



# REFORM AND GROWTH FACILITY FOR THE WESTERN BALKANS

**ANNUAL REPORT 2024 OF NORTH MACEDONIA**

March 2025

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# LIST OF ACRONYMS

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**ACAA** – Agreement on Conformity Assessment and Acceptance

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**AEC** – Adult Education Centre

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**AEOS** – Authorized Economic Operators System

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**AFCOS** – Anti-Fraud Coordination Service

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**AIP** – Annual Implementation Plan

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**BTI** – Binding Tariff Information

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**CEFTA** – Central European Free Trade Agreement

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**CFSP** – Common Foreign and Security Policy

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**CHU** – Central Harmonization Unit

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**COVID** – Coronavirus Disease

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**CPPD** – Commission for Prevention and Protection from Discrimination

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**CRM** – Common Regional Market

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**CSDP** – Common Security and Defence Policy

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**CVP** – Communication and Visibility Plan

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**DG** – Directorate-General

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**DIIA** – Digital Identity and Authentication

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**EDIH** – European Digital Innovation Hubs

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**EE** – Energy Efficiency

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**EES** – Entry/Exit System

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**EPF** – European Peace Facility

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**ERP** – Economic Reform Programme

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**ESM** – Electricity System Management

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**ETIAS** – European Travel Information and Authorization System

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**EU** – European Union

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**EU4DIGITAL** – EU Initiative for Digital Transformation

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**FDI** – Foreign Direct Investment

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**GRECO** – Group of States against Corruption

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**ICT** – Information and Communication Technology

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<b>IPA</b> – Instrument for Pre-Accession Assistance
<b>IS</b> – Information System
<b>ITS</b> – Intelligent Transport System
<b>JRC</b> – Joint Research Centre
<b>JTAIP</b> – Just Transition Annual Implementation Plan
<b>MEL</b> – Ministry of Economy and Labour
<b>MEMMR</b> – Ministry of Energy, Mining and Mineral Resources
<b>MK</b> – North Macedonia
<b>MIZ</b> – Municipal Industrial Zones
<b>MoF</b> – Ministry of Finance
<b>MoU</b> – Memorandum of Understanding
<b>MP</b> – Member of Parliament
<b>MPA</b> – Ministry of Public Administration
<b>NATO</b> – North Atlantic Treaty Organization
<b>NCB</b> – National Coordination Body
<b>ODIHR</b> – Office for Democratic Institutions and Human Rights
<b>PAR</b> – Public Administration Reform
<b>PFM</b> – Public Financial Management
<b>PSPs</b> – Payment Service Providers
<b>RGF</b> – Reform and Growth Facility
<b>RIA</b> – Regulatory Impact Assessment
<b>RES</b> – Renewable Energy Sources
<b>S3</b> – Smart Specialisation Strategy
<b>SCPC</b> – State Commission for Prevention of Corruption
<b>SEED</b> – System for Electronic Exchange of Data
<b>SEPA</b> – Single Euro Payments Area
<b>SMEs</b> – Small and Medium Enterprises
<b>SNE</b> – Seconded National Expert
<b>TA</b> – Technical Assistance
<b>TAIEX</b> – Technical Assistance and Information Exchange

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**TEN-T** – Trans-European Transport Network

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**TIDZ** – Technological Industrial Development Zones

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**TRACES** – Trade Control and Expert System

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**UN** – United Nations

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**UNDP** – United Nations Development Programme

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**WB** – Western Balkans

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**WiFi4WB** – WiFi for Western Balkans

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**WTO** – World Trade Organization

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## **1 OVERVIEW OF THE REFORM AGENDA IMPLEMENTATION IN 2024**

### **Key achievements and developments**

This is the first annual report (light format) prepared based on the up-to-date guidance and respective workshops organized by the European Commission.

The year of 2024 was marked by transition of powers following the 2024 presidential and early parliamentary elections. New parliamentary composition was elected, and new coalition Government took office in June 2024. The EU membership remains key strategic priority of the Government. Despite the transition of powers, including technical Government, the work on the Reform Agenda 2024-2027 continued without major interruptions. The Government also finalized the legal procedures for entry into force of the Facility and Loan Agreements and adopted Communication and Visibility Plan. The National RGF Coordinator has been appointed.

Activities for implementation of the judicial reforms in line with the Justice Sector Development Strategy continued. Intensive work is being done on drafting key judicial legislation including the laws planned in the Reform Agenda 2024-2027. The 8<sup>th</sup> generation of the graduates of the Academy for Judges and Prosecutors completed the training and the respective judiciary councils published calls for their appointment.

The National Strategy for prevention and repression of corruption (2021-2025) is in the final phase of implementation. Law on the Office for the Recovery of Assets entered into force in September 2024. New Criminal Code and Law on Criminal Procedure are being drafted in line with the *acquis* and standards. A new Law on Whistle-blowers Protection and Protected Reporting is currently being prepared, which establishes enhanced measures for the protection of whistle-blowers.

Amendments to the Law on Media are being prepared to recognize online media (internet portals) as legitimate media outlets, ensuring that they are subject to the same rights and obligations as traditional media. This framework will also help mitigate the spread of misinformation and fake news. The procedure for appointing new members of the Council of the Agency for Audio and Audio-visual Media Services began in October 2024 and is ongoing.

In 2024, the Commission for Prevention and Protection from Discrimination (CPPD) acted upon 405 complaints, with 350 filed by natural persons and 55 by legal persons. The most frequently identified grounds for discrimination included national or ethnic affiliation, personal property or social status, gender, gender identity, sexual orientation, political belief and disability.

The justice system for children has made significant progress in legislative reforms, notably with the adoption of the Law on Justice for Children in 2024 and amendments to the Law on the Execution of Sanctions, aiming to reduce recidivism, support community-based services as alternatives to detention, and ensure the right to a fair trial.

North Macedonia has made significant progress in the deinstitutionalization process of children, moving from large institutions to family-based care systems and smaller group homes, as part of the National Deinstitutionalization Strategy (2018- 2027). All large institutions have been closed.

The country continued its policy of 100% alignment with the EU's Common Foreign and Security Policy, including with the EU sanctions and restrictive measures against Russia, including the 16th package of sanctions of EU against Russia. In November 2024, North Macedonia and EU signed a Security and Defence Partnership.

The national visa regime is broadly aligned with EU requirements, for third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement, with an exception for Türkiye. Citizens of the Russian Federation and Azerbaijan require a visa to enter the country.

The Public Administration Reform continues to be implemented in line with the priorities defined in the PAR Strategy 2023-2030. The new Government amended the legal framework on the organization of the state administration which resulted in reorganization of the ministries and their competencies as well as introducing lines of accountability.

Implementation of the Public Financial Management Reform Programme 2022-2025 aims to enhance the efficiency, effectiveness, and transparency of financial governance.

The European Union is the most significant trade partner of the Republic of North Macedonia accounting for 61.4% of total trade, 50.5% of total imports and 76.9% of total exports in 2024. In addition, the level of investment integration with the EU is at a high level with the investors from the EU accounting for 66.8% of total foreign direct investment in 2023.

In regard to economic competitiveness energy market reforms will introduce market coupling of the Macedonian electricity market, bringing it closer to the European electricity market, through adopting of the relevant methodologies.

New SME Strategy 2025-2030 is prepared with the aim to create favourable and attractive business environment for entrepreneurship and SME development.

North Macedonia remains committed to regional economic integration, including through the implementation of the Common Regional Market Action Plan 2025-2028 and active participation in the CEFTA. North Macedonia remains fully committed to the achieving further progress in improving the road and railway infrastructure networks along the important Corridors X and VIII. Additionally, improvements in road infrastructure, transport, and urban mobility in the coal-affected Pelagonija and Southwest regions strengthen connectivity with neighbouring Greece and Albania, boosting investment opportunities and tourism. By offering investment incentives for climate-tech and green technologies, alongside direct investments in renewable energy sources (RES) in coal-affected areas, the country advances the Critical Raw Materials agenda.

The Just Transition Annual Implementation Plan (JTAIP) drives an inclusive and sustainable transition by prioritizing energy efficiency measures to reduce the energy consumption of public buildings, setting of reskilling and upskilling initiatives for coal-sector workers thus facilitating transition to “green jobs”.

The introduction of green transition policies in education includes the integration of environmental contents into primary and secondary education curricula as well as teacher training programs focusing on development of green skills.

The national strategic and legal framework for digital transformation is to be further enhanced with the new National ICT Strategy 2025-2030, as it focuses on four pillars: connectivity, digital skills, e-Governance, and digital transformation of businesses and ongoing process of alignment of the legislation with relevant acquis. The interoperability platform and national e-services portal have been upgraded thus reducing costs and enhancing accessibility. Enhancing of digital skills of students and teachers is being conducted regularly.

New Smart Specialisation Strategy (S3) 2024-2027 along with Action Plan for 2024-2025 was adopted aiming to facilitate the potentials in the economy (business), innovation, and science for the economic transformation of the country. The focus is on strengthening research capacity in alignment with European Research Area priorities, increasing the science budget, and actively participating in Horizon Europe.

Reforms in education are driven by the amended Law on Primary Education the new Law on Secondary Vocational Education and new Law on Adult Education, all being in force as of the beginning of 2025, while the new law on Secondary Education is in parliamentary procedure. About 16 000 teachers and 900 professional associates were involved in trainings in 2024.

### **Engagement with relevant stakeholders**

The outline of the Reform Agenda was consulted with CSOs, business community and economic chambers as well as academia in December 2023. It was also discussed in the Parliament at a joint session of the National Council for EU Integration and Committee for EU Affairs. Another round of consultations with civil society was held in April 2024. The Reform Agenda 2024-2027 was reviewed by all relevant institutions on a regular basis in line with the Government's Rules of Procedure and adopted by the Government. The public was regularly informed of all those developments.

The commitment to continue with stakeholder engagement in the implementation of the Reform Agenda will also be reflected in the acts for national RGF structure. Furthermore, a Memorandum of Understanding was signed between the Ministry for European Affairs and the European Policy Institute defining the areas of cooperation in regard to implementation and monitoring of the Refrom Agenda. There are also signed memoranda of understanding with the universities, Macedonian Academy of Sciences and Arts and active cooperation with chambers of commerce.

### **Communication and visibility**

Communication and Visibility Plan for the Growth Plan and the Reform Agenda of North Macedonia 2024-2027 has been adopted by the Government on its session held on 10 March 2025.

The main objective of the CVP is to ensure strategic communication of the support for the full EU membership of the country and understanding of the tangible benefits of closer EU integration and accession by fostering transparency and open dialogue, the Plan aims to strengthen public trust in the reform process, assuring citizens that reforms are being implemented responsibly and effective.

The Specific objectives include:

- Raising awareness of opportunities and effects - Informing the stakeholders and the general public about the opportunities and benefits provided by the Reform and Growth Facility for the Western Balkans,
- Promoting involvement of potential beneficiaries - Actively encouraging businesses, civil society, public institutions, and other relevant stakeholders to participate in the national Reform Agenda under the RGF, and
- Familiarising beneficiaries with their responsibilities - Educate the beneficiaries and partners about their roles and responsibilities in the EU-funded activities.

