prevention of Corruption and Conflict of Interest (2026–2030) is underway. The methodology identifies two horizontal priority areas (public procurement and supervision of law enforcement) and five sectors: justice, health, transport and infrastructure, urbanism and spatial planning, and environment, energy and natural resources.

In 2025, the SCPC implemented several measures to improve the electronic system for submission of declarations of assets and interests. The Integrity System continued to expand, with integrity policies adopted by 95 central government institutions, 72 municipalities, 6 public enterprises, 18 judicial institutions and 12 additional institutions.

Efforts to strengthen the capacity of the Basic Public Prosecutor's Office for the Prosecution of Organised Crime and Corruption are ongoing through additional recruitment. To improve the track record in high-level corruption cases, an electronic platform for monitoring cases of corruption and organised crime is being implemented, alongside improvements to the methodology for harmonised case statistics.

Since April 2025, the Inter-Ministerial Body for Coordination of Anti-Corruption Activities has been operational. Progress in the fight against corruption has also been recognised by GRECO, which closed the Fifth Evaluation Round for North Macedonia.

Regarding electoral reform, agreement was reached in December 2025 on establishing a working group for the preparation of a new Electoral Code.

A new Ombudsman was elected on 23 January 2025.

In the penitentiary system, directors and deputy directors were appointed in all penitentiary and correctional institutions in early 2025 and received specialised training at the Idrizovo Personnel Training Centre. The Idrizovo Penitentiary Project continued, with the Council of Europe Development Bank approving an extension until June 2026. Measures to improve prison health care were introduced, including memoranda of cooperation between the Directorate for Execution of Sanctions, the Health Insurance Fund, and the Public Health Centre Skopje.

The system of electronic monitoring continued to operate, and in 2025 the first house arrest sentence under electronic surveillance was successfully implemented.

Amendments to the Law on Prevention and Protection against Violence and related by-laws were adopted, a National Coordination Body was established, and preparation of a new National Strategy (2026–2033) is underway.

In 2025, the National Action Plan for the Rights of the Child (2025–2029) was adopted, establishing a framework for reducing child poverty, improving access to education and health services and strengthening protection against violence. The Action Plan also foresees the establishment of a permanent Commission on the Rights of the Child.

In line with the National Strategy for the Rights of Persons with Disabilities (2023–2030), a National Coordinating Body and a Secretariat for monitoring implementation have been established. Legislative progress includes adoption of the Law on Accessibility of Websites and Mobile Applications of Public Sector Institutions (2025) and amendments to the Law on the Disability Assessment System (2026) introducing a single centralised multidisciplinary assessment system. Implementation of the Roma Strategy 2022–2030 has continued, resulting in increased enrolment of Roma children in kindergartens and secondary education, as well as higher participation in higher education through state scholarships. The number of educational mediators has increased and tutoring support has been introduced. On 31 December 2025, the Draft Law on Associations and Foundations was published on ENER, introducing an updated legal framework for civil society organisations aligned with EU and Council of Europe standards.

3.2 Specific objective 2: CFSP alignment

North Macedonia has continued to maintain full (100%) alignment with the EU’s Common Foreign and Security Policy which confirms our strategic commitment to achieving EU membership as well as to the principles and values underpinning the Union’s foreign and security policy that we as a country share and promote in our own conduct.

The full CFSP alignment included policy convergence and active promotion of EU positions in international fora, including the United Nations, the Council of Europe, the OSCE and other multilateral organizations. Since January 2025, as a member of the UN Human Rights Council, MK has been actively cooperating with the EU within this body, an approach that will be continued during our Presidency of the Committee of Ministers of the Council of Europe in 2027.

With regards Russia’s ongoing war in Ukraine, the country has continued to provide political, military and defense support to Ukraine amounting to a total of 16 aid packages, including 15 packages of military equipment and 1 package of humanitarian aid. In this context, North Macedonia has fully aligned to the substantial EU sanctions regimes against Russia (19 packages adopted thus far) and will continue to do so in future. As a NATO ally we have also met our national target in line with the July 2024 Washington Summit commitments to provide long-term security assistance to Ukraine (contribution amounted to EUR 23,1 million in 2024) and in 2025 we contributed additional USD 1 million via the Ukraine Priority Requirements List (PURL), to be included in the 10th PURL package alongside contributions from other Allies and partners.

During the reporting period we have been actively participating in the various formats of political dialogue between the EU and the WB6 including the regular EU-WB Summits, the informal exchanges between Western Balkans Foreign Ministers and the Foreign Affairs Council (most recently in Brussels in November 2025) and the biannual EU-WB6 CFSP Dialogues at the level of Political Directors.

In the area of the Common Security and Defence Policy (CSDP), key achievement was the first Security and Defence Dialogue under the EU–MK Security and Defence Partnership (signed in November 2024), which took place in Skopje on 23 May 2025. The meeting laid solid foundation for deepened cooperation, and, in coordination with the EEAS, work is ongoing on the further operationalisation of the Dialogue. The second meeting is scheduled to take place on 28 April in Brussels.

As a country we continued to actively contribute to EUFOR ALTHEA (33 personnel), KFOR (70 personnel), the HELBROC Battlegroup, UNIFIL in Lebanon (2 officers within the Italian contingent), as well as to the Balkan Medical Task Force.

3.3 Specific objective 3: Disinformation

In 2025, the Government adopted the National Cybersecurity Strategy 2025–2028 to strengthen state resilience and security in cyberspace, promote public education and media literacy, and develop legislative frameworks for the protection of critical sectors. Several meetings of the Coordination Body on foreign interference and information manipulation were held, involving representatives from key ministries, Agency for Audio and Audiovisual Media services, the State Election Commission, and the National Committee for the Prevention of Violent Extremism and Terrorism. The Institute of Communication Studies prepared policy documents proposing models for a national system to enhance resilience against foreign influence and disinformation. In November 2025, the conference “Hybrid and Information Threats: From Identification to a National Systemic Response” was held in Skopje, concluding that stronger political support, enhanced cross-sectoral coordination, and updated legislation are required, particularly in the digital sphere and in response to hybrid threats.

Although the AAVM Agency does not have direct legal authority to identify, sanction, or remove disinformation, it continued to implement coordinated measures to enhance transparency, raise public awareness, and strengthen societal resilience through media literacy. A key initiative was the seventh Media Literacy Days (MLD 2025), held from 17 to 24 November under the motto “You know, others don’t. Your comment can help!”, in cooperation with the Media Literacy Network, the EU Delegation, and relevant civil society and educational organisations, ensuring wide institutional and

societal outreach. The Agency implemented over 20 national-level events, both in-person and online, including workshops, panels, public debates, educational activities, and media appearances. Activities focused on developing critical thinking among youth, journalists, and elderly persons; addressing disinformation and foreign information manipulation (FIMI); promoting responsible use of digital platforms and AI; and reinforcing individual responsibility online. Within the framework of the campaign, video and audio spots were produced and disseminated in Macedonian, Albanian and English. The materials were broadcast through the media and on social networks, with the aim of raising public awareness and ensuring broader inclusiveness. The activities were aligned with UNESCO's Global Media and Information Literacy Week, which enabled the international positioning of the national efforts.

