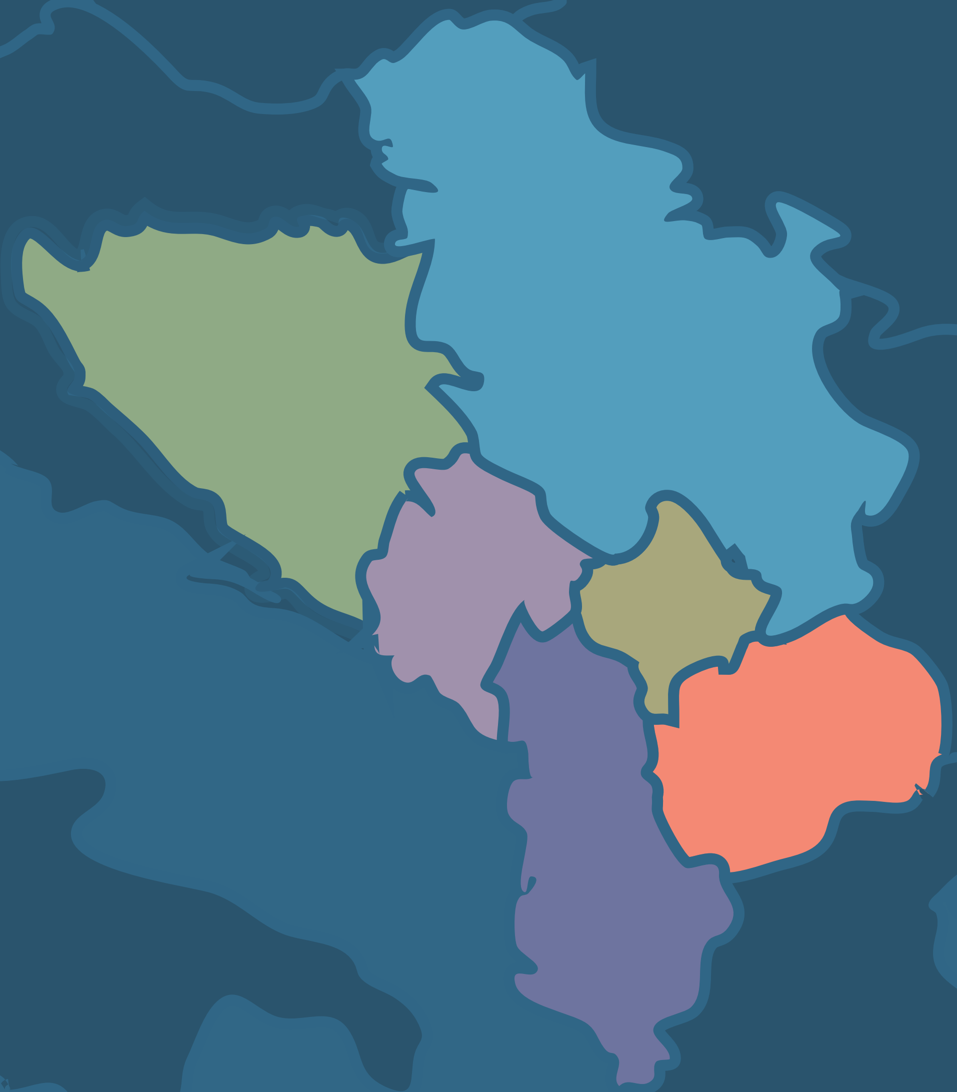
converge2eu



# Annual Convergence Report 2025 – North Macedonia –

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Offenlegung nach § 25 Mediengesetz: Medieninhaber (Verleger): Verein "Wiener Institut für Internationale Wirtschaftsvergleiche", A 1060 Wien, Rahlgasse 3. Vereinszweck: Analyse der wirtschaftlichen Entwicklung der zentral- und osteuropäischen Länder sowie anderer Transformationswirtschaften sowohl mittels empirischer als auch theoretischer Studien und ihre Veröffentlichung; Erbringung von Beratungsleistungen für Regierungs- und Verwaltungsstellen, Firmen und Institutionen.