When it comes to communication events, the final Reform Agenda 2024-2027 was presented to media representatives as well as to ambassadors of EU Member States in October 2024. Two debates on the benefits of the Refrom Agenda were held for targeted audience on 13 and 14 March 2025. The first event was dedicated to the benefits of the Reform Agenda for the private sector. Participants included business and private sector leaders, small and medium-sized enterprise owners and managers, industry association representatives, and other stakeholders from the private sector. The second event was focused on the role of local governments in successful implementation of the Reform Agenda and fostering economic growth. It was attended by representatives of municipalities, municipal council members, representatives from planning regions, municipal administration and officials, civil society organizations involved in local governance and economic development and international partners. On 12 March 2025 the Ministry of European Affairs in cooperation with the French Embassy and the Institute Jacques Delors, organized panel discussion dedicated to the concept of gradual integration. The participants included reepresentatives of national institutions, tink-tank organizations and CSOs as well as academia.

## **2 CONTRIBUTION TO THE ACHIEVEMENT OF THE SPECIFIC OBJECTIVES OF THE REFORM AND GROWTH FACILITY (RGF WB REGULATION ARTICLE 3.2)**

### **Specific objective 1: Rule of Law**

During 2024, three Governments were in place, one of which technical with the task to prepare the 2024 presidential and early parliamentary elections. According to the OSCE/ODIHR assessment the elections were competitive, and fundamental freedoms were respected, the process needs to be further regulated.

With the election of the current parliamentary composition, the new Rules of Procedure of the Parliament<sup>1</sup>, are applicable as of May 2024 ensuring a more efficient, quality and successful functioning of the Parliament and its working bodies. The incumbent coalition Government was elected in June 2024 and has stable majority in the Parliament, thus ensuring efficient adoption of the legislation, including in regard to the transposition of the EU acquis. The EU integration process remains among the key strategic priorities of the Government. The work on the finalization of the Reform Agenda 2024-2027 of North Macedonia continued without any delays and in inclusive and transparent manner. All procedures for entry into force of the Facility and Loan Agreements were timely completed. The Minister for European Affairs was appointed for National RGF Coordinator, while the acts for the national structure are being drafted. IT platform is also in a process of development.

The cooperation with the civil society remains priority. The decision for cooperation between the Government and the civil society and Government was amended in January 2025 and new composition elected in March 2025. First draft version of the Strategy for cooperation with and development of civil society of the Strategy 2025-2028 has been prepared. Civil society organizations were consulted during the preparation of the Government's annual work program, in accordance with the Code of Good Practices for the participation of the civil sector in the policy-making process. A total of 35 initiatives from 19 civil society organizations were submitted, which represents an increase of 31,43% to 2024.

In regard to judiciary, the implementation of the Justice Sector Development Strategy (2024–2028) has continued within the planned dynamics, with a slight delay of the processes where implementation depended on the completion of the parliamentary elections and the formation of a Government (June 2024).

Restructuring of the Council for Monitoring the Implementation of the Strategy is planned with the aims to address overlaps between the Reform Agenda and the Justice Sector Development Strategy, ensuring streamlined oversight, improved coordination, and timely implementation of all measures and activities. Draft Law Amending the Law on the Judicial Council. On 10 June 2024 the Judicial Council adopted Communication Strategy. Thus, along with the other by-laws, strategies and work plans, the Judicial Council implemented 7 out of 17 recommendations of the peer review mission of the Judicial Council as of September 2023.

Activities to amend the Law on Public Prosecution and the Law on the Council of Public Prosecutors have started in November 2024. The amendments are aimed at implementing the activities of the new Strategy and the recommendations of international reports and documents, the GRECO recommendation, in disciplinary violations and sanctions, as well as strengthening the role of the Council and strengthening the mechanisms for electronic allocation of cases.

The procedure for election of the candidates from the 8<sup>th</sup> generation of the graduates from the Academy for Judges and Prosecutors started, whereby calls for 50 judges and 47 public prosecutors were launched by the respective Councils.

In regard to fight against corruption, the National Strategy for prevention and repression of corruption (2021-2025) is in the final phase of implementation. An annual report on the implementation of the Strategy in 2024 is being prepared, which will be submitted to the Assembly by the end of March 2025, and it will be published on the SCPC website. The SCPC adopted amendments to its Rules of Procedure, introducing random case distribution among members, and approved its Work Program, Annual Monitoring Plan for Assets and Conflict of Interest, and Anti-Corruption Legislative Review Plan for 2025.

In March 2024, the Law on the Office for the Recovery of Assets was adopted and entered into force in September 2024. This law regulates the establishment, competences and financing of the Office for the Recovery of Assets and its cooperation with domestic authorities and institutions and with foreign countries.

The drafting of the amendments to the existing Criminal Code, aiming to mitigate the consequences of the legal amendments to the Criminal Code from September 2023 is ongoing. On 12 February 2025 the Constitutional Court decided to start a procedure for evaluating the constitutionality of the legal amendments to the Criminal Code. The new Criminal Code is expected to be adopted in 2025 and will be harmonized with European policies and acquis.

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<sup>1</sup> "Official Gazette" no. 248/23

A new Law on Whistle-blowers Protection and Protected Reporting is currently being prepared, which establishes enhanced measures for the protection of whistle-blowers. First draft of the new Law on Criminal Procedure has been prepared which aims to harmonize it with international standards and documents in the field of criminal procedural law, including alignment with 9 EU directives on procedural rights<sup>2</sup>.

The procedure for appointing new members of the Council of the Agency for Audio and Audio-visual Media Services began in October 2024, by announcing of a public call. In accordance with Articles 14 and 16 of the Law on Audio and Audiovisual Services, the parliamentary Committee on Election and Appointment Issues, on 29.1.2025, adopted a Draft Decision on the Appointment of Members of the Council of the Agency for Audio and Audiovisual Services, and submitted to the Members of Assembly on 3 February 2025.

The Media Ethics Council, as the only media self-regulatory body, works on promoting this mechanism to raise citizens' awareness of their right to contribute to better quality journalism by using the tool for submitting complaints to the Ethics Council if they suspect that the media is violating the Code of Journalists and professional standards. Data on the owners of broadcasters are published on the Agency's website and are regularly updated.

On 13 August 2024, the Parliament adopted the Law on Ratification of the Council of Europe Convention on Access to Official Documents, as an international legal instrument that recognizes the right of everyone to access official documents held by public authorities without discrimination and regardless of the status or motives of the applicant for seeking access.

On 13 February 2025, a call for election of 7 deputies of the Ombudsman was published. The Civil Control Mechanism in 2024 handled a total of 25 cases out of which 15 related to members of the prison police, and 10 to police officers.

In 2024, the Commission for Prevention and Protection from Discrimination (CPPD) received 405 complaints, with 350 filed by natural persons and 55 by legal persons. The CPPD issued 316 decisions on cases seeking protection against discrimination. Out of 152 opinions rendered, discrimination was established in 56 instances, while 96 opinions concluded there was no discrimination. The most frequently identified grounds for discrimination included national or ethnic affiliation, personal property or social status, gender, gender identity, sexual orientation, political belief, and disability.

A draft Law on Accessible Websites and Mobile Applications is drafted in line with the Directive (EU) 2016/2102 on the accessibility of websites and mobile applications of public sector bodies. In October 2024, the draft law was published on ENER for public consultations.

The justice system for children in North Macedonia has made significant progress in legislative reforms, notably with the adoption of the Law on Justice for Children in 2024 (transposing the standards of: Directive EU 2016/800 on procedural safeguards for children suspected or accused in criminal proceedings and Directive 2012/29/EU establishing minimum standards on the rights, support and protection of victims of crime) and amendments to the Law on the Execution of Sanctions. These legislative frameworks aim to reduce recidivism, support community-based services as alternatives to detention, and ensure the right to a fair trial, in order to align the system with international standards. Draft National Action Plan (NAP) for Children's Rights 2025-2029 has been developed and is subject to inter-service consultations. A special priority area titled "Violence against Children" is foreseen to safeguard children from all forms of violence, including gender-based and domestic violence.

North Macedonia has made significant progress in the deinstitutionalization process of children, moving from large institutions to family-based care systems and smaller group homes, as part of the National

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<sup>2</sup> Directive 2012/29/EU establishing minimum standards on the rights, support and protection of victims of crime Directive 2016/343/EU on the strengthening of certain aspects of the presumption of innocence and the right to be present at trial in criminal proceedings, Directive 2013/48/EU on the right to a lawyer in criminal proceedings and in European arrest warrant proceedings, and on the right to have a third person informed upon deprivation of liberty and to communicate with third persons and with consular representations while deprived of liberty, Directive 2012/13/EU on the right to information in criminal proceedings, Directive 2010/64/EU on the right to translation and interpretation and Directive 2016/1919 of the European Parliament and of the Council of 26 October 2016 on legal aid for suspects and accused persons in criminal proceedings who are wanted in proceedings under the European Arrest Warrant.

Deinstitutionalization Strategy (2018- 2027). All large institutions have been closed, with family-based care being prioritized, while community-based services are gradually being developed as additional forms of support. The number of foster families has increased significantly, with 365 families caring for 616 children in mid-2024, under the supervision of foster family support centres.

In terms of inclusive education, a total of 1.018 educational assistants provide support to students with disabilities in primary education in the 2024-2025 school year. As regards the coverage of students with disabilities, there is an increase in the share of students with disabilities in the total number of students in primary education. In September 2024, 1,43% of the total number of students in primary education were students with disabilities, compared to 1,22% in September 2023.

As regards the implementation of the Strategy for Inclusion of Roma 2022–2030, operational plans were prepared through a participatory process for activities that are part of the National Action Plans on antigypsyism, civil registration, housing, health, culture, education, promotion and the realization of human rights of Roma women and girls. As part of the support for Roma’s secondary education, scholarships were awarded to 920 Roma high school students at public and private schools for the 2023/2024 school year and 1.200 scholarships for the 2024/2025 school year.

### **Specific objective 2: CFSP alignment**

North Macedonia has actively participated and is committed to further enhance its contribution in CFSP/CSDP based on the country’s strategic choice and dedication towards promoting and protection of the shared principles and values of the EU’s foreign policy. MK continued its policy of 100% alignment with the EU's Common Foreign and Security Policy. In line with this national position, the country has aligned accordingly to the 16th package of sanctions of EU against Russia (adopted by the EU in February 2025).

North Macedonia is a responsible and proven partner of the EU and NATO in supporting Ukraine. The country continues to provide significant political, humanitarian, and military assistance to Ukraine and its citizens (having delivered 14 consecutive aid packages so far; significant military-technical assistance measured per capita). The country is actively engaged in the overall Euro-Atlantic response and supports efforts to secure a just, fair and sustainable peace for Ukraine.

In November 2024, North Macedonia and EU signed a Security and Defense Partnership. This Partnership establishes a new platform for enhanced dialogue and cooperation on security and defense issues, reflecting the determination of both parties to work together to address shared security challenges in an increasingly complex global environment. Recently, North Macedonia has initiated the start of the operational dialogue, that should be held in April 2025, in Skopje.

North Macedonia is also a beneficiary of assistance under the European Peace Facility (EPF) mechanism. The Council of the EU has adopted two assistance measures to support the capacities and capabilities of the Army of North Macedonia. In 2023, the country received €9 million, and in 2024, received €13 million. Recently, North Macedonia has submitted a third request for support under this Facility.

### **Specific objective 3: Disinformation**

The Ministry of Digital Transformation has initiated amendments to the Law on Media with the aim of officially recognizing online media, specifically internet portals, as legitimate forms of media. The current legal framework fails to acknowledge these platforms, leading to a series of challenges and issues that affect their role in the country’s media landscape. To address these challenges, the proposed amendments aim to recognize online media (internet portals) as legitimate media outlets, ensuring that they are subject to the same rights and obligations as traditional media. By establishing a legal framework that acknowledges the role of online media, the law will enhance freedom of speech and increase public trust in digital media sources. Registering online media under this framework will also help mitigate the spread of misinformation and fake news by creating more accountability for content published on these platforms.