Beyond its media literacy initiatives, the Agency actively participated in the Coordinating Body for Monitoring the Code of Conduct in the Online Sphere during Electoral Processes and Referenda, addressing complaints related to disinformation, offensive speech, and unethical online communication. During the reporting period, an information campaign was launched to raise public awareness of the Code of Conduct and the work of the Coordinating Body. The campaign, conducted on Facebook and Instagram in Macedonian and Albanian, promoted ethical and responsible online behaviour during electoral processes and informed citizens on how to submit complaints.

3.4 Specific objective 4: Visa policy

In line with the commitments of the Western Balkan partners in the EU accession process, aligning visa policy with the EU is of key importance for the proper functioning of the visa-free regime between the Western Balkans and the EU. In this regard, the Republic of North Macedonia is largely aligned with the visa policy of the European Union, in accordance with Regulation (EU) 2018/1806 (and its Annex I and II) which determines the countries whose nationals are exempt from visa requirements and those who require a visa for a short stay in the Schengen area. North Macedonia is the most aligned of all the Western Balkan countries, with the sole exception of one country, the Republic of Turkey. Visa requirements are not imposed on citizens of Turkey (partial non-alignment with Annex I).

3.5 Specific objective 5: Governance

Significant progress in strengthening public administration and public financial management in North Macedonia.

In the area of public administration reform, a new legislative framework adopted by July 2025 introduced modern human resource management in the public sector through the Laws on Administrative Servants, Public Sector Employees, and Professional Development and Training. The framework establishes a merit-based, competency-driven system for recruitment, promotion and performance evaluation, reducing political influence and increasing transparency. Measures were also introduced to improve staff retention and professional development, including financial incentives, flexible work arrangements and structured career paths. A Training Academy within the Ministry of Public Administration was established to support continuous capacity building.

Additional reforms aim to strengthen professional management and transparency, including a Draft Law on Senior Managers introducing merit-based appointments and public consultations through ENER. Transparency was further enhanced through the modernisation of the Open Data Portal and preparation of a new Law on Open Data and Re-use of Public Sector Information, aligned with EU standards and consulted with stakeholders in January 2026.

In the area of public financial management, the Ministry of Finance adopted the Public Financial Management Reform Programme 2025–2028, covering fiscal planning, revenue collection, public investment management, procurement, internal financial control and digitalisation. Budget classification reforms were introduced to improve transparency and enable programme-based budgeting, while amendments to the Budget Law strengthened fiscal discipline and treasury management.

Reforms also advanced public investment management, including the adoption of a Decree on Public Investment Management, establishment of a Public Investment Committee and development of an information system for monitoring investment projects. Progress was also made in fiscal risk management, including the creation of a fiscal risk register and a new Department for Public Enterprises to enhance oversight.

Further improvements were made in internal financial control and public procurement, including system upgrades to the Electronic System for Public Procurement to increase transparency, such as publishing beneficial owners of winning bidders. Efforts also continue to develop an Integrated Financial Management Information System (IFMIS).

Finally, measures were taken to strengthen fraud risk management related to the Reform Agenda. The AFCOS unit coordinated risk assessments with national institutions and initiated the updating of institutional risk registers to identify and mitigate risks of irregularities and fraud.

Overall, these reforms contribute to stronger governance, transparency, accountability and alignment with EU standards.

3.6 Specific objective 6: Economic competitiveness

Government policies continue to focus on supporting private sector development through improvements in the strategic framework and institutional infrastructure.

North Macedonia is actively pursuing structural reforms to transition toward a sustainable, climate-neutral, and inclusive economy, while strengthening the investment environment and reducing strategic dependencies, particularly in the energy sector. Key initiatives focus on full alignment with the EU electricity market integration package, including transposition of EU legislation and preparation of secondary legislative acts with technical assistance from KfW. Operational coordination between the Market Operator and Transmission System Operator is advancing the establishment of a competitive day-ahead electricity market, enhancing market liquidity, transparency, renewable energy integration, and cross-border trade, while reinforcing resilience and security of supply.

Efforts are underway to gradually adjust electricity prices toward market-based levels, ensuring socially sustainable liberalisation. The government has developed a National Methodology for Measuring Energy Poverty, identifying structural causes and proposing legal amendments to enable its operational use, including registries of vulnerable households and data-sharing mechanisms. Complementary social protection measures, such as the Programme for Protection of Vulnerable Energy Consumers, target households with disabilities, promoting energy efficiency and reducing long-term energy costs. Collectively, these reforms strengthen economic competitiveness, support EU market integration, improve regulatory transparency, foster investor confidence, and advance the country's transition to a climate-neutral, resilient energy sector.

The Ministry of Economy and Labour (MEL) implements annual programmes that promote measures to enhance the competitiveness and growth of companies. Following the latest amendments to the Law on Financial Support of Investments, the Ministry is now responsible for managing the full implementation cycle of the financial support scheme.

The Law on Financial Support of Investments provides incentives aimed at stimulating investment in industrial transformation, technology transfer, the twin green and digital transition, research and development, business expansion, and the creation of new jobs in the manufacturing sector.

In August 2025, the Government adopted the SME Strategy of the Republic of North Macedonia 2025–2030, together with the Action Plan for the implementation of the SME Strategy for the period 2025–2027. The Strategy is aligned with key EU policy frameworks, including the Small Business Act for Europe, relevant OECD policy priorities, and regional and national policy frameworks. It was developed with technical and methodological support from the EU-funded project “*EU for SME Development*”.

The Strategy aims to contribute to the creation of a more favourable and attractive business environment for entrepreneurship and SME development. It is structured around three main priorities:

1. Competitive national entrepreneurial ecosystem
2. Improved access to finance
3. Green and digital transition

Implementation of the Action Plan 2025–2027 has already begun.

Additional support for competitiveness and innovation is being provided through measures and programmes implemented by the newly established Agency for Innovation, Scientific and Technological Development and Entrepreneurship (INOVA).

Furthermore, the establishment of the Council for Innovation, Scientific and Technological Development and Entrepreneurship, composed of ministers, representatives of academia and experts, demonstrates the Government's commitment to building a knowledge-based economy.