## ALL AREAS OVERALL

### Economic

38.2% of EU average

+0.9 pp last year

59 years to EU

### Social

64.4% of EU average

+0.04 pp last year

>100 years to EU

### Health

85.8% of EU average

+1.6 pp last year

7 years to EU

### Education

71.1% of EU average

+0.1 pp last year

Diverging from EU

### Environment

45.0% of EU average

+0.8 pp last year

Diverging from EU

### Governance

73.3% of EU average

-0.5 pp last year

40 years to EU

### Digitalisation

79.5% of EU average

+1.6 pp last year

8 years to EU

### Infrastructure

38.8% of EU average

+0.4 pp last year

>100 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- In 2024, well-being in North Macedonia relative to the EU average **ranged from 38% to 86%**, depending on the area.
- **Seven of the eight areas improved** in 2024 compared with the previous year.
- **Health remains the pillar closest to EU levels (86%)**, reflecting broad coverage and steady gains in core outcomes.
- **The economic pillar is furthest from EU standards (38%)**, with pensions trailing the most.
- **Health recorded the strongest annual improvement in 2024 (+1.6 pp)**, driven by a decline in infant mortality.
- **Governance showed the weakest dynamics in 2024 (-0.5 pp)** due to a worsening in the rule of law.
- **Health and digitalisation** are within a decade of reaching the EU average, while **education and environment** are diverging from EU standards, based on trends over the past five years.

## ECONOMIC

### GDP per capita

42.0% of EU average

+0.5 pp last year

>100 years to EU

### Average wage

33.1% of EU average

+2.2 pp last year

39 years to EU

### Minimum wage

44.9% of EU average

+1.25 pp last year

20 years to EU

### Average pension

17.5% of EU average

+1.2 pp last year

Diverging from EU

### Productivity

53.5% of EU average

+0.36 pp last year

>100 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Economic convergence has been slow but steady**: GDP per capita is still less than half of the EU average (about 42% in purchasing-power terms) despite moderate growth. Real GDP grew by 3.0% in 2024.[*]

- **Wages have risen but are still well behind**: the **average wage** is only roughly one third of the EU average, while the **minimum wage**, after significant hikes, stands at 45% of the EU average.

- If recent wage growth trends continue, it **would take on the order of 20-40 years** for Macedonian wages to catch up to EU levels.

- In contrast, the **income gap for pensioners is even more severe**. The average pension is 17% of the EU average and has been **diverging** rather than catching up.

- **Labor productivity also remains relatively low**, though still above wages – at roughly **53% of the EU average** – reflecting an economy dominated by low-tech, low-value-added activities.

[*] State Statistics Office

## SOCIAL

### Unemployment

48.4% of EU average

+1.8 pp last year

30 years to EU

### Employment

64.7% of EU average

+0.2 pp last year

Diverging from EU

### Poverty

55.0% of EU average

+0.3 pp last year

>100 years to EU

### Inequality

98.8% of EU average

+0.3 pp last year

3 years to EU

### Gender gap

55.2% of EU average

+1.8 pp last year

>100 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Social convergence is uneven. Unemployment** stood at 12.4% in 2024, which is around **48.4% of the EU average**. With the pace of improvement from the past five years, it would take roughly **30 years** to reach the EU benchmark.

- **Poverty reduction is slow.** Standing at **55% of the EU average** using our way of measuring, and having a very slow pace of convergence lately, it is **more than 100 years** from the EU level**.**

- **Employment lags and is moving in the wrong direction** relative to the EU: at **64.7% of the EU average**, and with the pace of change over the past five years, the indicator is **diverging**.

- **Inequality is nearly at parity**. At **98.8% of the EU average** and with a **+0.4 pp** year-on-year change over the past five years, it implies that it will take about **three years** to fully converge if the pace holds.

- **The gender gap remains wide**, at **55.2% of the EU average**. Despite **a 1.8 pp gain** last year, weak results over the previous four years imply that convergence would take **more than 100 years** to reach the EU level.

## HEALTH

### Health spending

66.4% of EU average

+0.1 pp last year

79 years to EU

### Life expectancy

92.5% of EU average

+0.2 pp last year

Diverging from EU

### Infant mortality

174% of EU average

+70.6 pp last year

**Converged**

### Hospital beds

99.0% of EU average

+8.5 pp last year

1 year to EU

### Physicians

71.0% of EU average

-0.6 pp last year

Diverging from EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Health spending remains below EU** levels, at **66.4% of the EU average**, up by **0.1 pp** over the last year. At the average pace of the past five years, convergence would take **79 years**.

- **Infant mortality has effectively converged.** The indicator stands at **173% of the EU average**, meaning that North Macedonia has a lower infant mortality than the EU average.

- **Life expectancy is close to EU levels**, at **92.5% of the EU average**, and up by **0.2 pp** over the last year. However, since the change has been negative over the past five years, the trajectory is **diverging**.

- **Hospital beds are essentially at parity** with EU levels, at **99.0% of the EU average**, and there was a strong **8.5 pp** gain last year. Thus, if things do not change, North Macedonia is just **one year away** from full convergence to the EU level.

- **Number of physicians remains** at **71.0% of the EU average**, **falling by 0.6 pp** last year and **diverging** from the EU benchmark.