### **Specific objective 4: Visa policy**

North Macedonia has continued its efforts aiming toward full alignment with the EU visa policy, positioning itself as a front-runner in the region. In line with the commitments of the Western Balkan partners in the EU

accession process, the harmonization of visa policy with the EU is of crucial importance for the smooth functioning of the visa-free regime of the Western Balkans with the EU.

The national visa regime is broadly aligned with Council Regulation 2018/1806 of 14 November 2018, listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement, as well as with the EU lists in Annexes 1 and 2 of the Regulation. MK has made an exception for Türkiye and does not require entry visas for citizens of Turkey.

The seventh report adopted by the European Commission under the 2024 Visa Waiver Mechanism concludes that MK continues to meet the benchmarks for visa liberalization. Short-term visas have been abolished for third-country nationals who are holders of permanent or temporary residence permits issued by an EU/Schengen member state.

With a decision of the Government, short-stay visas are unilaterally abolished for third-country citizens who hold multiple-entry visas for the United States, Canada and the United Kingdom inserted in their travel documents. The Decision is valid until 31 December 2025, with the possibility of extending the application period. Decisions on unilateral, temporary, abolition of visas for citizens of the Russian Federation and Azerbaijan have not been made. Citizens of the Russian Federation and Azerbaijan require a visa to enter the country.

To meet EU regulations, efforts have been initiated to ensure full compliance with the EU visa regime. Further alignment of the visa policy is needed for nationals of countries listed in Annex 2 (the positive list), whose citizens do not currently require a visa to enter the EU.

Regarding the preparations in the EU for introducing the Entry/Exit System (EES) for registering travelers that enter the Schengen zone from third countries and consequently the ETIAS, Commission is expected to organize information campaigns and raise social awareness before these systems become operational, in order to avoid misinterpretations that may reveal this requirement as a substitute for visa, which is not the case.

### **Specific objective 5: Governance**

The Public Administration Reform continues to be implemented in line with the priorities defined in the PAR Strategy 2023-2030. The second draft annual report on its implementation indicates 62% of implementation which includes the number of completed and ongoing activities (73 out of 117).

The draft versions of the new Law on Administrative Servants and the Law on Public Sector Employees were adopted by the Government at the beginning of 2024 and subsequently submitted to Parliament. Following the amendments to the Law on the Organization and Operation of State Administration Bodies, a new Ministry of Public Administration (MPA) was established. Consequently, there was a formal and legal aspect requiring for the draft laws to be withdrawn from the parliamentary procedure in July 2024, as well as to ensure consultation on the laws with the public. They were immediately published on the ENER platform for public review and consultations with stakeholders.

In June 2024, the Assembly adopted amendments to the Law on the Organization and Operation of State Administration Bodies ("Official Gazette of the Republic of North Macedonia" No. 121/24). These amendments primarily focus on the reorganization of ministries in line with certain EU recommendations, including clear defining of the competencies of ministries, serving as basis for future ministerial structures, which include redistributing the responsibilities of state administration bodies, regrouping them according to related fields and national strategic priorities, as well as merging and establishing new state administration bodies. This reorganization has led to changes in the number of ministries and the scope of responsibilities of several existing ministries within the Government.

The number of ministries has increased from 16 to 20. New ministries have been established, including the Ministry of Sports and the Ministry of Energy, Mining, and Mineral Resources. The Ministry of Information Society and Administration has been restructured into two distinct ministries: the Ministry of Public Administration and the Ministry of Digital Transformation.

In addition to the establishment of new ministries, several existing ministries have undergone significant restructuring, such as:

- The Ministry of Foreign Affairs is now the Ministry of Foreign Affairs and Foreign Trade,
- The Ministry of Culture has been reorganized into the Ministry of Culture and Tourism,
- The former Ministry of Labor and Social Policy has been transformed into the Ministry of Social Policy, Demography, and Youth,
- The Ministry of Economy has been restructured into the Ministry of Economy and Labor,
- The Ministry of Political Systems and Inter-Community Relations is now the Ministry of Community Relations, and
- The Secretariat for European Affairs within the Government of the Republic of North Macedonia has been transformed into Ministry of European Affairs.

The amendments also establish clear lines of accountability between sectoral the respective ministries and the bodies under their authority thus further reinforcing and strengthening the role of ministries in overseeing the implementation of laws under their jurisdiction.

In accordance with the Reform Agenda and the Government's Work Program, a new Law on the Organization and Operation of State Administration Bodies is expected to be adopted by December 2025. The alignment of this law with substantive laws is planned to be completed by December 2026.

Continued activities are undertaken for introducing the integrity system in institutions at the central, local level and in the judiciary. As of December 2024, the integrity system is being introduced in 72 state administration institutions, 72 municipalities and 17 institutions from the judiciary. This means that the integrity system in 2024 is implemented in a total of 161 institutions, recording an increase compared to 2023 when this system was implemented in 140 institutions. These activities are further supported with continuous trainings conducted by the State Commission for Prevention of Corruption.

The Ministry of Finance has the responsibility in relation to public financial management, transparency, accountability, and good governance.

Investment in capacity building of administrative staff is a priority, achieved through training programs and institutional reforms. The MoF enforces open budget policies, ensuring that financial data is accessible to the public. Initiatives such as citizen budgets and online public finance transparency portals provide civil society and stakeholders with access to financial information. It also ensures compliance with international best practices in financial reporting and auditing, reinforcing accountability mechanisms.

Implementation of the Public Financial Management Reform Programme 2022-2025 aims to enhance the efficiency, effectiveness, and transparency of financial governance, including: strengthening anti-corruption measures in public finance management, collaborating with international institutions to strengthen the legal and regulatory framework for financial justice and anti-money laundering policies; oversight of the budget allocation, execution, and reporting, ensuring proper distribution of public funds; implementation of electronic public procurement systems reducing corruption risks and improving competition; strengthening internal and external audit functions to improve financial oversight. All this encompasses maintaining a stable budget in the long run, thereby continuing the rendering of quality and prompt services to the citizens and the businesses through modern and efficient public administration based on digitalisation. Public financial management improvement is necessary for fiscal consolidation and structural reforms, but also as a process which improves the quality of the public administration. This should contribute to an attractive and desired environment for the investors. Moreover, the Government has developed sub-system reform strategies in the areas of public internal financial control and tax system. Sound public financial management is a key precondition in the process of EU integration and is linked to many negotiation chapters (Chapter 5 - Public Procurement, Chapter 16 - Taxation, Chapter 17 - Economic and Monetary Policy, Chapter 18 - Statistics, Chapter 29 - Customs Union, Chapter 32 - Financial Control and Chapter 33 - Financial and Budgetary Provisions).

#### **Specific objective 6: Economic competitiveness**

The implementation of strategic documents and measures for support of industrial development, improved access to finance, stimulate investments, technology transfer, innovation, smart specialization with prioritization of strengthening academia business collaboration and creating new high-quality jobs will enable competitiveness and sustainability of the companies and economy. The Ministry of Economy and Labor (MEL) implements annual programs promoting measures for support of companies in their competitiveness and growth. The new SME Strategy is in final phase of adoption and will contribute in positive manner in creating favourable and attractive business environment for entrepreneurship and SME development.

Energy market reforms will introduce market coupling of the Macedonian electricity market, bringing it closer to the European electricity market, through adopting of the relevant methodologies. Through these reforms there will be an increase of competitiveness, efficiency, and sustainability of the electricity market.

The Just Transition Annual Implementation Plan (JT AIP) accelerates the shift toward a sustainable, climate-neutral, and inclusive economy by introducing measures such as incentives and tailored credit schemes. These initiatives encourage companies to invest in coal-dependent regions, driving greater adoption of climate-smart technologies. Such investments foster the creation of high-value-added jobs, introduce advanced technological expertise, and expand employment opportunities, enhancing the resilience of these regions against market pressures. In addition, the JT AIP promotes innovation and provides enhanced investment incentives within Technological Industrial Development Zones (TIDZ) and in particular Municipal Industrial Zones (MIZ). By supporting infrastructure upgrades and aftercare services, these zones become more appealing to investors, attracting increased capital to coal-affected areas and bolstering the competitiveness of local vendors and supply-chain actors. Recognising energy security and innovation as critical drivers of economic competitiveness, the JT AIP includes plans for an Energy Competence Center. This center will act as a hub for developing energy-related skills, leveraging the region's knowledge base to lead the green energy transition. Finally, the JT AIP prioritizes improvements in road infrastructure and urban mobility planning to strengthen key regional connections with neighboring countries and the vital Pan-European Corridor X, enhancing overall accessibility and economic integration.

The country aims to implement the *EU acquis* and to adopt EU Energy Efficiency rules, norms and standards. The energy efficiency *acquis* requires measures to increase efficiency at all stages of the energy chain: generation, transmission, distribution, and consumption.

To achieve EE improvements and green investments in the buildings sector and to meet its strategic targets, the Government plans to implement a three-year Renovation Plan of Central Government Buildings coordinated by the Ministry of Energy, Mining and Mineral Resources (MEMMR). The target of the Renovation Plan is public property buildings that are used for administrative and other activities of public interest, and which are fully owned and occupied by public authorities under the central government.

#### **Specific objective 7: Regional economic integration**

The Berlin Process is a very significant element on the way to our country's European integration. It is a complementary tool, not a substitute for the future EU membership. It is an excellent platform for support to the EU integration and accession processes within the Western Balkan 6. Last year, within the Berlin process, MK adopted the Common Regional Market Action Plan 2025-2028 (CRM), and the country remains fully engaged in all the activities within this framework, which serves as a tool to structurally transform the Region's market.

The CRM Action Plan 2025-2028 is a regionally owned framework based on the EU rules and standards with the objective to consolidate and enhance competitiveness and economic cooperation. The Action Plan is an integral part of the Growth Plan for the Western Balkans.

Some of the expected results under free movement of goods and free movement of services stated in Common Regional Market Action Plan are contended in the adopted decisions by the Central European Free Trade Agreement (CEFTA) Parties in 2024, with a strong political message about the importance of regional integration and substantial opportunities for governments, businesses, and people in the region. The regional deliverables rely on the effective functioning of the CEFTA structures, which must now move toward a more constructive phase of economic integration.

In this sense, the following decisions were adopted in 2024: 1. Decision on Facilitation of Electronic Commerce, 2. Decision on Inter-Party Parcel Delivery Services, 3. Decision on the Prevention of Unjustified Geo-blocking, 4. Decision on Trade-Related Aspects of Intellectual Property Rights, 5. Decision on Facilitating Trade in Services Supplied by Travel Agencies and Tour Operators, 6. Decision on the Establishment of an Electronic System to Facilitate Risk-management for Trade in Goods, 7. Decision on the Recognition of AEOS Programmes, 8. Recommendation on the Facilitation of Motor Third Party Liability Insurance within CEFTA and 9. Additional Protocol 7 on Dispute Settlement to the Agreement on Amendment and Accession to the Central European Free Trade Agreement.

Working groups of experts from CEFTA Parties are establishing to work on deliverables of each decision.

CEFTA SEED 2024-2026 Project was launched with main objective to maintain CEFTA SEED and TRACES ICT infrastructure. The intention is to create effective management and exchange of data on Authorized Economic Operators (AEOs) and Binding Tariff Information (BTI), including non-adjacent administration. Following this, North Macedonia and Montenegro signed MoU. North Macedonia is committed to finalise MoU with Bosnia and Herzegovina and launch initiative for signing of the MoU with Moldova.