3.7 Specific objective 7: Regional economic integration

During the reporting period, North Macedonia actively contributed to regional cooperation initiatives within the Western Balkans framework. At the regional level, the following documents were adopted: the Declaration on the Coordination of Social Security Systems and Portability of Rights in the Western Balkans Six, the Western Balkans Six Green Bond Standard, the Whitelist of the Sustainable Finance Taxonomy for the Western Balkans Six, the Regional Financial Literacy Framework for Individuals, the Recommendation on Sustainable Foreign Direct Investment in the Western Balkans Six, the Sustainable Foreign Direct Investment Policy Toolkit, the Regional Model Clauses on Sustainability, the Joint Principles for Investment Facilitation, the Declaration on Western Balkans Six Tourism Branding, the Joint

Statement on the Development and Adoption of Regional Green Public Procurement Criteria, and the Joint Call for Action on Gender-Responsive Green Finance.

Within the framework of CEFTA, three important decisions were adopted:

- CEFTA Joint Committee Decision on the Recognition of Authorised Economic Operators (AEOs),
- CEFTA Joint Committee Decision on Enhancing Cooperation on Trade-Related Statistics among CEFTA Parties, and
- Implementation of CEFTA Additional Protocol 7 (AP7) on Dispute Settlement.

The ratification process of AP7 was completed on 25 December 2025, while ratification of the remaining two decisions is expected to be finalised in the upcoming period.

In addition, the Law on Ratification of the Agreement for Access and Admission to Studies in the Western Balkans was adopted on 23 July 2025. The Ministry of Foreign Affairs and Foreign Trade acts as the Depository of the Agreement and informed all signatory parties that the Agreement entered into force on 18 September 2025 for North Macedonia, Montenegro and Albania, and on 15 October 2025 for Bosnia and Herzegovina.

3.8 Specific objective 8: Single market integration

Several activities were undertaken during the reporting period to strengthen the integration of North Macedonia with the EU Single Market.

The adherence of North Macedonia (March 2026) to the geographical scope of the Single Euro Payments Area (SEPA) payment schemes is a recognition that the country has undertaken significant efforts in aligning its national payment systems and regulations with European Union (EU) standards, becoming the third Western Balkan country to join the SEPA geographical scope. In early October 2025, a total of nine out of twelve banks that constitute the domestic banking sector successfully adhered to the SEPA Credit Transfer (SCT) Rulebook and executed their first SEPA transactions on 7 October 2025. The remaining banks are in the final stages of their adherence procedures and are expected to complete their on-boarding to the SCT scheme and begin processing SEPA transactions by the end of the first quarter of 2026.

e-Enforcement Academy: The Ministry of Economy and Labour identified relevant national contact points for participation in the e-Enforcement Academy. Official requests were sent to the State Market Inspectorate, the Agency for Electronic Communications, the Ministry of Interior and the State Sanitary Inspectorate to nominate representatives who will participate in training and exchange of materials related to internet investigations conducted by national authorities. The Ministry will also nominate its own representatives.

Consumer Safety Network: Representatives from North Macedonia were nominated as observers in the Consumer Safety Network in order to exchange experiences and best practices with other Western Balkan partners. The nominated representatives participated in the online meeting held on 28 March 2025.

Consumer and Marketing Law Expert Group: Three representatives from the Ministry of Economy and Labour were nominated as observers in this expert group. They participated in the online meeting held in November 2025, including a workshop dedicated to the transposition of Directive (EU) 2024/1799.

3.9 Specific objective 9: Connectivity and regional cooperation

Government is implementing measures to enable electricity market coupling with the European market through alignment with the EU Electricity Integration Package and the obligations arising from the Energy Community. The reform supports the establishment of a functional day-ahead electricity market and its integration into the wider European market coupling mechanism. The process includes the preparation of secondary legislation necessary for full operationalisation of the market model. A consultant is being selected under technical assistance financed by KfW for the preparation of four secondary legislative acts and corresponding correlation tables in Macedonian and English versions. Following the evaluation and formal approval procedure, the consultant will support the completion of the regulatory framework required for effective participation in regional and European market coupling arrangements.

Electricity market coupling enhances sustainable connectivity by enabling implicit cross-border capacity allocation, improving price convergence with neighbouring markets and facilitating more efficient use of regional generation and transmission resources. Integration with the EU internal electricity market strengthens regional economic

interdependence, increases transparency and competition and contributes to a more stable and predictable market environment.

Through these reforms, North Macedonia reinforces its role within the regional energy market of the Western Balkans and strengthens cooperation with neighbouring countries in line with the objectives of the Energy Community and trans-European network principles. Improved market connectivity reduces structural isolation, supports security of supply and creates conditions for increased investment in cross-border infrastructure and renewable energy integration.

North Macedonia continued to implement obligations under the Transport Community Treaty. Progress was noted in railway policy, road safety legislation, transport facilitation, border efficiency, digitalization, and Intelligent Transport Systems (ITS) deployment.

The strategic goal of the state is to finalize the road sections from Corridor 8 and 10 in terms of infrastructure (construction, reconstruction, and rehabilitation) and the projects are ongoing. The goal is for these sections of the core network to be completed by 2030, and for the extended core network to be according to TEN-T EU standards by 2040, and for the comprehensive according to the requirements of the regulation.

The National Program for Railway Infrastructure Development 2025–2029 was adopted, and a multiannual contract with the railway infrastructure manager was signed. Preparations for Corridor VIII railway projects are ongoing. Legislative alignment on working time regulations and tachographs is complete. Border upgrades under the Green Lanes initiative continued. With reference to ITS legislative framework, the Law on Amending the Law on Public Roads was adopted by Parliament and the bylaws will be prepared in course of 2026. Initial steps are taken on eFTI enabling exchange of the digital data about the cargos. The e-CMR Convention is in parliamentary procedure for adoption.

During the reporting period, numerous initiatives were undertaken to align the national aviation legal system with EU Regulations adopted through 2025. All updated national bylaws are published in the CAA web site.

On 6 November 2025, Bulgaria and North Macedonia signed an agreement on the preparation, construction and operation of a cross-border railway tunnel along Corridor VIII. The project forms part of the TEN-T network and represents a flagship initiative under the EU's Global Gateway strategy, contributing to improved transport connectivity, energy interconnection and strengthened good-neighbourly relations.

Regarding the Green Lanes Roadmap, two additional project fiches from North Macedonia were endorsed for the border crossing points Kafasan and Tabanovce, aiming to reduce waiting times and facilitate trade.

On 17 December 2025, a Memorandum of Understanding on the electronic exchange of customs data between North Macedonia and Bulgaria was signed. This initiative will bring direct benefits to businesses, transport operators and citizens by facilitating faster and more efficient customs procedures.