## EDUCATION

### Education spending

75.1% of EU average

+0.5 pp last year

Diverging from EU

### PISA scores

79.0% of EU average

-6.4 pp vs. 2018

Diverging from EU

### Tertiary enrolment

66.6% of EU average

+0.7 pp last year

24 years to EU

### Tertiary attainment

68.7% of EU average

-1.6 pp last year

>100 years to EU

### Tertiary activity

86.9% of EU average

-15.1 pp last year

Diverging from EU

### NEET rate

50.0% of EU average

+0.8 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Education spending remains below EU** levels, at **75.1% of the EU average**, and it grew by **0.5 pp** last year. Despite the uptick, the trajectory is **diverging** from the EU due to the weak results over the previous four years**.**

- **Tertiary enrolment** stands at **66.6% of the EU average**, improving **0.7 pp** last year. At the pace from the past five years, convergence will be achieved in **24 years**.

- **PISA scores** are **79.0% of the EU average** and fell by **6.4 pp** since the last assessment. The indicator is **diverging** from the EU.

- **Tertiary attainment** is **68.7% of the EU average**, slipping **1.6 pp** year-on-year. Projected time to EU average is **more than 100 years**.

- The **NEET rate** stands at **50.0% of the EU average**, with a **+0.8 pp** change last year. Despite this improvement, looking at the trend from the last five years, it is still **diverging** from the EU.

- **Tertiary activity** is **86.9% of the EU average** but posted a sharp **15.1 pp drop** last year. The indicator is **diverging** from the EU.

## GOVERNANCE

**Voice&Accountability**

73.7% of EU average

-0.6 pp last year

32 years to EU

**Political stability**

85.3% of EU average

-0.3 pp last year

6 years to EU

**Govt. effectiveness**

71.0% of EU average

+1.4 pp last year

Diverging from EU

**Regulatory quality**

81.8% of EU average

-0.8 pp last year

Diverging from EU

**Rule of law**

65.7% of EU average

-2.4 pp last year

46 years to EU

**Corruption control**

62.6% of EU average

-0.4 pp last year

>100 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Voice & Accountability** stood **at 73.7% of the EU average in 2023** and experienced a year-on-year **0.6 pp decline**. At the average pace of the past five years, convergence would take roughly **32 years**.

- **Political stability** is at **85.3% of the EU average**, **slipping 0.3 pp** last year. However, given the decent progress over the past five years, it is estimated to reach the **EU level in six years**.

- **Government effectiveness** is **71.0% of the EU average**, **gaining 1.4 pp** last year, yet still diverging from the EU benchmark due to the weak performance from the previous four years.

- **Regulatory quality** is **81.8% of the EU average**, **falling 0.8 pp** last year and **diverging** from the EU.

- **Control of corruption** is **62.6% of the EU average**, **deteriorating by 0.4 pp last year**. Given the trend over the past five years, convergence is expected in **more than 100 years**.

- **Rule of law** is at **65.7% of the EU average**, **down 2.4 pp** year-on-year. Despite the worsening, the projected time to reach the EU level is **about 46 years** due to the solid progress made over the previous four years.

## ENVIRONMENT

**Pollution deaths**

24.2% of EU average

+1.6 pp last year

96 years to EU

**Renewable energy**

95.5% of EU average

+4.0 pp last year

27 years to EU

**Energy intensity**

37.4% of EU average

-0.2 pp last year

Diverging from EU

**Carbon intensity**

25.4% of EU average

-3.1 pp last year

Diverging from EU

**Waste recovery**

42.3% of EU average

+4.4 pp last year

45 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Air-quality outcomes remain a major issue**: pollution-attributable deaths are **far worse than the EU average**, and despite the improvement last year, it would take **96 years** to reach the EU benchmark at the pace of change of the past five years.

- **Energy efficiency is sliding rather than catching up**: energy intensity stands at **37.4% of the EU average**, **dropping 0.2 pp** last year and **diverging** from the EU.

- **The renewables share is a relatively bright spot**: renewable energy has reached **95.5% of the EU average**, with **4.0 pp gain** last year. Given the pace of the last five years, **27 years** will be needed for full convergence.

- **Emissions performance is worsening in relative terms**: carbon intensity is **much worse than the EU average** and **diverging**.

- Waste recovery is **42.3% of the EU average**, and despite the **4.4 pp gain** last year, it will still take **45 years** to converge at the pace of the past five years.

DIGITALISATION

**HH with internet**

96.4% of EU average

+6.5 pp last year

3 years to EU

**e-government**

42.1% of EU average

-1.5 pp last year

Diverging from EU

**Firms with websites**

69.0% of EU average

+4.5 pp last year

35 years to EU

**ICT exports**

82.9% of EU average

+5.9 pp last year

3 years to EU

**ICT value added**

106.6% of EU average

+4.4 pp last year

**Converged**

**ICT employment**

87.6% of EU average

-4.8 pp last year

2 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Digital connectivity has surged**: households with internet are at **96.4% of the EU average**, **up 6.5 pp** last year. At the average pace of the past five years, convergence is expected in **three years**.