North Macedonia has permanent engagement in the CEFTA, and this year North Macedonia chairs with the Sub-Committee on Non-Tariff Measures and the Committee on Trade Facilitation.

Moreover, the Agreement on the recognition of professional qualifications of nurses, veterinary surgeons, pharmacists and midwives was ratified and entered into force. The Agreement on access to higher education and admission to study in the Western Balkans is in the pre-ratification phase. Preparatory activities are underway, and the start of the ratification procedure is expected to happen soon.

### **Specific objective 8: Single market integration**

The European Union is the most significant trade partner of the Republic of North Macedonia accounting for 61.4% of total trade, 50.5% of total imports and 76.9% of total exports in 2024. In addition, the level of investment integration with the EU is at a high level with the investors from the EU accounting for 66.8% of total foreign direct investment in 2023. Increased trade and investment integration is enhanced by continuous support of competitiveness growth of companies, by support of their investments in technology, product diversification, innovation, internationalization etc.

In regard to green lanes with EU MS, the country has completed the first phase of the pilot project under the Memorandum of Understanding between Greece and North Macedonia signed in July 2022, which involves the movement of goods from North Macedonia to Greece (Border Crossing Point Evzoni–Bogorodica). The second phase pertains to the reverse direction. To initiate the second phase, North Macedonia encourage and supports the efforts of the European Commission for the amendment of the Union Customs Code to provide the legal base for the exchange of data within SEED Green Lanes.

The Transport Community in cooperation with CEFTA Secretariat developed 11 project fiches, focusing on the major border crossings between CEFTA countries and EU Member States, where reconstruction and modernization are needed to ensure the functional application of green corridors. For North Macedonia, the most critical border crossings identified for this initiative are Tabanovce-Preševo, Blace-Hani Elizit, Deve Bair-Gjueshevo, Bogorodica-Evzoni, and Kjafasan-Qaftane.

After the approval by European Payment Council on 6 March 2025, the adherence of the country's financial institutions to the SEPA payment schemes will be enabled starting from April 2025. The earliest Operational Readiness Date (ORD) for payment service providers (PSPs) from the country is 5 October 2025.

The EU4DIGITAL project, organized an online info session on 18 December 2024, on the Wi-Fi initiative for the Western Balkans – WiFi4WB. The aim of the info session was to inform the municipalities of this initiative, including the timelines for its implementation, and offer answers to all open questions related to it. The target group were all municipalities in the country. More than 30 municipalities applied on the call which leads us closer to the foreseen target of 42.

As for the European Digital Innovation Hubs initiative (Roadmap) public call was announced in March 2024, a total of eight Macedonian digital innovation hubs have applied. Out of all submitted applications to the call - Network of European Digital Innovation Hubs (DIGITAL-2023-EDIH-04) in the framework of the Digital Europe Programme, according to the July 2024 results, one of the hubs was awarded the project and additional one is on the waiting list. Signature of the Grant Agreement took place in December 2024. Taking into consideration the importance of the initiative, the country ensured sufficient funds for cofinancing of the project and support for its successful implementation.

The country is ready to undertake the necessary steps for conclusion of Agreement on Conformity Assessment and Acceptance (ACAA) as a good opportunity for the domestic industry to adapt to the internal market rules which are followed by the EU Member States, referring to the rules and principles of free movement of goods.

The Ministry of Digital Transformation submitted an application to the call DIGITAL-2024-GOVTECH-06-SGA, with the partners. DIIA is a globally recognized example of a highly innovative digital governance platform. It consolidates public services and electronic versions of personal documents into a single app, transforming citizen-state interactions. In later stage, this application will need to be upgraded to meet requirements defined in the eIDAS 2.0. The project will commence in June 2025.

Critical Medicines Alliance is of great importance and a possibility for strategic partnership with the EU regarding improved critical medicine production and their availability in the country.

### **Specific objective 9: Connectivity and regional cooperation**

MK is committed on continuing to foster cooperation and facilitate people-to-people contacts, supporting cooperation among local governments and expand the borders of the already established regional cooperation canalized through all regional initiatives. Regional cooperation presents a valuable political platform that contributes to the stabilization of the region and its accelerated European integration process, but also to the economic development and social progress.

Fully realizing the importance of regional cooperation, we try to “act regionally” so we can “achieve our goals globally”. In that line, there is a full commitment to the regional integration through political, economic, and security initiatives, and we fully support the closer mutual economic integration.

North Macedonia remains fully committed to the achieving further progress in improving the road and railway infrastructure networks along the important Corridors X and VIII. On Corridor VIII, the projection is to reach full road connectivity by 2028 with completed highway and/or expressway network from Ohrid to Kriva Palanka, as well to continue the work on the railway connection to Bulgaria.

Introducing intelligent transport system (ITS) along the Corridor X (it stretches on 114 km highway in North Macedonia, at the direction North-South, connecting Northern Europe through Serbia and North Macedonia with the ports in Greece) is of outmost importance for the country. This will enable a modern and sustainable approach toward connectivity with the other countries, provided its small size and good geostrategic position. Corridor X is integral part of the TEN-T system of transport which is expected to have considerable impact on the economic and social development of the country. The intelligent transport system (ITS) is envisaged to contribute to the preservation of the environment and to secure higher sustainability of the transport routes.

Planned reforms and investments included in the Reform Agenda are in line with the specific objectives of the RGF, stipulated under Article 3 of RGF Regulation. Namely, the country commits to undertaking reforms aimed at accelerated regional economic integration and progressive integration with the Union single market, through active contribution to the establishment of the Common Regional Market and improved connectivity in the region in line with Trans-European Networks, as well as by accelerating the transition to a sustainable, and inclusive economy, and stable investment environment capable of withstanding competitive market pressures of the Union single market. Completion of TEN-T extension of the Core and Comprehensive Road and Rail Network passing through the Macedonian territory and reducing the border crossing times and procedures aims toward better regional connectivity and raise regional cooperation. The activities have a goal to ensure adequate connection with neighboring countries in the region and wider with Europe. Introducing an intelligent transport system (ITS) along Corridor X will enable a modern and sustainable approach toward connectivity with the other countries, provided its small size and good geostrategic position. Corridor X is an integral part of the TEN-T system of transport which is expected to have a considerable impact on the economic and social development of the country. The intelligent transport system (ITS) is envisaged to contribute to the preservation of the environment and to secure higher sustainability of the transport routes.

Investments in connectivity, digital transformation, and green energy emerge as the linchpins of this sustainable development strategy. Reforms in these sectors are identified as critical for ensuring that the country can leverage the full spectrum of benefits associated with closer integration into the European Union's

single market. Enhancing connectivity through improved physical and digital infrastructure as well as cybersecurity is seen as essential for facilitating market integration, improving market access, and fostering regional cooperation.

The Ministry of Energy, Mining and Mineral Resources (MEMMR) recognizes investment in coal-affected regions as critical to driving the country's green energy transition and decarbonization efforts. Through targeted policy and strategic measures, the MEMMR supports grid strengthening to enhance intra-regional electricity transmission. Additionally, improvements in road infrastructure, transport, and urban mobility in the coal-affected Pelagonija and Southwest regions strengthen connectivity with neighboring Greece and Albania, boosting investment opportunities and tourism. By offering investment incentives for climate-tech and green technologies, alongside direct investments in renewable energy sources (RES) in coal-affected areas, the country advances the Critical Raw Materials agenda. These efforts promote sustainable investment across the Western Balkans, reinforcing regional commitments to a low-carbon future.

#### **Specific objective 10: Green transition**

The draft Law on Climate Action is in inter-service consultations, prior to entering governmental procedure.

The progress on green transition policies in education includes the integration of environmental contents into primary education curricula, specifically within natural sciences, from grades first to sixth. This integration will expand to biology, chemistry, and physics for grades seven to nine starting in the 2025/2026 school year, consecutively. New curricula emphasize experiential learning about the environment and climate change. From 2024, elective subjects focusing on environmental protection, global warming, energy, and biogeography are offered to students from fourth to ninth grades. In secondary education, in the new draft Concept for the secondary gymnasium education (as of January 2025), environmental protection and sustainable development will be incorporated into natural science curricula. Teacher training programs will focus on developing green skills.

Regarding activities for sustainable development, climate change, and "green technologies" in secondary vocational education, the schools also organise activities to develop competencies in climate literacy, biodiversity, sustainability, and the development of "green competencies" among young people. The schools are required to plan and implement activities related to climate change and the introduction of "green technologies" in their annual work programs. Ten curricula have been developed in the form of manuals, in accordance with the program "Contents programmed by the school," which are an integral part of each educational plan for qualification in vocational education.

The market reforms included in the draft Energy Law will introduce structural reforms in the Macedonian electricity market, bringing it closer to the European electricity market. Through these reforms there will be an increase of competitiveness, efficiency, and sustainability of the electricity market. The draft Energy Law was submitted to the Government at the end of January this year.

The Just Transition Annual Implementation Plan (JTAIP) drives an inclusive and sustainable transition by prioritizing energy efficiency measures to reduce the energy consumption of public buildings. The draft Energy Law will establish a stable legal framework for prosumers and energy communities, broadening access to energy markets, encouraging investment, and enabling affordable energy options. Through a robust set of reskilling and upskilling initiatives for coal-sector workers, the JTAIP supports labor mobility into green jobs and strengthens labor supply chains aligned with the country's renewable energy source (RES) goals and clean energy transition. Investments in RES—particularly solar and wind projects led by ESM—play a pivotal role in advancing carbon neutrality and meeting Paris Agreement targets. Grid enhancements in coal-dependent regions further facilitate RES integration and emissions reductions. Across ESM's RES initiatives, workforce inclusivity remains a priority, ensuring that workers transitioning from the coal value chain have equitable access to improved job opportunities. The development and adoption of the JTAIP also serve as a catalyst for multi-sectoral dialogue. This process not only accelerates decision-making essential for RES investments but also fosters the creation and implementation of measures that ensure no energy or coal workers are left behind. Stable and streamlined policy and legislation is crucial to better deployment of RES as it gives potential investors certainty and possibilities to invest in new RES power plants. In this regard, the country developed a draft Renewable Energy Law and further development of the legal framework will enable swift necessary deployment of renewable energy and to achieve a more affordable, secure, and sustainable energy system. The potential for energy efficiency gains in the public sector is substantial, while energy costs are major expenses for public entities and their reduction can increase resources available for other economic and social priorities. The public sector is visible for the whole of society, and it can influence other sectors by example. Being a big market by itself, it can also influence and even transform markets for energy efficiency services and products.

Improving energy efficiency in public buildings is important to reduce the waste of public resources resulting from inefficient energy use, provide the users of public facilities an opportunity to learn about and practice energy efficiency, demonstrate that the government is “leading by example,” and help develop mechanisms to leverage market transformation.

The MEL in its annual programs promotes measures for stimulating green transition in the business sector and stimulate academia business collaboration in smart specialization, green and digital transition stimulating transfer of knowledge and technologies for green and energy transition. With the implementation of measures for promotion of partnerships in quadruple helix for smart specialization, support was provided for foundation of a circular economy hub at the University Goce Delcev in Stip. Also, further implementation of Circular Economy Roadmap is envisaged as a tool to stimulate green transition in industry.