3.10 Specific objective 10: Green transition

The energy sector continued to advance EU alignment, focusing on Clean Energy Package implementation, security of supply, decarbonization, and a just transition. The new Energy Law, adopted in May 2025, establishes a legal framework for energy markets, renewables, storage, efficiency, and e-mobility.

The revision of the Energy Development Strategy until 2040 has been initiated, with adoption planned for 2026. The revised National Energy and Climate Plan (NECP) was finalized and prepared for public consultation, setting 2030 targets and projections to 2050 in line with the EU Governance Regulation.

The Programme for Protection of Vulnerable Energy Consumers for 2026 provides targeted financial support for the purchase and installation of high-efficiency inverter air conditioners for households with persons with disabilities. This measure contributes to improved household energy efficiency, reduced reliance on inefficient and polluting heating sources, lower greenhouse gas emissions and improved air quality. By promoting energy-efficient technologies, the programme supports decarbonisation while addressing social inclusion objectives.

The overall reform framework promotes a transition towards a decarbonised and climate-neutral electricity sector through regulatory alignment, market integration and efficiency-oriented social measures. By strengthening renewable energy integration, enhancing regional market connectivity and improving energy efficiency at household level, the reforms contribute to long-term climate resilience and reduced carbon intensity of the economy.

All planned investments and support measures are designed in line with the principle of avoiding significant harm to environmental objectives, ensuring coherence with sustainable development priorities and supporting the gradual transformation towards a climate-neutral and circular economy.

Significant international financing was mobilized to support the energy transition, enabling around 1.7 GW of renewable energy capacity by 2030. Key projects include solar power plants, battery storage, floating photovoltaics, and grid modernization. Implementation of the Just Transition Roadmap for coal regions began, with measures addressing mine rehabilitation, retraining of approximately 3,000 workers, support for SMEs, and targeted energy efficiency investments. Preparations continued for the Energy Efficiency Fund, expected to become operational in early 2026.

The Ministry of Economy and Labour promotes measures supporting the green transition of the business sector through its annual programmes. These measures also aim to strengthen cooperation between academia and industry within the framework of smart specialisation, while encouraging the transfer of knowledge and technologies necessary for the green and energy transition.

Through measures supporting partnerships within the quadruple helix model, support was provided for the establishment of an Energy Living Lab at INNOFEIT, an innovation centre within the Faculty of Electrical Engineering and Information Technologies at the Ss. Cyril and Methodius University in Skopje.

The Living Lab will provide services to businesses aimed at facilitating their green and energy transition. INNOFEIT is also the first European Digital Innovation Hub (EDIH) in the country, creating synergies between the green and digital transitions and offering advisory support, guidance and financing opportunities for business transformation and growth.

Further initiatives promoting the green transition will be implemented through the Green Business Facility project, recently launched by INOVA.

Implementation of the Circular Economy Roadmap continues through various institutional initiatives and projects, contributing to the green transformation of industry.

Within the Berlin Process, the Second Ministerial Meeting on the Green Agenda was held in Dubrovnik on 14–15 October 2025, where several key regional documents were adopted, including the Revised Green Agenda for the Western Balkans Action Plan, the Western Balkans Climate Adaptation Roadmap, the Regional Action Plan for the Implementation of the Joint Statement on Plastic Pollution Prevention, and the Dubrovnik Declaration on the Green Agenda for the Western Balkans.

3.11 Specific objective 11: Digital transformation and skills

Within the framework of commitments under the Reform and Growth Instrument (RGI) and in line with the Reform Agenda, substantial progress was achieved in 2025 in the area of digital transformation and alignment with the EU acquis.

In June 2025, several important legislative acts were adopted, including the Law on Archival Material and Archival Activity and the Law on Security of Network and Information Systems, together with the Cybersecurity Strategy, aligned with the NIS2 Directive. In addition, the Law on Electronic Communications, aligned with the Gigabit Infrastructure Act and the European Electronic Communications Code, as well as amendments to the Law on Electronic Documents, Electronic Identification and Trust Services, aligned with eIDAS 2.0, were adopted. Following comments from the European Commission regarding the Law on Electronic Communications, comprehensive amendments were prepared addressing all observations. The revised text was resubmitted in November 2025, and the amendments were formally adopted on 27 December 2025.

In addition to the measures under the Reform Agenda, further initiatives contributed to broader digital transformation objectives. A Law on the Accessibility of Websites and Mobile Applications of Public Sector Institutions was adopted, ensuring alignment with Directive (EU) 2016/2102. Furthermore, the Law on Open Data and Re-use of Public Sector Information was published on ENER for public consultation.

In October 2025, a request was submitted for North Macedonia to join the list of trusted third countries under the EU Regulation on trust services, while supervision of trust service providers continued throughout the year.

Implementation results demonstrate tangible progress in the use of digital services. The number of available electronic services increased significantly, while the number of transactions conducted through the interoperability platform doubled in 2025 compared to 2024. The number of users of the national services portal also continues to grow steadily.

Notably, the average number of service applications submitted within a 30-day period increased from approximately 1,500 to around 10,000, reflecting increased usage and growing trust in digital public services among citizens and businesses. These results demonstrate measurable progress toward the digital transformation objectives defined in the Reform Agenda.

3.12 Specific objective 12: Innovation, research and SMEs

The Smart Specialisation Strategy (S3) remains a key policy instrument for stimulating place-based innovation. Implementation of the 2024–2026 Action Plan has progressed significantly, with nearly 80% of the planned measures implemented, accompanied by increased financial support for research, innovation and academia–business collaboration.

Preparation of a new S3 Action Plan is underway following a new round of the entrepreneurial discovery process, involving comprehensive dialogue within the quadruple helix framework.

The Joint Research Centre (JRC) continues to be an important partner in supporting the exchange of knowledge and good practices in the implementation of the Smart Specialisation Strategy and in promoting regional cooperation.

In addition, a new IPA project supporting S3 implementation has been designed and is expected to be launched in 2026, enabling the development of new policy instruments and a more comprehensive approach to strategy implementation.

To strengthen the national innovation ecosystem and support competitiveness and entrepreneurship, important legal and institutional reforms were implemented. In July 2025, the Law on Innovation Activity, Scientific and Technological Development and Entrepreneurship was adopted. The Law aims to establish a more efficient national innovation system capable of supporting continuous scientific and technological development and entrepreneurship.

Based on this Law, the Agency for Innovation, Scientific and Technological Development and Entrepreneurship (INOVA) was established as an independent state administration body with legal personality. The agency merges two previously separate institutions: the Entrepreneurship Support Agency (APPRM) and the Fund for Innovation and Technological Development (FITR).

The establishment of INOVA enables a more integrated and comprehensive approach to supporting innovation and SMEs, including the development and implementation of new policy instruments. INOVA will play a central role in the implementation of the Smart Specialisation Strategy.