- **Firms with websites** are at **69.0% of the EU average**, **improving 4.5 pp** over the year. Projected time to the EU level is **35 years**.

- **e-government** usage is the weakest link in this area: at **42.1% of the EU average**, it is **down 1.5 pp** year-on-year and **diverging** from the EU**.**

- **ICT exports** have reached **82.9% of the EU average**, with a **5.9 pp gain** last year. Convergence is expected in **three years**.

- **ICT value added has already crossed the line**: standing at **106.6% of the EU average**, it is **up 4.4 pp** year-on-year.

- **ICT employment** stands at **87.6% of the EU average**, **falling 4.8 pp** last year. Given the good progress of the previous four years, convergence with the EU benchmark is expected in **two years**.

# INFRASTRUCTURE

### Motorways

63.1% of EU average

+5.9 pp last year

17 years to EU

### Roads

35.9% of EU average

-1.7 pp last year

Diverging from EU

### Railway tracks

39.8% of EU average

+1.0 pp last year

>100 years to EU

### Airports

26.8% of EU average

-0.1 pp last year

Diverging from EU

### Electricity

28.4% of EU average

+1.8 pp last year

53 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Motorways** stand at **63.1% of the EU average**, **up 5.9 pp** last year. At the average pace of the past five years, convergence is **17 years** away.

- **Total road network** is at **35.9% of the EU average**, **down 1.7 pp** last year and **diverging** from the EU.

- **The rail backbone remains undersized and slow to converge**: **railway tracks** are at **39.8% of the EU average**, **improving 1.0 pp** year-on-year, but convergence is not expected for **100+ years**.

- **Air connectivity is minimal and edging down**: **airports** are at **26.8% of the EU average**, **decreasing 0.1 pp** year-on-year and **diverging** from the EU.

- **Electricity capacity lags despite recent gains**: standing at **28.4% of the EU average**, it experienced a **1.8 pp gain** last year Convergence is projected in **53 years**.

## WHAT EXPLAINS THESE TRENDS?

### ECONOMIC

- Economic growth in North Macedonia has been slow to converge with the EU level, **mainly because its economy relies on low-productivity sectors and exports**, which provide stability but do not create enough value or drive rapid increases in GDP per capita and productivity.
- **Wage growth has outpaced productivity growth**, largely due to policy decisions to raise the minimum wage and to hike public-sector wages. In addition, labour market conditions (e.g. declining unemployment) have also contributed to this.
- Nevertheless, **wages remain well below productivity** (when expressed as a percentage of the EU average), implying that they still have a lot of catching-up to do.
- Still, the increase in wages in recent years undoubtedly **reduces the price competitiveness of the economy**, which needs to be **offset by an improvement in the non-price competitiveness** if the country wants to prevent a loss of overall economic competitiveness and speed up convergence.
- These two arguments call for a change in the economic model of the country and a shift to higher-value-added activities, which can be achieved by industrial and innovation policies.
- **Public investment is limited by budget constraints and weak implementation capacity.** Although EU and international support helps maintain spending, frequent delays and slow project rollouts reduce the impact of infrastructure programmes on growth.

### SOCIAL

- **Improvements in poverty and inequality have largely come from wage and pension growth** driven by labour market tightening and minimum wage reforms, while social transfers played a secondary role in reducing vulnerability.
- **Employment convergence remains slow due to a combination of structural barriers**, such as low capacity of public employment agencies, skills mismatches, poor care facilities (which lead to low female participation), and low wages and labour rights. These limit the creation of quality jobs and push people to informality.

- **Youth outcomes are particularly concerning.** Weak school-to-work transition, high NEET (not in education, employment or training) rates and emigration are limiting the contribution of younger cohorts to inclusive social progress.

## HEALTH

- **Despite spending levels nearing EU standards, outcomes like life expectancy and healthy life years remain below EU levels** due to high exposure to preventable risk factors (e.g. cardiovascular disease, air pollution) and uneven access across regions.[*]
- **The workforce gap in the health sector is structural.** Persistent doctor and specialist shortages, driven by outmigration and aging cohorts, constrain quality and timeliness of care, keeping convergence in physicians per capita on a weakening path.[†]

## EDUCATION

- **Learning quality is the binding constraint**. PISA 2022 shows North Macedonia far below its EU peers and slipping in core competencies. This reflects long-standing delivery issues in curricula, materials and teaching practice rather than access alone.[‡]
- **Tertiary education is expanding but not translating into attainment or labour-market activation**, indicating that dropout/emigration rates and weak school-to-work links prevent higher enrolment from turning into degrees and jobs (mirrored in persistently high NEET rates).[§]
- **Public spending on education remains low and diverges from the EU level**, worsening the situation.
- In addition, **most education spending is absorbed by salaries and a dispersed school network**, leaving too little for spending on quality. System diagnostics highlight fragmented management and uneven implementation, which dilute the impact of funds.