#### **Specific objective 11: Digital transformation and skills**

The Ministry of Digital Transformation (MDT) has been designated as the competent authority for digital skills following amendments to the Law on Organization and Operation of State Administrative Bodies. To strengthen its capacity, the Ministry established a dedicated sector and appointed a head to lead digital skills reforms. A key initiative is the development of the National ICT Strategy 2025-2030, set to be adopted by the Government in April 2025. This strategy focuses on four pillars: connectivity, digital skills, e-Governance, and digital transformation of businesses. It includes establishing a Learning Management System and training programs for citizens and public sector employees, aiming for both immediate and long-term outcomes. In terms of digital infrastructure, the country is aligning its electronic communications legislation with the EU’s Gigabit Infrastructure Act and the European Electronic Communications Code. Drafting of a set of laws started including new Law on Electronic Communications, the Law on Electronic Document, Electronic Identification, and Trust Services to align it with the EU’s Digital Identity and eIDAS2 regulations. Additionally, the Ministry has upgraded the interoperability platform and national e-services portal reducing costs and enhancing accessibility. These changes, along with the ongoing analysis of digitalizing life event processes (starting with newborn registration, that includes health insurance and financial assistance), are part of broader efforts to streamline public services. Lastly, new laws on web accessibility and open data are being drafted to align with EU directives, further promoting inclusive and transparent digital public services. A dedicated ICT inspection sector is also being established to ensure compliance with these reforms.

Digital competencies for students in primary and secondary education are cultivated through subjects like Technical Education and Informatics at the primary level, and Informatics and Programming Languages at the secondary level, as well as through the use of digital tools across various subjects. Teachers' digital skills are enhanced through continuous professional development in accredited training programs. In 2024, 260 primary school teachers participated in training on Distance Learning, focusing on Internet applications and learning platforms. Additionally, a professional development program for high school teachers, titled "Digital Skills for Teachers in the Context of Teaching," trained 2,000 educators on student monitoring, problem-solving, and research activities. For 2025, the Annual Training Program for the Professional Development of Teachers and Professional Associates<sup>3</sup> prioritises interventions for interactive and personalized teaching, and the training on the application of digital tools is mandatory for primary and secondary teachers. Additionally, there are plans to develop new curricula that will integrate the European Framework for Digital Competence.

#### **2.11 Specific objective 12: Innovation, research and SMEs**

In December 2023, the Government adopted the Smart Specialisation Strategy (S3) 2024-2027 along with the Action Plan for 2024-2025. The Strategy was developed with the support and coordination of the European Commission's Joint Research Centre (DG JRC), following the JRC methodology. It has been submitted to DG JRC, and the assessment process is ongoing. The Strategy identifies 4(four) vertical and 2(two) horizontal priority areas and sub-areas: 1. smart agriculture and high-value food; 2. information and communication technologies (ict); 3. sustainable materials and smart buildings; 4. electromechanical industry - industry 4.0; 5. energy for the future (horizontal) and 6. sustainable tourism (horizontal). The Strategy leverages existing potentials in the economy (business), innovation, and science for the economic transformation of the country. With targeted financing of the identified sectors, fragmentation in support or double funding is overcome. It

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<sup>3</sup> Official Gazzete No 31. As of 13.02.2025

is integrated within national dimension, replaces the Innovation and Competitiveness Strategy, and aligns with the Industrial Policy Strategy, Regional Development Strategy, skills development, research, and development strategies, etc. The institutions responsible for the development and coordination of the Strategy are the Ministry of Education and Science and the Ministry of Economy and Labor. The country is focusing on strengthening research capacity in alignment with European Research Area priorities, increasing the science budget, and actively participating in Horizon Europe. The country has begun implementing the S3 biannual Action Plan for 2024-2025, which includes 35 measures, and 63 actions spread across five key intervention pillars. These pillars focus on creating a foundation for scientific excellence, enhancing the innovation ecosystem, boosting competitiveness, developing human capital and skills for innovation and green & digital transformation, and driving the digital transformation of society and businesses. Good governance and continuous S3 dialogue serve as crosscutting objectives throughout the process. So far, 52% of the action plan has been completed.

## **2.12 Specific objective 13: Education and employment**

Reforms in primary education are being implemented based on the amended Law on Primary Education<sup>4</sup> and the Concept for Primary Education and its supplements, aiming to align with national and international standards for students' achievements. New curricula have been developed for all subjects, focusing on learning outcomes, content, and assessment standards. Teachers are being trained to use modern teaching methods, such as research-based learning, experiential learning, problem solving, and critical thinking. These innovative methods are integrated into the curricula to foster creativity and effective learning. Continuous professional support is provided to teachers to enhance teaching quality. Similar reforms are planned for secondary general education in the future. From the aspect of professional development of teachers and professional associates in primary and secondary schools, accredited training programs are continuously implemented. The teachers and professional associates select training programs, aligned with their individual professional development plan as a legal obligation, from the *Catalogue of Accredited Training Programs for Teachers and Professional Associates* on various topics from different fields, such as: digital skills, peer violence, multiculturalism, gender equality, inclusion, innovative teaching approaches, career counselling for students etc. In 2024, about 16 000 teachers and 900 professional associates were involved in trainings. In 2025, the accredited training programs will have continuation, as well. In the area of ensuring the quality of the training implementation process, the Bureau engaged teams of advisors to monitor and evaluate the training sessions using evaluation questionnaires. They assess the program content, the performance of the trainers, as well as the organization of the training. Additionally, participants fill out evaluation questionnaires about the training. On the other hand, service providers prepare and submit the final report. It includes information about the whole process, especially the results from the pre- and post-training questionnaires filled out by the participants with purpose to diagnose their prior knowledge and the knowledge gained during the training. Namely, after the completion of the training, the trainers from the accredited service provider monitor the impact of the training and support teachers in implementing the acquired knowledge offering professional support and mentoring (consultations, mentoring, exchange of opinions, and sharing experiences). In this context, teachers can reach out to the trainers for any questions, experiences, and challenges they face in teaching while applying the knowledge gained from the training. They can also engage in discussions and share experiences with colleagues through platforms or applications provided by the trainers.

The new Law on Secondary Vocational Education, enacts as of January 2025<sup>5</sup>, along with 24 supporting by-laws currently in development, introduces the required preconditions for policy reforms to improve the quality of education and its relevance to the labour market expectations. It formalises the dual education system that mandates partnerships between vocational institutions and employers, clearly defining roles and responsibilities, and includes provisions for student compensation and mentorship. Additionally, the law supports work-based learning, including vacation practices, introducing also a "Coordinator for practical education" to manage and coordinate practical training between students, teachers, and employers. The law formalises establishment of regional centers for vocational education. Commission has been established to review proposals for the enrolment competition for public secondary schools in the country for the 2025/2026

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<sup>4</sup> Official Gazzete No 3. As of 03.01.2025

<sup>5</sup> Official Gazzete No 3. As of 03.01.2025

academic year. The post-secondary education concept has been adopted by Decision No. 13-725/2 on January 31, 2025. A new Concept for vocational education and training is currently under preparation.

The new Law on Adult Education came into force in January 2025<sup>6</sup>. The most significant changes in the new law primarily involve the introduction of a process to validate non-formal and informal learning for the first time. Additionally, the law seeks to improve the verification process for special adult education programs (non-formal adult education programs), accredit institutions for adult education, and enhance the role, goals, and tasks of the Adult Education Centre (AEC). Currently, the AEC is preparing by-laws arising from the new law. The United Nations Development Programme (UNDP) is also providing support in this process. Implementation of the European Agenda for Adult Learning in the country is coordinated by the Adult Education Centre through an 'Erasmus+' project. This project, running from 1 January 2024 to 31 December 2025, focuses on several key activities: developing the Adult Education Strategy for 2025-2030, digitalizing the verification process for special adult education programs, building capacity for Regional VET Centers, and training trainers for adult education.

The new Law on Secondary Education is adopted by the Government and is in parliamentary procedure. The Law emphasizes digital skills, research, experimentation, problem-solving, and critical thinking, while promoting health awareness, environmental protection, and climate change awareness. For the first time, it introduces career counselling and the role of a career advisor and allows student organization and participation in decision-making. The Annual School Work Program includes initiatives to promote student well-being, enhance mental health, protect against violence and discrimination, encourage interethnic integration, and foster inclusive practices, alongside activities related to environmental protection, cultural heritage, and collaboration with parents and the business community. The reforms in the higher education have started with initiating changes to the Law on Higher Education aligning it with international standards. A working group has been established<sup>7</sup>, which includes various stakeholders such as the academic community, ministry employees, and students, for amending the Law on Higher Education. The preparation of a Draft version of the law is ongoing. The Agency for Quality in Higher Education is currently governed by the Law on Higher Education and an internal Rulebook approved in March 2022. Funding for digitalisation of the Agency is secured in the budget; currently the Agency is in the process of mobilising experts to conduct a detailed analysis for the development of technical specifications for the software to aid its digitalization.

### **3 CONTROL AND AUDIT**

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, which includes financial management and control, internal audit and central coordination and harmonization. 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 based on the relevant laws and bylaws.

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.

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<sup>6</sup> Official Gazzete No 3. As of 03.01.2025

<sup>7</sup> Minister' Decision No. as of 18.11.2024

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 based on 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 2024, the total number of employees in CHU was 9 (1-Head of Department, 1-Deputy Head of Department, 2-Heads of Units, 3-Advisers and 2-Junior associate).

To strengthen its monitoring role and improve the quality of reporting on the system of internal financial control, within the framework of the Central Harmonisation Unit, the Unit for quality checks of financial management and control and the operations of internal audit has conducted 6 quality checks in 2024.

The Government adopted the Annual Report on the Functioning of the Public Internal Financial Control System for 2023 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.

In 2024, the Financial Inspection received 1.800 requests for performing financial inspection. The total number of requests for financial inspection acted upon by the Financial Inspection in 2024 (part of them accumulated from previous years) is 526.

As far as the obligations stemming from the Facility Agreement are concerned, the RGF Coordinator is currently working on drafting the legal framework on the institutional and organisational set up for the arrangements on monitoring, reporting, evaluation as well as the internal control environment. This legal framework will be completed with the Manuals of procedure and will be subject to control and auditing. The MEA relies not only on the RGF Regulation and the Facility and Loan Agreements but also on the guidelines received from the Commission services on particular issues from the Reform Agenda such as the double funding, the communication and visibility, the reporting, the Scoreboard etc. All the deficiencies identified in the set up following in the audit mission by DG ENEST during the 2025 will be addressed in the documents and procedures above mentioned.

#### **Anti-Fraud Coordination Service (AFCOS)**

By the end of December 2024, the AFCOS unit has three employees, Head of Unit and two Advisors.

In December 2024 amendments regarding the Decree on determining the structure of the system for protection of the financial interests of the European Union in the country were proposed. The amendments are result of the aligning the Decree with the Law on the Organization and Operation of the State administration bodies.

The AFCOS unit, in accordance with the provisions of the IPA framework, continues to provide and conduct training for the employees of the institutions that are part of the AFCOS network in the relevant area for the protection of EU financial interests. During 2024, 3 (three) trainings were conducted for the national AFCOS network. AFCOS team participated at a regional workshop, TAIEX expert mission and study visit.

Within the framework of the implementation of the Strategy for Combating Fraud in December 2024, Memoranda of Cooperation with the Ministry of Internal Affairs and the State Audit Office in the area of the protection of the financial interests of the European Union in the country have been drawn up and are currently in the signature phase.