The establishment of the new agency, together with the Council for Innovation, Scientific and Technological Development and Entrepreneurship, composed of ministers, academics and experts, confirms the Government's commitment to building a knowledge-based economy.

3.13 Specific objective 13: Education and employment

With the annual operational employment plans that include unemployed persons registered with the Employment Agency as active job seekers, training, retraining and upgrading of skills at all levels are encouraged, through employment measures that refer to various types of training in real working conditions, thus enabling the acquisition of necessary skills and qualifications that are demanded on the labor market. Also, in employment measures that lead to direct employment, such as the Self-employment measure by awarding a grant for starting a business, young people up to 29 years of age receive a maximum grant of 10,000 euros in denar equivalent or, by joining two young people, a grant of up to 20,000 euros in denar equivalent is awarded. Also, to encourage the employment of young people in the private sector, financial support is awarded to the legal entity in the amount of 250,000 denars for one employment per employed young person. Meerkat internships, which enable the acquisition of work habits and skills, are exclusively intended for young unemployed people up to the age of 29. In this way, a special focus is given to young people every year.

4 OVERVIEW ON THE FULFILMENT OF CONTROL AND AUDIT MEASURES (2 PAGES)

The system of public internal financial control is established in accordance with the Law on the Internal Financial Control System in the Public Sector, and includes financial management and control and internal audit, harmonized with international standards. This law defines a framework for a modern, adequate and effective system of internal financial control in the public sector.

The law will apply to all public entities, except the National Bank.

A novelty in the law is the creation of a new model of "management responsibility and accountability" that clearly distinguishes "who", "to whom" and "for what" is responsible and accountable, thus contributing to the strengthening of internal financial control. This strengthens the role of the head of the parent budget user to whom the budget users under his jurisdiction are accountable, and the heads of publicly owned enterprises under his jurisdiction are obliged to follow his procedures and guidelines.

Also, internal financial control will be strengthened by creating an obligation not to implement key financial processes directly by applying the laws, but by applying internal acts prepared on the basis of the relevant laws and bylaws.

In order to increase the efficiency of internal audit, in the section on internal audit, it is prescribed which public entities are required to establish internal audit units, and at the same time the minimum number of employees in the internal audit units is defined.

This law establishes mechanisms for significantly strengthening the quality of the work of internal auditors, by providing that internal audits will be conducted only by persons who have acquired a certificate as an authorized internal auditor in the public sector, and the main task of the head of the internal audit unit will be to ensure the quality of the internal audit through a previously prepared program. In addition, the quality of internal audit activities will also be monitored by the Central Harmonization Unit in the Ministry of Finance.

The law creates a basis for the adoption of by-laws within 18 months from the date of adoption of the law. Until their entry into force, the by-laws prepared on the basis of the previous Law on Public Internal Financial Control will apply.

The Central Harmonisation Unit at the Ministry of Finance, continuously in accordance with its competences, implements activities to improve the functioning of the public internal financial control. At the end of December 2025, the total number of employees in CHU was 10 (1-Head of Department, 1-Deputy Head of Department, 2- Heads of Units, 3- Advisers and 3 -Junior associate).

The Ministry of Finance, through the Central Harmonization Unit, in order to contribute to the process of implementing the steps of the Reform Agenda in all affected entities, in accordance with its legal competences, in the period from October to December 2025, organized and coordinated the process of performing ad-hoc audits, which were carried out in all public entities that have competence for implementing the activities/steps of the "Reform Agenda of North Macedonia 2024-2027" of the Western Balkans Reform and Growth Instrument, as of December 2025. In this phase, a total of seven internal audits were conducted.

The purpose of the audits was to provide reasonable assurance on the design, establishment and functioning of the internal control system in the process of implementing the activities of the "Reform Agenda of North Macedonia 2024-2027" of the Instrument, in all entities covered by the audit, as of December 2025.

Based on the Final Audit Memorandums, the Ministry of Finance - Central Harmonization Unit prepared a Consolidated Report of performed ad-hoc/planned audits of the internal control system of the process of implementing the activities of the "Reform Agenda of North Macedonia 2024-2027" of the Instrument. This consolidated report was submitted by the Minister of Finance in his capacity as the Coordinator for Financial Management and Control to the Minister for European Affairs in his capacity as the National Coordinator of the Instrument. In general, from all these audits, a general conclusion can be drawn that the internal control system is established in practice (although, the Instrument Implementation Manual has not yet been adopted by the National Coordinator of the instrument, which will regulate the communication between the various bodies and authorities involved in the implementation of the RA and the Instrument in more detail), while there are elements of its design that require improvement to ensure effective risk mitigation. Certain control activities do not fully address the identified risks, and responsibilities are not always clearly defined.

The Government adopted the Annual Report on the Functioning of the Public Internal Financial Control System for 2024, based on the Annual Report on the System of Public Internal Financial Control, the Government adopted conclusions with specific measures and activities for the improvement of the system.

5 CROSS-CUTTING ISSUES (1 PAGE)

5.1 Gender equality mainstreaming

Gender equality, gender mainstreaming, and the integration of a gender perspective have been systematically promoted across legal, policy, and operational levels. Legal and policy frameworks, including amendments to the Law on Prevention and Protection from Violence against Women and Domestic Violence, as well as the development of the National Strategy 2026–2033 with its accompanying Action Plan 2026–2029, explicitly embed gender considerations and ensure that policies address the specific needs of women and other vulnerable groups. A National Coordinating Body, established in accordance with the law, and multisectoral mechanisms bring together representatives from ministries, local government, the judiciary, social services, and civil society to ensure effective cross-institutional coordination and consistent application of gender-sensitive approaches. Professional capacity-building programs have trained over 200 practitioners from social work centers, law enforcement, healthcare, education, and civil society, delivering both basic and specialized trainings that integrate gender perspectives into daily practice and enhance multisectoral cooperation. Public awareness campaigns, including nationwide initiatives such as "There Is Help for a Life Without Violence" and "16 Days of Activism," alongside informational materials in Macedonian, Albanian, Romani, and Turkish, and community

engagement initiatives, ensure that gender-sensitive responses reach all segments of the population. Monitoring and evaluation mechanisms, including the Femicide Observatory and reporting to GREVIO, systematically collect and analyze gender-disaggregated data, providing evidence-based insights that inform policy-making, enhance institutional accountability, and maintain sustained focus on preventing gender-based violence and promoting gender equality.

Climate change and environment mainstreaming

The Government on 20 January 2025, adopted proposal on the Law on Climate Action. Some of the secondary legal acts (set by the Growth Plan) are already developed (on categories of activities requested GHG licence, list of GHG, form of request on GHG licence) and can be proposed for adoption by the Government immediately after adoption of the Law by the Parliament.