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[*] World Bank – Institutional and Functional Review of Air Quality Management in North Macedonia
[†] Health Systems in Action – North Macedonia, 2024 Edition
[‡] OECD PISA Results for North Macedonia
[§] European Commission – North Macedonia 2024 Report

GOVERNANCE

- **Legislation is adopted faster than it is enforced.** Frequent legal alignment with the EU acquis has not translated into consistent prosecution, asset recovery or timely case resolution, leaving rule-of-law and corruption indicators stagnant or diverging despite formal reforms.
- **Politicisation and thin state capacity weaken execution.** Since parliamentary polarisation has delayed important reforms and appointments, gains in transparency and e-services translate only partially into governance convergence.

ENVIRONMENT

- **Decarbonisation is slow because the energy system still leans on old coal-fired power plants and incomplete green-acquis implementation.** The EC notes continued reliance on the Bitola and Oslomej thermal power plants, a pending update of the National Energy and Climate Plan (NECP), partial alignment on renewables and efficiency, and grid/balancing gaps. Together, these explain why energy and carbon intensity lag EU trends.
- **Undeveloped public transport, weak urban planning and poor railway networks push people into excessive use of automobiles**, which worsens the situation further.
- **Environmental health and circularity gaps persist mainly due to weak enforcement capacity.** At the same time, air-quality monitoring and legislation saw very limited progress, municipal waste separation/recycling remains inadequate (with landfilling predominant), and environmental impact and strategic environmental assessments (EIA/SEA) as well as other horizontal laws are not fully aligned.

DIGITALISATION

- **Digitalisation is a clear convergence bright spot.** Near-universal household connectivity, a rapidly expanding tradable information and communications technology (ICT) sector, and strong private adoption have pushed North Macedonia close to EU benchmarks and generated spill-overs into exports and services.
- **Despite strong private-sector and infrastructure metrics, North Macedonia lags in e-governance and digital public services.** Citizens'

online interactions with the government remain limited, and this shortfall points to the need for further public-sector digital reforms and user-friendly e-services.

## INFRASTRUCTURE

- **Delivery capacity and standards compliance are the binding constraints.** Roads and motorways lag behind the EU level because upgrades roll out slowly and unevenly; plans often lack a clear, funded timetable; and routine upkeep is underfinanced. At the same time, land and tender disputes push projects back, so quality improves on a few corridors while much of the network remains below modern safety and durability standards.
- **Governments continue to see public investment as a tool for political promotion**, announcing massive investment in infrastructure every year, only to fail miserably in the end and finish just around half of the announced plans.
- **Cross-border links and network upgrades are advancing, but too slowly.** Years of stop-start works on the east–west rail corridor, unresolved border procedures and financing gaps, delays with electricity and gas interconnectors, and only gradual steps in aviation keep rail travel, power availability per person, and air connectivity below EU norms.

## SCENARIOS

To better understand how different EU integration pathways might influence North Macedonia's convergence, we consider four scenarios as defined in the converge2eu model:

- **Full EU Membership** – immediate accession with all rights and obligations.
- **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership.
- **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers.
- **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

These scenarios are informed by the post-accession trajectories of **comparators (e.g. Bulgaria, Croatia and Romania)**, whose experiences provide empirical benchmarks. The modelling uses a structural equations model (SEM) approach, examining key transmission channels (e.g. EU budget inflows, increased EU exports and institutional improvements) as well as their effect on growth and other societal outcomes.

The analysis is conducted in a panel setting covering the period from the late 1990s to 2023. It includes the three newest EU member states as benchmarks, alongside the six Western Balkan (WB6) economies. One indicator from each of the **eight convergence pillars** is included:

- **Economy:** GDP per capita at purchasing power standard (PPS)
- **Social:** income share of the bottom 20%
- **Health:** life expectancy
- **Education:** tertiary enrolment
- **Institutions:** control of corruption
- **Environment:** energy intensity of the economy
- **Digitalisation:** ICT exports
- **Infrastructure:** road density

**GDP per capita**

| | |
|---|---|
| Status quo: | >100 years to EU |
| Full EU accession: | 60 years to EU |
| Access to EU budget: | 99 years to EU |
| EU single market: | >100 years to EU |
| Institutional reforms: | >100 years to EU |