The Report for 2023 on the implementation of the Anti-Fraud Strategy 2022-2025 and its Action Plan were reviewed by the Government on the session held on 16 October 2024. AFCOS in cooperation with Ministry of European Affairs are identifying the obligations stemming from the Facility Agreement which will be followed with design of national procedures relevant for the implementation of the Reform agenda and the RGF.

## **4 CROSS-CUTTING ISSUES**

### **Gender equality mainstreaming**

In accordance with the 2022 Organic Law on Budgets, a Rulebook for the format and content of the gender-responsible budgetary statement was adopted and published in the Official Gazette, No. 22 of 3 February 2025. A mid-term evaluation of the Gender Equality Strategy 2022-2027 is currently being prepared. The findings of this analysis will serve as the foundation for the development of the National Action Plan 2024-2027. To the aim of implementing the Istanbul Convention and the Law on Prevention and Protection from Violence against Women and Domestic Violence the process for drafting the National Strategy on Prevention and

Protection from Gender-Based Violence against Women and Domestic violence was initiated together with its Action Plan. Civil society organizations are also involved in the drafting process. The basis for drafting the eight-year National Strategy is the conducted evaluation of the Action Plan on the Implementation of the Convention on Preventing and Combating Violence against Women and Domestic Violence 2018–2023. Moreover, GREVIO's recommendations will also be addressed in the Strategy and Action Plan. A new Action Plan for Equality and Non-Discrimination for 2025-2026 is being drafted. The reorganization of state administration bodies (Law on Amending the Law on Organization and Operation of the State Administration Bodies "Official Gazette" No. 121/4) imposed the need to change the composition and leadership of the National Coordination Body (NCB) for monitoring the situation with non-discrimination and implementation of laws, bylaws and strategic documents in this area. The membership renewal procedure began in September and in January 2025, the Government adopted the Decision to establish a new National Coordination Body composed of 63 members, with representatives from relevant ministries, social partners and civic organizations. The first constituent session of the National Coordination Body (NCB) was held in February. The NCB's responsibilities in this area include, inter alia, monitoring the harmonization of legislation. During one of the future sessions, this topic will be placed on the agenda, and actions will be taken to harmonize the sectoral regulations with the Law on Prevention and Protection Against Discrimination. In order to give visibility to the issue of gender equality and social inclusion, as part of the social impact assessment during the RIA process, the initiative "Integration of Gender Equality and Social Inclusion (RESI) Methodology and Toolkit within the RIA Process" is currently being implemented.

### **Climate change and environment mainstreaming**

Law on Environment (through the Environmental Impact Assessment and Strategic impact assessment procedures) and further Law on Climate Action are providing basis for incorporation of environmental and climate consideration into sector specific policy planning and implementation. Additional alignment is needed on incorporation of climate consideration into EIA procedures as a legally binding requirement.

The draft Law on Climate Action will set mechanism for aligning of sector-specific policies towards 2050 neutrality target (for sectors with potential for mitigation) at horizontal and vertical level. Other vulnerable sectors (agriculture, forestry, waters, etc) will need to be aligned with the strategic goals and plans set by the strategic plan on actions for adaptation.

### **Democracy and human rights**

The implementation of the Reform Agenda has reinforced democracy, human rights, and transparency, while ensuring that key sectors like the judiciary, anti-corruption, media, human rights and education align with EU and global human rights norms.

North Macedonia has been actively implementing judicial reforms in line with the Justice Sector Development Strategy. Key actions include the drafting of judicial legislation and the graduation of the 8th generation of the Academy for Judges and Prosecutors. These efforts aim to strengthen the rule of law, ensure judicial independence, and improve accountability, which are fundamental aspects of democracy and human rights.

The implementation of the National Strategy for the Prevention of Corruption and Conflict of Interests is in final stage. A new Criminal Code and Criminal Procedure Law are being drafted to align with EU standards, enhancing transparency and the protection of rights. Additionally, the introduction of a Law on Whistle-blower Protection promotes greater transparency and the safety of individuals who report misconduct.

Amendments to the Law on Media are being prepared to include online media platforms, ensuring equal treatment for both traditional and digital media outlets. This is crucial in protecting freedom of expression and fighting misinformation, strengthening democratic processes.

The Commission for Prevention and Protection from Discrimination has been active in addressing complaints of discrimination based on ethnicity, gender, disability, and other factors. This ensures that vulnerable groups are protected, promoting equality and human dignity in the country.

Legislative reforms have been made in the justice system for children, such as the adoption of the Law on Justice for Children and amendments to laws regarding detention. These reforms prioritize rehabilitation over punishment, reducing recidivism and ensuring that children's rights are respected, particularly the right to a fair trial and protection from inhumane treatment.

The country has made significant progress in its deinstitutionalization process, transitioning children from large institutions to family-based care. This aligns with the country's commitment to human rights by promoting better living conditions for vulnerable children.

Ongoing reforms in public administration, including the reorganization of ministries and improved accountability, are aimed at enhancing governance. The Public Financial Management Reform Programme (2022-2025) also seeks to improve transparency, making governance more democratic and responsive to citizens' needs.

Alignment with the EU's Common Foreign and Security Policy, including sanctions against Russia, and its participation in EU defense partnerships, highlight the country's commitment to regional security and international law, which are essential for democracy and human rights.

The introduction of green transition policies and investment incentives for climate technologies are aligned with global human rights standards by promoting sustainable development, addressing environmental rights, and improving economic opportunities, especially in regions impacted by coal-based industries.

The country is also advancing its digital transformation and education systems by adopting new laws and policies that prioritize digital skills, e-governance, and environmental education. These reforms aim to provide citizens with greater access to information and opportunities for development, supporting human rights through access to knowledge.

## 5 OVERVIEW ON THE FULFILMENT OF THE GENERAL CONDITIONS FOR SUPPORT

### Macro-financial stability

#### 5.1.1 Macroeconomic developments and risks

The economic growth in the period covered by ERP 2025-2027 is expected to be driven by domestic demand, i.e. gross investments, and private consumption. Main goal of the Government is to generate growth via investments, boosted competitiveness of the domestic economy and export growth. The downward revision of projections for the relevant period is driven by weaker-than-expected domestic economic performance, shifts in the external environment, and less favorable expectations for the next period, particularly among our main trading partners.

Table 1. Divergence from previous programme

	ERP 2024-2026			ERP 2025-2027		
	2025	2026	:	2025	2026	2027
Real GDP growth (%)	4.8	5.5	:	3.7	4.0	4.4
Consumer price index (annual growth %)	2.0	2.0	:	2.5	2.0	2.0
Current account balance (% of GDP)	-2.4	-2.3	:	-2.3	-2.2	-2.3
Employment rate (annual growth %)	3.0	3.3	:	1.6	1.6	1.8

Inflation is expected to stabilise, though elevated geopolitical risks and climate factors could pose an increase in inflation again, especially associated with primary commodities prices. The external position remains stable, amid moderate and relatively stable current account deficit in the next period. The deviation in labour market data partly is a result of revision of the series of the total population estimates, accumulated over the period 2002-2021, and created new estimates based on data from the latest Population Census 2021. Also, in

2023 a change in Labour Force Survey methodology was introduced that prevents data comparison over time. In relation to the reforms included in the Reform agenda, many reforms are related to the EU accession process and not all of them can be expected to have a strong economic impact. Therefore, selection of reforms for the purpose of measuring their economic impact was made using criteria-based approach according to which reforms with great potential for national development, economic growth and strong feasibility were selected. Hence, chapter 5A of ERP 2025-2027 presents the economic impact of six reforms related to energy, human capital, digitalization, and business environment. The effects of measures referring to electricity market integration and RES are taken as summary results and evaluation showed that the investment in 0.8GW RES would increase GDP by 2% on an annual basis in the medium term and generate 6000 full-time jobs. The estimated impact of e-services measure would increase Gross value Added by 0.46% and GDP by 0.40%, which represents a significant contribution to economic efficiency and productivity. The summary result of both measures on skills mismatch and adult education estimates improving productivity by 0.55 leading to similar increase in GDP. The e-customs services measure foresees reducing customs clearance times by 2-4% and faster processing declaration that will contribute to increased trade volume.

Baseline macroeconomic scenario is accompanied by risks, mainly assessed as downside ones, in relation to projected economic growth. Risks related to the external environment remain to be associated with geopolitical tensions. War in Ukraine adversely affects the EU economy, particularly Germany, as a country to which domestic companies export the most. Also, the war in Middle East and announced trade barriers are expected to have unfavourable effects on the supply chain and stock market prices and might present short-term upside risks to inflation outlook. Observing domestic risks, in the short term they are related to the dynamics of implementation of major infrastructure projects. In the medium run, there could be positive effects due to progress in the EU negotiation process, as well as from the EU Growth Plan for WB, which could enhance the economic integration and the social and economic convergence of the country. Also, the possible use of the geographic positioning of our economy within the initiated process of global chains adjustment and further diversification of exports and the improvement of the export performances are conducive to strengthening the economic resilience to external shocks.

### **5.1.2 Fiscal developments and risks**

Fiscal Strategy comprises medium-term guidelines and goals of the fiscal policy, main macroeconomic projections, amounts of the main categories of projected revenues and expenditures, as well as budget deficit and debt projections. Fiscal policy to be pursued in the period 2025 - 2029 will be aimed at enhancing macroeconomic stability and supporting economic activity through gradual fiscal consolidation, improving public finance management and maintaining a high level of capital expenditures. Fiscal consolidation measures will be undertaken for the sake of attaining a moderate level of borrowing. Key elements of the fiscal policy will comprise disciplined fiscal policy, reduced grey economy and higher budget revenue collection, as well as fiscal consolidation. In addition to the commitment to fiscal consolidation and budget savings, the economy will continue to be supported by investing in infrastructure projects, redesigning the public finance structure by maintaining high level of capital expenditures, and strengthening both the transparency and the accountability.