In addition, the Government adopted the National Green Agenda Action Plan 2025-2027 (NGAAP), detailing how regional objectives will be addressed at the national level. North Macedonia's Action Plan for 2025–2027 is one such example, translating regional commitments into actionable national policies, institutional reforms, and targeted interventions to accelerate the green transition and support EU integration. The development of the plan is also an obligation under the National Energy Action Plan (NEAP) of the Republic of North Macedonia, as defined in **Measure 3: Improvement of the Strategic Framework, Indicator 3.1 – Adoption of the National Green Agenda Action Plan (NAPGA)**. Preparation of the NGAAP was supported by EU4Green regional project.

The Plan is designed to guide policy development across sectors, promoting a competitive, sustainable, and environmentally responsible economy that is decoupled from the depletion of natural resources. It addresses key challenges such as climate vulnerability, pollution, outdated infrastructure, and the need for alignment with modern environmental standards and EU legislation. Based on the regional GAWB Action Plan (2021–2030), North Macedonia's plan adopts five strategic pillars:

- *Decarbonisation: Climate Action, Energy, Transport*
- *Circular Economy*
- *Depollution: Air, Water & Soil*
- *Sustainable Agriculture*
- *Protection of Nature and Biodiversity.*

For each of the five strategic pillars, the Plan defines concrete activities along with designated responsible institutions, implementation timelines, funding sources, and measurable indicators. These elements are aligned with national economic priorities and EU requirements to ensure consistency and policy coherence. The Plan, together with its Annex, combines narrative analysis with structured activity tables to facilitate clear implementation, effective progress monitoring, and transparent reporting. This Action Plan focuses on activities prioritised for implementation under the Green Agenda framework in North Macedonia for the period 2025–2027.

5.2 Democracy and human rights

Strengthening the Rule of Law

The Reform Agenda for North Macedonia places a significant emphasis on the rule of law as a critical area for reform. The achieved implementation of the steps contributed for enhancing democracy, judicial integrity, and the fight against corruption and organised crime. The adopted Law on the Judicial Council contributed towards implementation of the primary objective to enforce an independent, efficient, and credible judicial system capable of upholding justice and ensuring the rule of law. The implementation of the 2024-2028 Judicial Sector Development Strategy and its Action Plan, significantly enhance its legal security and democratic governance.

The Programme for fight against corruption in the Judiciary adopted by the Judicial Council, furthermore, targets the pervasive issue of corruption, with specific objectives aimed at enhancing transparency, accountability, and the effectiveness of anti-corruption measures.

6 OVERVIEW ON THE FULFILMENT OF THE GENERAL CONDITIONS FOR SUPPORT

6.1 Macro-financial stability (2 pages)

6.1.1 Macroeconomic developments and risks

- The economic growth in the period covered by ERP 2026-2028 is projected to be at around 4% on average. Gross fixed capital formation is expected to be the main driver of economic activity, supporting its gradual acceleration over the medium term. The medium-term macroeconomic scenario includes the assumptions, the projects and the measures incorporated in the Work Programme of the Government. Strategic investments in infrastructure and energy, financial support for investment activity in domestic manufacturing companies to enhance innovation, competitiveness, and productivity, reforms in the business environment and tax policy, and export growth constitute the main assumptions of the medium-term macroeconomic scenario.
- Table 1. Divergence from previous programme

	ERP 2025-2027			ERP 2026-2028		
	2026	2027	:	2026	2027	2028
Real GDP growth (%)	4.0	4.4	:	3.8	4.0	4.2
Consumer price index (annual growth %)	2.0	2.0	:	2.5	2.0	2.0
Current account balance (% of GDP)	-2.2	-2.3	:	-4.1	-3.7	-2.6
Employment (annual growth %)	1.6	1.8	:	1.6	1.7	1.8

Inflation is expected to decelerate in the coming years, amid further decline in oil prices and basic food products on world markets and the additional slowdown in foreign effective inflation. The external position remains stable, given gradual slowdown of the current account deficit in the following three years, expected FDI inflows and further access to capital markets. The labor market is expected to continue strengthening over the medium term, driven by investments and demand for labor, supported by measures and activities aimed at creating new jobs.

In the context of the Reform Agenda 2024-2027, reforms with clear implementation plans and measurable macroeconomic effects were selected for economic impact assessment. The prioritization was based on their contribution to economic growth, productivity, employment, investment, and institutional strengthening. Chapter 5A of the ERP 2026–2028 presents the estimated economic impact of key reforms in the areas of renewable energy deployment, digitalization, skills development, formalization of the economy, innovation, customs modernization and anti-corruption policies.

The renewable energy reform (0.8 GW new RES capacity by 2027) is estimated to generate total investments of around EUR 1,179 million and is expected positive effect of around 1.3% of GDP in medium term, primarily through higher gross investment and job creation. Digitalization reforms, particularly the 50% expansion of public E-services, will improve administrative efficiency and productivity through time savings and reduced costs for citizens and businesses. Reforms addressing skills mismatch, vocational and adult education are projected to increase employment by up to 9,000 persons in the medium term, contributing positively to GDP growth and private consumption. The formalization of the informal economy is expected to generate around 35,000 newly formalized jobs and additional fiscal revenues, strengthening public finances and enabling higher capital investment. The E-customs reform will reduce clearance times by 2-4%, stimulate exports (0.8-1.6% increase), and contribute between 0.4 and 0.7 percentage points to annual GDP growth. Anti-corruption and rule of law reforms, including judicial efficiency improvements and strengthened prosecution capacities, are expected to enhance institutional quality, attract FDI and positive effect on GDP of 0.5%-0.7% over the medium term. Overall, full implementation of the selected reforms is projected to raise average GDP growth by 2.6–3.3 percentage points in the medium term compared to the baseline scenario.

The baseline macroeconomic scenario is accompanied by predominantly downside risks relative to projected economic growth. Conflicts in Ukraine and the Middle East persist despite ongoing efforts to end hostilities, creating further uncertainty. Recent US tariffs have raised concerns about a possible escalation of a trade war, which could significantly disrupt the flow of goods, capital, and labor, with adverse effects on supply chains and the external environment. While the direct impact of these tariffs on the Macedonian economy is limited, indirect effects could be significant, since they also apply to EU countries, which account for approximately 77% of the country's total exports. Weakened international confidence may delay corporate decisions regarding planned investments. Domestically, delays in implementing capital investments and reforms may postpone the anticipated acceleration of economic activity. Risks to the inflation projection

are mainly linked to movements in primary commodity prices, particularly increases driven by geopolitical factors and supply chain disruptions.

Economic Reform Programme 2026-2028 is published on the Ministry of Finance's website.