**Poverty**

| | |
|---|---|
| Status quo: | >100 years to EU |
| Full EU accession: | 46 years to EU |
| Access to EU budget: | 46 years to EU |
| EU single market: | >100 years to EU |
| Institutional reforms: | >100 years to EU |

**Life expectancy**

| | |
|---|---|
| Status quo: | Divergence |
| Full EU accession: | Divergence |
| Access to EU budget: | Divergence |
| EU single market: | Divergence |
| Institutional reforms: | Divergence |

**Tertiary enrolment**

| | |
|---|---|
| Status quo: | 24 years to EU |
| Full EU accession: | 22 years to EU |
| Access to EU budget: | 23 years to EU |
| EU single market: | 23 years to EU |
| Institutional reforms: | 24 years to EU |

**Corruption control**

| | |
|---|---|
| Status quo: | >100 years to EU |
| Full EU accession: | >100 years to EU |
| Access to EU budget: | >100 years to EU |
| EU single market: | >100 years to EU |
| Institutional reforms: | >100 years to EU |

**Energy intensity**

| | |
|---|---|
| Status quo: | Divergence |
| Full EU accession: | >100 years to EU |
| Access to EU budget: | Divergence |
| EU single market: | Divergence |
| Institutional reforms: | Divergence |

**ICT exports**

| | |
|---|---|
| Status quo: | 3 years to EU |
| Full EU accession: | 2 years to EU |
| Access to EU budget: | 2 years to EU |
| EU single market: | 2 years to EU |
| Institutional reforms: | 3 years to EU |

**Roads**

| | |
|---|---|
| Status quo: | Divergence |
| Full EU accession: | Divergence |
| Access to EU budget: | Divergence |
| EU single market: | Divergence |
| Institutional reforms: | Divergence |

**ECONOMIC (GDP Per Capita)**

In a **status quo** trajectory, North Macedonia may take over a century to reach EU income levels. **Full EU membership** accelerates convergence substantially. It could cut the timeframe to 60 years by boosting growth to around 0.9 percentage points (pp) per year (relative to the EU). **EU budget access** alone also helps (projected 99 years to converge), though not as dramatically as full membership. **Single market access** yields a smaller gain (still more than 100 years to converge). **Institutional reforms** without external integration show the least impact on GDP per capita (well above 100 years).

**SOCIAL (Poverty Reduction)**:

The scenarios suggest that **EU financial support is crucial for social convergence**. Under the status quo, poverty rates would not converge meaningfully (>100 years). **Full membership** or **full budget transfers** could cut the convergence time for poverty to 46 years, implying a notable decline in poverty due to public investment, new jobs and social spending. Interestingly, this model finds **no additional benefit from single market access or institutional reforms for reducing poverty**. This implies that trade integration alone does not directly help the poorest without accompanying funds or redistribution.

**HEALTH (Life Expectancy)**:

**No scenario yields a quick convergence in life expectancy.** In fact, the projections show divergence or no improvement across all scenarios. This means that even with full EU membership or higher incomes, life expectancy is not on course to catch up with the EU level in the foreseeable future. Full membership might improve incomes, but that is not enough to close the gap given underlying demographic and public health factors. This finding underscores that health convergence needs direct policy focus, as EU integration per se is not a silver bullet for life expectancy.

**EDUCATION (Tertiary Enrolment):**

**Education convergence could see mild acceleration in optimistic scenarios.** Under status quo growth and reforms, that gap would take 24 years to close. **Full EU accession** is projected to speed this up slightly (22 years to converge enrolment), likely by boosting incomes and through EU education programmes. **Access to EU funds** shows a similar 23-year path. **Single**

**market** access alone offers a negligible improvement (also 23 years). Pure **institutional reforms** have virtually no effect on enrolment rates. Thus, education convergence primarily depends on domestic policy and demographics; external scenarios marginally influence it.

**GOVERNANCE (Control of Corruption)**:
**The governance outlook improves only slightly even in the best scenarios.** Without changes, North Macedonia would hardly reach EU governance standards within a reasonable timeframe (>100 years). The key insight is that **governance convergence is painfully slow** under all scenarios. Even EU accession would only gradually improve corruption control and institutional quality, as seen in Bulgaria and Romania. This underlines the need for sustained, internally driven reform in governance, as external levers have limited impact.

**ENVIRONMENT (Energy Intensity)**:
**The projections for green convergence are mixed.** Under the **status quo**, the Macedonian energy intensity continues to **diverge**. **Full EU accession** could eventually reverse this divergence, but extremely slowly, requiring roughly **143 years to reach EU levels** of energy efficiency. All the other scenarios show no significant change, presumably because investments might not be sufficiently green without full policy alignment. This suggests that **decarbonisation and energy efficiency require massive efforts**; partial integration will not automatically bring convergence in environmental performance. Without targeted green reforms, North Macedonia might continue to pollute at higher rates even as it grows.