*Summary of the Medium-Term Fiscal Projections/Trends 2025-2029 for the State Budget with the 2024-2028 Revised Fiscal Strategy*

	Rev. fisc. strategy 2024-2028							Fiscal Strategy 2025-2029							Deviation (Rev. Fiscal 2024-2028)/Fiscal 2025-2029)							% of deviation							
	2022*	2023*	2024*	2025*	2026*	2027*	2028*	2022*	2023*	2024*	2025*	2026*	2027*	2028*	2029*	2023*	2024*	2025*	2026*	2027*	2028*	2029*	2022*	2023*	2024*	2025*	2026*	2027*	2028*
<b>Budget of the Republic of North Macedonia</b>																													
<b>Total revenues</b>	243.085	282.052	310.128	330.280	352.319	378.987	406.256	243.085	277.129	318.151	348.553	376.121	405.219	437.230	471.785	-4.923	8.023	18.273	23.802	26.232	30.974	0	-2	3	6	7	7	8	
<b>Tax revenues and contributions</b>	220.186	253.205	279.045	296.775	317.536	342.780	370.049	220.186	250.355	284.469	311.134	339.537	367.211	399.772	433.936	-2.850	5.424	14.359	22.001	24.431	29.723	0	-1	2	5	7	7	8	
Tax revenues	142.567	162.235	178.067	188.751	201.963	219.130	237.756	142.567	157.733	179.257	196.539	214.660	231.792	252.884	274.696	-4.502	1.190	7.788	12.727	12.662	15.128	0	-3	1	4	6	6	6	
Contributions	77.619	90.970	100.978	108.024	115.573	123.650	132.293	77.619	92.622	105.212	114.595	124.847	135.419	146.888	159.330	1.652	4.234	6.571	9.274	11.769	14.595	0	2	4	6	8	10	11	
<b>Non-tax income</b>	17.189	17.962	20.394	22.175	22.427	22.977	22.977	17.189	16.866	22.541	24.520	24.228	24.778	24.228	24.819	-1.096	2.147	2.345	1.801	1.801	1.251	0	-6	11	11	8	8	5	
<b>Capital income</b>	2.273	2.800	3.210	3.530	3.530	3.730	3.730	2.273	2.071	3.240	3.510	3.530	3.730	3.730	3.730	-729	30	-20	0	0	0	0	-26	1	-1	0	0	0	
<b>Donations</b>	3.437	8.085	7.479	7.800	8.826	9.500	9.500	3.437	7.836	7.900	9.389	8.826	9.500	9.500	9.500	-249	421	1.589	0	0	0	0	-3	6	20	0	0	0	
<b>Total expenses</b>	278.596	324.811	343.638	361.966	386.329	412.929	438.970	278.596	318.539	362.816	387.923	413.146	439.274	473.630	508.311	-6.271	19.178	26.018	26.817	26.345	34.660	0	-2	6	7	7	6	8	
<b>Current expenses</b>	249.959	279.833	298.459	314.137	331.141	352.212	371.253	249.959	275.015	318.118	342.672	364.759	386.413	413.643	443.009	-4.818	19.659	28.536	33.616	34.201	42.390	0	-2	7	9	10	10	11	
Wages and allowances	32.159	37.307	41.178	42.794	45.647	48.847	52.596	32.159	36.817	44.537	49.565	53.294	56.560	59.925	63.327	-430	3.359	6.791	7.647	7.713	7.329	0	-1	8	16	17	16	14	
Goods and services	21.001	22.596	25.113	23.990	24.990	25.650	26.850	21.001	21.117	25.509	26.797	26.612	28.512	30.012	33.112	-1.479	396	2.807	1.622	2.862	3.162	0	-7	2	12	6	11	12	
Transfers to LGUs	23.365	27.685	29.834	31.342	32.632	34.992	37.458	23.365	27.459	30.787	33.297	36.292	39.509	43.527	48.603	-226	953	1.955	3.660	4.517	6.069	0	-1	3	6	11	13	16	
Subsidies and transfers	32.536	28.523	23.682	27.077	29.137	33.474	34.473	32.536	27.794	29.858	26.115	28.655	30.155	37.155	42.155	-769	6.176	-962	-482	-3.319	2.882	0	-3	26	-4	-2	-10	8	
Social transfers	131.758	150.607	161.842	168.373	176.299	184.303	193.330	131.758	148.867	169.794	187.544	198.533	208.145	218.069	227.732	-1.740	7.952	19.171	22.234	23.842	24.739	0	-1	5	11	13	13	13	
Interest payments	9.140	13.115	16.810	20.560	22.436	24.946	26.546	9.140	12.941	17.632	19.333	21.373	23.532	24.955	28.080	-174	822	-1.227	-1.063	-1.414	-1.591	0	-1	5	-6	-5	-6	-6	
Capital expenditure	28.637	44.977	45.179	47.769	55.188	60.717	67.717	28.637	43.524	44.698	45.251	48.387	52.881	59.987	65.302	-1.453	-481	-2.518	-6.801	-7.856	-7.730	0	-3	-1	-5	-12	-13	-11	
<b>Budget balance</b>	-35.511	-42.759	-33.510	-31.626	-34.010	-33.942	-32.714	-35.511	-41.410	-44.666	-39.370	-37.025	-34.055	-36.400	-36.526	1.349	-11.156	-7.744	-3.015	-113	-3.886	0	-3	33	24	9	0	11	
<b>Primary budget balance</b>	-26.371	-29.644	-16.700	-11.066	-11.574	-9.896	-6.168	-26.371	-28.469	-27.033	-20.037	-15.652	-10.523	-11.445	-8.446	1.175	-10.333	-8.971	-4.078	-1.527	-5.277	0	-4	62	81	35	17	86	
<b>Total revenues, % of GDP</b>	30,6	31,5	31,6	31,5	31,2	31,1	30,8	30,3	33,0	35,2	35,8	36,0	36,1	36,1	36,2														
<b>Total expenditures, % of GDP</b>	35,1	36,3	35,0	34,5	34,2	33,9	33,3	34,7	37,9	40,1	39,8	39,5	39,1	39,1	39,1														
<b>Budget balance, % of GDP</b>	-4,5	-4,8	-3,4	-3,0	-3,0	-2,8	-2,5	-4,4	-4,9	-4,9	-4,0	-3,5	-3,0	-3,0	-2,8														
<b>Primarily budget balance, % of GDP</b>	-3,3	-3,3	-1,7	-1,1	-1,0	-0,7	-0,5	-3,3	-3,4	-3,0	-2,1	-1,5	-0,9	-0,9	-0,6														

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

In the period 2025 - 2029, tax policy will be based on reducing the grey economy and higher budget revenue collection. In fact, the objective is to reduce the grey economy through increased digitalisation and establish an efficient tax system, all to the end of ensuring that everyone pays its fair share of tax in a just manner. It will allow for keeping the low tax rates at the other taxes, at the same time contributing to higher amounts for capital investments accounting for around 5% of GDP, tax exemptions and subsidies intended for supporting the private sector and the citizens. Main objective of the tax policy in the coming period is to ensure sustainable economic growth and development, thereby providing for legal certainty for taxpayers and collection of public revenues on regular basis. Its main priorities are: 1. greater fairness in taxation; 2. increased efficiency and productivity of the tax system; 3. increased tax transparency, based on e-services; 4. improved quality of services rendered by tax system institutions; 5. introducing environmental (green) taxation. Effects of this priority are also expected to reflect on the budget revenues, as well as the environment. Tax policy in the coming period will be aimed at keeping the low tax rates at certain direct and indirect taxes. Budget expenditures in the following medium-term period are based on the following assumptions: disciplined budget spending in order to increase budget discipline and responsibility, reduction of non-essential expenditures and significant improvement in efficiency and expediency in spending the budget funds, subsidizing citizens and business sector based on clearly defined budget support criteria, performance-based budgeting in order to improve public expenditure efficiency and effectiveness through developing and monitoring of key performance indicators of budget policy implementation, redesigning budget structure and higher capital investments aimed at infrastructure project implementation, primarily for transport and utilities infrastructure construction, energy capacity investments, investments in education, health and other public infrastructure, as well as strategic planning of major infrastructure projects.

The expenditure side of the State Budget in the following period is completely designed in support of strategic priorities implementation, revival of the economy, energy transition improvement, boosting sound economic growth, stable public finances, improvement of complete transport infrastructure and better living standard. Budget deficit is reduced as a percentage share of GDP, as follows: 4% in 2025, 3,5% in 2026, 3% in 2027, 3% in 2028 and 2.8% in 2029. Primary budget deficit will accordingly decline gradually, as follows: 2,1% in 2025, 1,5% in 2026, 0,9% in 2027, 0,9% in 2028 and 0,6% in 2029.

Public debt management policy will be aimed at ensuring the funds necessary to finance the budget deficit and repay the due liabilities based on prior borrowings, as well as funds for project financing, thereby not increasing the debt to a level that can jeopardise the stability of the economy and the economic growth of the country. Fiscal risks represent the exposure of public finances to certain circumstances that may cause deviations from the projected fiscal framework, most often caused by macroeconomic shocks and execution of any contingent liabilities. Possible materialisation of these risks, assuming conditions different from those

taken as basis for the medium-term projections discussed above, would result in deviations from the medium-term baseline scenario, i.e. different performance of the key fiscal variables. Sources of fiscal risks specific to our country are macroeconomic risks, public enterprises and state-owned companies, implementation of public investments and PPP, municipalities, public debt and unrepaid liabilities, legal claims against the state and environmental risks.

In the Fiscal Strategy 2025-2029 there are analysed the potential effects on the budget deficit and the general government debt, in case of any major macro-fiscal risk needs to materialize.

## **Public financial management, budget transparency and oversight**

### **5.1.3 Progress in public financial management reforms**

The Public Financial Management (PFM) Reform Programme is a strategic document for development of the public financial management system, including civil society, the development partners and other relevant stakeholder in its preparation. Such a concept of an inclusive and open dialogue with all stakeholders about the PFM policies is applied, as good practice, for the preparation of all PFM Programmes. PFM reforms were pursued under the PFM Programme 2022 - 2025 as well, reflecting the priorities determined on the basis of internal analyses of the relevant national institutions, also taking into account the findings and the assessments under the 2022 PEFA Assessment Report, IMF and World Bank recommendations, OECD - SIGMA assessment and other relevant assessments. In June 2022, the Government adopted the PFM Programme 2022 - 2025 with the respective 2022 Action Plan. The need to continue the reforms in this area is an ambitious effort covering all aspects of PFM: economic analysis, macroeconomic and fiscal framework, revenue mobilisation and collection, budget planning, public investment management, effective instruments under the Growth Acceleration Plan, public procurement, including PPP, establishment of integrated financial management information system (IFMIS), Public Finance Academy, budget accounting, public internal financial control, external control and parliamentary oversight and PFM at local level.

The Programme is structured in 8 pillars:

- I - Economic Analysis, Macroeconomic and Fiscal Framework;
- II - Revenue Mobilization;
- III - Planning and Budget;
- IV - Public Procurement;
- V - Integrated Public Finances;
- VI - Public Internal Financial Control;
- VII - External Control and Parliamentary Oversight;
- VIII - PFM at local level.

The legal framework supporting the PFM Programme 2022-2025 was not in force at the moment of preparing the Program, considering that the Organic Budget Law (OBL) was not yet adopted by the Parliament. Adoption of the OBL in September 2022 provides for carrying out the critical reforms in budgeting, thus strengthening the fiscal sustainability (medium-term budgeting, Integrated Financial Management Information System - IFMIS, introduction of a fiscal council and fiscal rules). The reforms are to be sped up, all to the end of implementing the comprehensive and ambitious reform incorporated in the OBL. As regards OBL implementation, over 17 bylaws have been adopted. Fiscal Council was established under the 2023 Budget, as a separate budget user. Parliament adopted the Decision on Appointment of Fiscal Council Members on 19th September, with its Rules of Procedure adopted on 12 October 2023. Reporting of fiscal risks within the Fiscal Strategy has been strengthened. The capacity to assess the impact of certain economic policies, reforms and measures, as well as the quality and coverage of projections for macroeconomic indicators have been improved.

Also, the delay of adoption of the new PIFC Law hampers the establishment of a robust internal control framework across public institutions. MoF has started with the preparatory activities for implementation that will enable efficient implementation of the new law on PIFC (adopted in December 2024) and methodological tools, which will ensure improved transparency, managerial accountability and good management of public funds. The Program is implemented through annual action plans, and the Program is monitored through semi-annual and annual reports, which are prepared by the MoF, with the active participation of other line ministries and institutions represented in the Sectoral Working Group for PFM. All documents are publicly discussed with the PFM Sector Working Group, then approved by the PFM Council and reviewed and adopted by the Government. They are published on the website of the Ministry of Finance (both in Macedonian and English).

Link where the documents are published <https://finance.gov.mk/public-financial-management-reform-programme-2018-2021-5/?lang=en>.