Link: <https://finance.gov.mk/en-GB/oblasti/programa-na-ekonomski-reformi>

6.1.2 *Fiscal developments and risks*

Fiscal risks represent the exposure of public finances to certain circumstances that may cause deviations

from the projected fiscal framework, most often triggered by economic shocks and the realization of certain contingent liabilities. The materialization of these risks, which imply conditions different from those assumed as the basis for the medium-term projections, would result in deviations from the baseline medium-term scenario, that is, in a different outturn of key fiscal indicators. Identifying the most significant fiscal risks that may affect public finances in the medium term constitutes the starting point of the process for improved fiscal risk management. Within the Fiscal Strategy and the Revised Fiscal Strategy for the period 2026–2030, the following risks are analysed: macroeconomic risks, risks arising from public debt and guarantees, risks related to public enterprises and municipalities, risks related to the implementation of public investments and public-private partnerships (PPPs), legal claims against the state and environmental risks.

6.2 **Public financial management, budget transparency and oversight (1 page)**

6.2.1 *Progress in public financial management reforms*

In September 2025, the Government adopted the Public Financial Management Reform Programme 2025–2028 and the 2025 Action Plan, building on the experience of the previous 2022–2025 Programme and addressing key weaknesses identified in PEFA (2021), SIGMA (2024) and EU assessment reports. The new Programme introduces improved sequencing of reforms, clearer responsibilities and strengthened monitoring arrangements.

Progress achieved in 2025 includes:

- Adoption of amendments to the Budget Law (December 2025) and alignment of implementing by-laws, ensuring full implementation as of 1 January 2028.
- Adoption and publication of the revised organisational and programme classifications of the Budget, establishing the foundations for strengthened programme-based budgeting and clearer accountability of budget users (Official Gazette No. 270/25). Both classifications will enter into force as of 1 January 2028.
- Adoption of the Decree on Public Investment Management (April 2025), fulfilling Reform Agenda conditionality, preparation and publication of the Feasibility Study Guidelines and PIM Process Manual on the MoF's website (July 2025), training of public sector employees on new PIM practices, and establishment of the Public Investment Committee (September 2025), strengthening appraisal, prioritisation and oversight of public investment projects.
- Development of an Excel-based IT solution for Public Investment Management Information System (PIMIS). The system is populated with data from approved project concept notes and monitoring reports of ongoing projects. It establishes a centralized database that includes both new and ongoing projects at the national level, serving as the basis for selecting budget candidates and monitoring the financial implementation of projects.
- Enhanced fiscal risk monitoring, including progress in developing a fiscal risk register and the establishment of a dedicated Department for Public Enterprises within the Ministry of Finance.
- Implementation steps following the adoption of the Law on the System of Internal Financial Control in the Public Sector (December 2024), including methodological guidance and measures to strengthen financial management and control and internal audit functions.
- Preparatory activities on IFMIS to improve budget execution and financial reporting.

Assessment against targets and corrective actions

The implementation rate of the 2022–2025 PFM Reform Programme was affected by delays in adopting key legislation, limited institutional capacity and postponed development of the Integrated Financial Management Information System

(IFMIS). Corrective measures undertaken in 2025 include the operationalisation of the new PIFC legal framework, adoption of the PIM Decree, restructuring of budget classifications and strengthened fiscal risk oversight. The new 2025–2028 Programme incorporates more realistic timelines, reinforced coordination through the Sector Working Group and improved monitoring mechanisms.

Lessons learned

Key lessons include the need for stronger political oversight, realistic sequencing of complex IT and structural reforms, reinforced monitoring and sustained investment in administrative capacity. These lessons have been reflected in the design and governance arrangements of the new PFM Reform Programme.

Overall, progress in 2025 demonstrates continued commitment to strengthening the soundness, transparency and accountability of the public financial management system, while addressing remaining structural challenges through the renewed reform framework.

6.2.2 Budget transparency and oversight

Fiscal policy is aimed at enhancing macroeconomic stability and supporting economic activity through gradual fiscal consolidation. Key elements of the fiscal policy 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.

Fiscal Policy Statement for the Period 2024 -2028

For the first time, on September 24, 2024, the Government issued the Fiscal Policy Statement for the 2024-2028 period, in accordance with Article 12 of the Budget Law (“Official Gazette” no. 203/2022, 76/2024, and 272/2024), within the legal deadline of 100 days from its election. The statement includes the goals, guidelines, and principles for fiscal strategy during the mandate of the Government, as well as the policies through which public finances (taxation, budgeting, and public debt management) will be implemented. The Fiscal Policy Statement for the 2024-2028 period is published on the Ministry of Finance’s website.

Link: <https://portal.mdt.gov.mk/post-body-files/fiskalna-politika-file-mwAZ.pdf>

Medium-Term Fiscal Strategy 2026-2030

The Revised Fiscal Strategy 2026-2030, as a strategic document of the Government adopted on December 4, 2025, represents a document in which macroeconomic projections and the guidelines for fiscal policy for the next five years are presented. According to the Budget Law, the Revised Fiscal Strategy outlines the medium-term guidelines and goals of fiscal policy, key macroeconomic projections, amounts for the main categories of estimated revenues and expenditures, as well as projections for the budget deficit and debt.

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 financial management, as well as to maintain a high level of capital expenditures that will support long-term economic priorities.

The Revised Fiscal Strategy 2026-2030 is substantially improved both qualitatively and quantitatively, with an increased number of data and information, covering the following key segments: macroeconomic policy, fiscal policy (main categories of revenue, tax expenditures, and spending), analysed at the level of central government, local government,

state-owned companies, public debt, macro-fiscal risk analysis, and comparative data. The main goal of the Revised Fiscal Strategy is phased fiscal consolidation and achieving fiscal rules.

Link:

[Microsoft Word - FS 2026 2030 EN final \(1\)](#)

Budget 2026

The budget for 2026 was adopted on December 17, 2025, by the Parliament. It is planned to be consolidated and realistic and ensures responsible management of public finances and a sustainable level of budget deficit and public debt.

The 2026 budget is based on the following assumptions:

- strict control over the assumption of new obligations and adherence to budgetary principles of economy and efficiency,
- new employment in line with budgetary capacities,
- improved collection of own revenues by budget users,
- rational use of public funds, - realistic planning and timely execution of capital expenditures,
- redesign of the system of subsidies and social transfers with stricter criteria,
- strengthened fiscal discipline and transparency, and
- digitalization of processes for more efficient and higher-quality public services.

Link : [Budget - Budgets - Areas - Ministry of finance - Republic of North Macedonia](#)

Plan with Deadlines

For the preparation of the new Fiscal Strategy 2027-2031, the Ministry of Finance on its website published the Plan with deadlines on January 15, 2026. The new medium-term projection will be prepared in accordance with the Budget Law and the adopted by-law - Guidelines for the preparation of macroeconomic and fiscal projections and the process of coordination between organizational units and institutions related to macroeconomic and fiscal projections.