**DIGITALISATION (ICT Exports)**:
**The digital sector is one area in which North Macedonia is poised to converge regardless of the scenario**. **Full EU membership** or **budget or single market access** would accelerate this slightly (to **two years**). Even **reforms alone** keep it at three years. In short, integration could give a small boost via market access and investment. However, the ICT sector is expected to fully converge (and potentially exceed) EU benchmarks very soon, provided that current trends (e.g. tech investment, outsourcing inflows, talent development) continue.

**INFRASTRUCTURE (Roads)**:
The scenario analysis suggests **infrastructure gaps will not be automatically closed by any scenario in the medium term.** For example, **road density/quality** shows **divergence in all scenarios**. Under the status quo or even with EU membership, North Macedonia is not on track to catch up with EU levels in the foreseeable future. Even with large EU funds, building highways and railways takes many years, and North Macedonia has not shown itself to have the required capacities or political will for this. This makes it clear that while EU accession can enable infrastructure projects, the convergence in physical infrastructure will lag unless efforts are made to overcome existing political and institutional bottlenecks.

## POLICY DISCUSSION

### 1. General Policy Discussion

North Macedonia's slow pace of convergence with EU living standards is rooted in structural and institutional challenges. Despite periods of solid economic growth, the country remains far below EU averages on key indicators. This gap can be explained by **weak governance and institutional bottlenecks** that cut across sectors. Persistent issues in rule of law, public administration efficiency and policy implementation have dampened the impact of economic growth on convergence. For example, pervasive corruption and politicisation in the judiciary and public sector undermine investor confidence and resource allocation, slowing progress in all domains. Governance problems also contribute to **policy inertia**, so reforms are adopted on paper but often not implemented effectively, as seen in environmental law enforcement and anti-corruption efforts. Furthermore, horizontal issues (e.g. **fiscal constraints**) limit convergence. North Macedonia has run high deficits and has rising debt (public debt stood at 63% of GDP in 2024[*], thereby breaching the 60% fiscal rule limit), which squeezes the fiscal space needed for development investments. The **quality of public administration** also remains a concern. While some improvements have been made, bureaucratic inefficiencies and patronage in hiring still hinder service delivery and reform execution.

Another cross-sectoral dynamic is the **demographic challenge**. Emigration and low birthrates are shrinking the workforce, meaning even if output grows, per-capita gains are offset by population decline. The decline in the working-age population could start dragging annual GDP growth down by 0.5 pp by 2030.[†] This trend, coupled with low labour participation (especially among women), indicates that without deeper social and labour market reforms, North Macedonia cannot fully capitalise on its human capital. **Structural economic issues** play a role as well. The economy relies on a few traditional, low-value-added industries with limited innovation capacity. Investment levels, while comparable to some peers, are insufficient to transform the growth model, which remains overly driven by consumption and remittances.[‡] As a result, productivity gains have been modest and

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[*] Ministry of Finance Annual Report on Managing Public Debt 2024
[†] IMF Country Report 2025
[‡] OECD – Economic Convergence Scoreboard for the Western Balkans 2025

convergence in productivity (i.e. the engine of income catch-up) has been very slow. In recent years, wages have increased faster than productivity, partly due to policies like sharp minimum wage hikes, which boost incomes and combats poverty (especially among the lowest income households) but can erode external competitiveness if not matched by efficiency improvements.[*] Overall, these cross-cutting issues of weak institutions, fiscal imbalances and structural economic rigidities have constrained the speed of convergence.

**The first thing that is needed are horizontal reforms.** Strengthening the rule of law, improving public administration capacity, enforcing fiscal rules and upholding regulatory stability are prerequisites for any accelerated convergence scenario. For instance, enhancing budget discipline and tax collection would create space for more growth-enhancing spending, while merit-based administration and judiciary independence would improve policy implementation and the business climate. Reforms in these areas are also explicitly tied to EU accession requirements, meaning that progress here unlocks both EU financial support and momentum in sectoral reforms. The fact that North Macedonia recently adopted its **Reform Agenda under the EU Growth Plan** reflects recognition of these needs. The plan targets the fundamentals of governance: strengthening rule of law, public financial management, digitalisation of public services, the green transition and human capital development. The European Commission's approval of the Reform Agenda in 2024, as well as its disbursement of initial funds, shows a policy direction tying financial incentives to institutional reforms. However, the pace of those reforms has been slow. According to the European Commission Scoreboard, only six out of 136 steps have been undertaken so far.[†] For this reason, only EUR 72 million have been disbursed to date.