The Annual Monitoring Report on the Implementation of the Action Plan for the Public Finance Management Reform Program for 2023 was adopted by the Government in August 2024, upon prior consultations with the PFM Sector Working Group, held in March 2022, and prior approval by the PFM Council. The PFM Reform Program 2022-2025 was subject to a mid-term review of objectives and indicators, at the end of 2023, by OECD - SIGMA with EU support, which granted an extension of the Program for 2 additional years, until 2027. In April 2024, the PFM Reform Program 2024-2027 was submitted to the Government, but it was not adopted. The PFM Programme 2024-2027 was published on the MoF website on 5 March 2024, in English. Public consultation was held in the form of meeting of the SWG for the PFM on 21 March 2024, with all stakeholders taking part, in order to actively contribute to the process of determining and implementing the reform priorities. Additionally, after the election process, it was realized that the PFM Reform Program should be aligned with the priorities of the new Government Program 2024-2028, which initiated the process of its alignment and revision. The revised Draft PFM Program covering the period 2025-2028 with the Draft Action Plan for 2025 has been prepared and revised by the Ministry of Finance, with the participation of the Customs Administration, the Public Revenue Office, the Public Procurement Bureau, Ministry of Energy, Mining and Mineral Resources and the State Audit Office. These documents will be subject to review at the meeting of the PFM Sector Working Group in March – April 2025, followed by their adoption by the Government after prior approval by the PFM Council.

The new Budget Law provides a framework for conducting a sound, predictable, and sustainable fiscal policy, and increases budgetary discipline and accountability. Improving public financial management and strengthening medium-term budget planning is one of the top priorities of the Government in the process of EU accession and is part of the Public Financial Management Reform Program. The new Budget Law, during its adoption process, was aligned with the latest trends, recommendations from international institutions, and the directives of the European Union. The implementation of the new Budget Law is linked to the preparation of by-laws, most of which were drafted and adopted by the end of 2024, while some were adopted during 2025. The full implementation of the law is planned to take effect from January 1, 2026, in accordance with the amendments and additions to the Budget Law ("Official Gazette" no. 272/2024). Additionally, with the amendments to the Budget Law, certain by-laws are expected to come into force from 1 January 2025, to ensure greater predictability and operational efficiency of the Budget Law. In addition to the provisions that came into force on January 1, 2023, concerning strategic planning, macroeconomic projections, the Fiscal Strategy, fiscal rules, and the Fiscal Council, starting from 1 January 2025, the amendments to the law will implement by-laws for the register of public entities, medium-term fiscal implications assessment, gender-responsive budgeting, and guidelines for the preparation of macro-fiscal projections. The new Budget Law encompasses all reform activities and processes that will significantly improve budget planning and the Fiscal Strategy through comprehensive data, enhanced quality in scope and content, alignment of definitions with international methodologies, and new classifications, with the aim of developing and monitoring measurable indicators.

#### 5.1.4 Budget transparency and oversight

**Public finance management** is a challenge, and in our case, key elements of fiscal policy within the medium-term projections are:

- Fiscal consolidation through phased reduction of the budget deficit, bringing it down to the level of the fiscal rule of 3% of GDP annually, as well as
- Redesigning the structure of public expenditures, with an increased share of capital investments.
- Fiscal transparency through continuous publication of fiscal data and information on the Ministry of Finance's website, covering central government, local authorities, and state-owned companies, as well as data on overdue but unpaid obligations of public entities.

#### **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://finance.gov.mk/wp-content/uploads/2025/02/FISCAL-POLICY-STATEMENT-FOR-THE-PERIOD-2024-2028.pdf>

### **Medium-Term Fiscal Strategy 2025-2029**

The Medium-Term Fiscal Strategy 2025-2029, as a strategic document of the Government adopted on 1 October 2024, 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 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. The fiscal policy 2025-2029 will focus on improving macroeconomic stability and supporting economic activity through gradual fiscal consolidation, improving public financial management, and maintaining a high level of capital expenditure. Key elements of the fiscal policy will include a disciplined fiscal approach, reduction of the informal economy, increased revenue collection for the state budget, and overall fiscal consolidation. The Fiscal Strategy 2025-2029 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), analyzed 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 Fiscal Strategy is phased fiscal consolidation and achieving fiscal rules. Link: Fiscal Strategy - <https://finance.gov.mk/wp-content/uploads/2025/02/2025-2029-FISCAL-STRATEGY-OF-THE-REPUBLIC-OF-NORTH-MACEDONIA.pdf>

### **Budget 2025**

The budget for 2025 is consistent and based on the Fiscal Policy Statement for the 2024-2028 period and the adopted Fiscal Strategy 2025-2029, adopted on 10 December 2024, by the Parliament.

The 2025 budget is based on the following assumptions:

- Sustainable and disciplined budget spending, with budget projections aligned with the established strategic priorities and macroeconomic parameters,
- Reduction of non-essential expenses and significant improvement of efficiency and expeditiousness in the spending of budget funds,
- Support through subsidies to citizens and the economy based on clearly defined criteria for budget support,
- Budgeting based on performance and results to improve the efficiency and effectiveness of public spending through the development and continuous monitoring of success indicators in implementing budget policies,
- Budgeting based on the principle of reality, meaning budget revenues are planned at levels that can realistically be maintained, and expenditures are at a level that can be executed,
- Redesign of the budget structure and higher capital investments focused on the implementation of infrastructure projects, particularly for the construction of transport and utility infrastructure, investments in energy capacities, investments in education, healthcare, and other public infrastructure,
- Strategic planning of large infrastructure projects. A characteristic of the 2025 budget is that despite a 13% increase in revenues, expenditures have increased by 10% compared to 2024, and as a result, the budget deficit has been reduced by about 3.3 billion denars compared to the projected 2024 deficit. Thus, the planned revenues and expenditures result in a projected budget deficit of 4% of the planned GDP. This level of budget spending enables the normal and uninterrupted functioning of institutions, fulfilling obligations to international creditors, and improving the standard of living for citizens and the business community.
- After 5-year transitional period, in March 2024, MoF started publishing data for the category General Government operations according to IMF SDDS plus Standard. The periodicity of the disseminated data is quarterly, and it was published for the period 2018-2023. Also, MoF continued to provide annual fiscal data to IMF GFS Yearbook.

Link: <https://finance.gov.mk/wp-content/uploads/2025/02/Buxet-2025-ANG.pdf>

### **Plan with Deadlines**

For the preparation of the new Fiscal Strategy 2026-2030, the Ministry of Finance on its website published the Plan with deadlines on 15 January 2025. 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.

Links:<https://finance.gov.mk/wp-content/uploads/2025/01/%D0%9F%D0%BB%D0%B0%D0%BD-%D1%81%D0%BE-%D0%B2%D1%80%D0%B5%D0%BC%D0%B5%D0%BD%D1%81%D0%BA%D0%B8-%D1%80%D0%BE%D0%BA%D0%BE%D0%B2%D0%B8-%D0%B7%D0%B0-%D0%BF%D0%BE%D0%B4%D0%B3%D0%BE%D1%82%D0%BE%D0%B2%D0%BA%D0%B0-%D0%BD%D0%B0-%D1%84%D0%B8%D1%81%D0%BA%D0%B0%D0%BB%D0%BD%D0%B0-%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%98%D0%B0-2026-%D0%B3%D0%BE%D0%B4%D0%B8%D0%BD%D0%B0.pdf>

### **Internal Financial Control**

In December 2024, the Parliament adopted the Law on the Internal Financial Control System in the Public Sector. The adoption of this law defines a framework for a modern, adequate and effective system of internal financial control in the public sector, which includes financial management and control, internal audit and central coordination and harmonization. This law opens opportunities for the implementation of a series of reform processes that will preventively and directly affect the way public funds are spent, and thus reduce their misuse, and at the same time reduce the level of corruption in public sector institutions.

**6 ANNEXES**

**List of relevant stakeholders consulted, per policy area**  
**Please see point 1.2 Engagement with relevant stakeholders**

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

Please see Annex 6. PFM Selected results achieved in the period 2022-2024

## Inputs for the Commissions' monitoring indicators<sup>8</sup>.

#	Indicators	Inputs
1	Degree of readiness on accession negotiation chapter 23 (source: Commission annual enlargement report)	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 limited progress on strengthening judicial independence and improving the legal framework for protecting fundamental rights.
2	Degree of alignment with Union Common Foreign and Security 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.
3	Media pluralism: Social inclusiveness composite indicator (source: Media Pluralism Monitor, Centre for Media Pluralism and Freedom).	Based on the Application of the Media Pluralism Monitor In the European Member States and in Candidate Countries in 2023, the country is assessed as a medium risk band (page 9 from the report) with a score of 54% (page 169 of the report).
4	Degree of alignment with the EU visa policy	<i>Please provide the number of countries for which visa policy is not aligned from the 2024 enlargement report</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. The Commission's sixth report under the Visa Suspension Mechanism of 2023 concluded that North Macedonia continued taking action to address the Commission's previous recommendations and recommended that North Macedonia continue this good progress. According to Eurostat, in 2023, 6 760 nationals of North Macedonia applied for asylum in the EU27 (slight increase of 2% compared to 6 605 in 2022)
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.

<sup>8</sup> 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 inputs 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 WB beneficiary should provide an overview on the progress towards the step(s) achievement.

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).	<i>Please provide the latest available value of Eurostat indicator EU enlargement countries trade since 2002, by HS2-4-6 and CN8 [ds-056697__custom_12764229]</i>																								
8	Share of exports to EU-27 countries in value of total exports (%) (source: Eurostat).	<table border="1"> <thead> <tr> <th><b>External trade in goods</b></th> <th>Note</th> <th>2011</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Share of exports to EU-27 countries in value of total exports (%)</td> <td></td> <td>62.3 iw</td> <td>80.3 iw</td> <td>78.5 iw</td> <td>77.5 iw</td> <td>77.1 iw</td> <td>78.3 iw</td> </tr> <tr> <td>Share of imports from EU-27 countries in value of total imports (%)</td> <td></td> <td>47.8 iw</td> <td>52.9 iw</td> <td>50.8 iw</td> <td>46.3 iw</td> <td>46.2 iw</td> <td>46.8 iw</td> </tr> </tbody> </table>	<b>External trade in goods</b>	Note	2011	2018	2019	2020	2021	2022	Share of exports to EU-27 countries in value of total exports (%)		62.3 iw	80.3 iw	78.5 iw	77.5 iw	77.1 iw	78.3 iw	Share of imports from EU-27 countries in value of total imports (%)		47.8 iw	52.9 iw	50.8 iw	46.3 iw	46.2 iw	46.8 iw
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9	Degree of alignment with Regulation EU 2020/1056	Currently there is no legal framework for electronic freight transport information (eFTI) and the process of alignment with Regulation (EU) 2020/1056 has not started yet.																								
10	MW of new renewable energy capacities installed (cumulative in energy mix for solar and wind) (source: Reform Agenda)	The total installed capacity from renewables up to 2023 is 1.3 GW.																								
11	Extent to which a comprehensive framework for cyber resilience in line with the requirements of NIS2 Directive is set up and operational	There is a partial alignment. The country needs to fully align with the Directive on measures for a high common level of cybersecurity across the Union (NIS2 Directive).																								
12	European innovation scoreboard score	North Macedonia is an Emerging Innovator with performance at 45.1% of the EU average in 2024. Performance is below the average of the Emerging Innovators (48%). Performance is increasing more than the EU (+10%).																								
13	Degree of readiness on accession negotiation chapters 19 and 26 (source: Commission annual enlargement report)	Chapter 19: The country remains moderately prepared in the area of social policy and employment.  Chapter 26: North Macedonia is moderately prepared in the area of education and culture.																								