Link : [Budget - Budgets - Areas - Ministry of finance - Republic of North Macedonia](#)

Also, after 5-year transitional period, in March 2024, MoF started publishing data for the category General Government operations according IMF SDDS plus Standard. The periodicity of the disseminated data is quarterly and it was published for the period 2018-2024. Also, MoF continued to provide annual fiscal data to IMF GFS Yearbook.

7 ANNEXES

7.1 List of relevant stakeholders consulted, per policy area

7.2 The latest available Public Finance Management and Budget Transparency implementation report

7.3 Inputs for the Commissions' monitoring indicators^{3&4}.

#	Indicators	Inputs								
1	Degree of readiness on accession negotiation chapter 23 (source: Commission annual enlargement report)	<i>North Macedonia is between having some and a moderate level of preparation in applying the EU acquis and European standards in this area. Overall, there was no progress.</i>								
2	Degree of alignment with Union Common Foreign and Security Policy	<i>North Macedonia has a good level of preparation in the area of common foreign, security and defence policy. Good progress was made, as the country maintained its track record of full alignment with relevant High Representative statements on behalf of the EU and relevant Council decisions, including EU restrictive measures related to Russia's war of aggression against Ukraine.</i>								
3	Media pluralism: Social inclusiveness composite indicator (source: Media Pluralism Monitor, Centre for Media Pluralism and Freedom).	<p>Please provide the latest available value from: https://cadmus.eui.eu/bitstreams/cbac0895-89cb-45a1-b344-98ba6472c93c/download</p> <p>8 Risk score: 54%</p> <p>Medium-high risk</p> <table border="1"> <tbody> <tr> <td>Fundamental Protection</td> <td>37%</td> </tr> <tr> <td>Market Plurality</td> <td>73%</td> </tr> <tr> <td>Political Independence</td> <td>44%</td> </tr> <tr> <td>Social Inclusiveness</td> <td>63%</td> </tr> </tbody> </table>	Fundamental Protection	37%	Market Plurality	73%	Political Independence	44%	Social Inclusiveness	63%
Fundamental Protection	37%									
Market Plurality	73%									
Political Independence	44%									
Social Inclusiveness	63%									
4	Degree of alignment with the EU visa policy	<i>The visa regime is broadly aligned with the EU lists of visa-required and visa-free countries, except for Türkiye, whose nationals are subject to a visa requirement to enter the Schengen Area but can enter North Macedonia visa-free.</i>								

³ In line with Article 25 of Regulation (EU) 2024/1449, and in line with the Facility Agreement signed by the beneficiary, the annual report is expected to contribute to the Commission's annual monitoring of the Facility. The monitoring indicators included in this Annex are part of the Commission Implementing Decision approving the Reform Agendas and the multiannual work programme under the Reform and Growth Facility for the Western Balkans. Beneficiaries' inputs will be one of the elements considered by the Commission to do its own assessment in the framework of its own annual report.

⁴ The sources of indicators 4, 9, 10 and 11 are steps included in the various Reform Agendas. If this is not the case for a specific WB beneficiary, a simple 'not relevant' should be added in the input's column.

If at the time of drafting of this annual report the step(s) is(are) not achieved (because the agreed deadline(s) for its/their achievement is in the future), the inputs to be provided by the beneficiary should provide an overview on the progress towards the step(s) achievement.

5 Degree of readiness on Public administration reform (source: Commission annual enlargement report)

North Macedonia remains moderately prepared in the area of public administration reform. Some progress was made in the e-government area, with the amendments to the Law on electronic documents, electronic identification and trusted services transposing eIDAS 2.0 Regulation and introducing the Digital Identity Wallet. Efforts were made towards digitalisation of institutional registers, simplification of electronic procedures and increase of data exchange. The long-awaited laws on administrative servants and on public sector employees were adopted in July 2025. T

6 Degree of readiness on the second economic criterion: the capacity to cope with competitive pressures and market forces within the Union (source: Commission annual enlargement report)

North Macedonia has made some progress and is moderately prepared to cope with competitive pressure and market forces within the EU.

7 EU enlargement beneficiaries intra-regional trade (source: Eurostat).

Please provide the latest available value of Eurostat indicator (<https://ec.europa.eu/eurostat/comext/newxtweb/> → Available datasets → Non-EU Datasets → EU enlargement countries trade since 2002)

EU enlargement countries trade since 2002

8 Share of exports to EU-27 countries in value of total exports (%) (source: Eurostat).

External trade in goods		Note	2012	2020	2021	2022	2023	2024
Share of exports to EU-27 countries in value of total exports (%)			63.7 iw	77.5 iw	77.1 iw	78.3 iw	78.7 iw	76.9 iw
Share of imports from EU-27 countries in value of total imports (%)			51.7 iw	46.3 iw	46.2 iw	46.8 iw	49.2 iw	50.5 iw

9 Degree of alignment with Regulation EU 2020/1056

Currently there is no legal framework for electronic freight transport information (eFTI) however the process of alignment with Regulation (EU) 2020/1056 has started.

10 MW of new renewable energy capacities installed (cumulative in energy mix for solar and wind) (source: Reform Agenda)

According to the most recent available information on renewable energy deployment in the Republic of North Macedonia, a total of approximately 1 200 MW of new renewable energy generation capacity has been connected to the grid as of October 2025.

11 Extent to which a comprehensive framework for cyber resilience in line with the requirements of NIS2 Directive is set up and operational

The Law on Security of Networks and Information Systems was adopted by the Parliament on 27 June 2025 and published in Official Gazette of the Republic of North Macedonia No. 135/2025 on 4 July 2025. The new law aligns with Directive (EU) 2022/2555 ('NIS2 Directive') and introduces, among other provisions, cybersecurity requirements for essential and important entities, a supervisory authority with enforcement powers, and the establishment of Computer Emergency Response Teams/Computer Security Incident Response Teams (CERTs/CSIRTs).

12 European innovation scoreboard score

Please provide the latest available value from: https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en

13 Degree of readiness on accession negotiation chapters 19 and 26 (source: Commission annual enlargement report)

The country remains moderately prepared in the area of social policy and employment. Some progress was made by further reducing the unemployment rate and increasing social assistance benefits.

North Macedonia is moderately prepared in the area of education and culture. Limited progress was made. Work on the 2018-2025 education strategy and on developing a proper monitoring system continued to be slow. The Law on adult education and the Law on vocational education and training (VET) were adopted, while the adoption of a new Law on secondary education was delayed and replaced by a number of amendments to the existing Law.