Beyond horizontal reforms, **North Macedonia also needs a new economic model that shifts the sources of growth**. This would mean a stronger role for the state in steering development through several pillars. The first is higher and better-targeted public investment in infrastructure, the energy transition and other public goods (e.g. education, health care) financed not only by EU funds and improved tax collection, but also by a more progressive tax system. The second pillar refers to industrial and innovation policies that

[*] World Bank – North Macedonia Public Finance Review, 2025
[†] Reform and Growth Facility for the Western Balkans – Scoreboard.

should support the move towards higher-value-added activities and non-price competitiveness – by selecting promising sectors and activities and developing tailormade policies for supporting them, including by promoting upgrading and supporting technological adoption as well as investing in research and development (R&D). The third pillar is a gradual strengthening of redistribution. More resources for education, health care, childcare, active labour market policies and social protection would both reduce inequalities and expand the effective labour supply, especially among women and low-income groups. Such a model would rebalance the economy away from consumption and remittances towards productivity-enhancing investment while ensuring that the gains from growth are shared more broadly across society.

As shown in the scenario section, a business-as-usual path leaves key indicators (e.g. GDP per capita, poverty) on 100+-year horizons, whereas a path that combines access to the EU budget with EU single market integration roughly halves the timelines (approx. 60 years for income and 45 for poverty). Education closes only marginally faster, while health and core infrastructure do not converge in any scenario. Without targeted reforms in those sectors, convergence could stall even if macroeconomic conditions improve. Hence, **deeper structural reforms will be the decisive factor** distinguishing a future where North Macedonia meaningfully narrows its gap with the EU. In this light, the fastest accelerator remains **full EU membership**. Given bilateral and timing constraints, the preferred near-term course is a sequenced path that **first secures EU budget access** and **phased single market access** while delivering credible rule-of-law and implementation reforms at home, with **full membership being the end goal**. Decision makers should explicitly endorse this sequencing and its political trade-offs in addition to pairing it with concrete health, education, environment and infrastructure measures so that macro gains translate into faster, measurable improvements in living standards and service quality for citizens.

## 2. Policy Discussion by Areas

### ECONOMY

**Key Findings:** The pace of convergence remains gradual due to lagging productivity and the dominance of low-value-added activities. Wage increases owing to generally low wage levels have boosted consumption, but they risk limiting the country's price competitiveness. This calls for a new economic model that will boost non-price competitiveness.

**Policy Context and Reform Developments:** Increases in minimum wages and the expansion of economic zones have contributed to higher incomes and increased foreign direct investment (FDI). However, challenges persist in the areas of R&D, the advancement of small and medium-sized enterprises (SMEs), innovation and the effective implementation of public investment initiatives.

**EU Conditionality and Regional Frameworks:** The Growth Plan and Reform Agenda link funding to core reforms and phased single market entry. The economic reform programme (ERP), the Common Regional Market (CRM) and the Central European Free Trade Agreement (CEFTA) set standards for competition, state aid and customs alignment.

**Scenario Insights:** Integration without reform yields modest gains, but reform alone helps slowly. Combining both materially accelerates GDP-per-capita convergence.

**Policy Assessment and Reform Recommendations:** Prioritise productivity through industrial and innovation policies, technology adoption, support of local firms, robust rule-of-law enforcement and enhanced public investment management to achieve sustained progress.

### SOCIAL

**Key Findings:** Poverty rates have decreased, but there are still challenges with job growth and social inclusion. Women and young people face greater difficulties, and vulnerability remains high, especially in rural areas and among Roma communities. Emigration also continues to shrink the available workforce.

**Policy Context and Reform Developments:** In 2019, the guaranteed minimum assistance (GMA) social welfare programme enhanced targeting measures, while wage increases contributed to higher incomes. However, active labour market policies (ALMPs) and the Youth Guarantee programmes remain relatively limited. Childcare and elderly care services are inadequate, and challenges like skills mismatches and informality persist.

**EU Conditionality and Regional Frameworks:** Progress is seen in Chapter 19 alignment, activation of the Economic and Social Reform Programme (ESRP) and the Economic Reform Programme (ERP), and equality measures. CRM mobility supports development, but brain drain will continue unless job opportunities improve.

**Scenario Insights:** EU transfers accelerate poverty reduction, single-market access gives modest social benefits, and governance reforms are effective when combined with targeted investment.

**Policy Assessment and Reform Recommendations:** Increase opportunities for apprenticeships and scaling programmes. Widen access to childcare and elderly care services. Improve capacity of public employment services so that they can provide effective matching between labour demand and supply. Encourage formal employment by offering work-based benefits. Allocate funds for the inclusion of marginalised communities. Monitor outcomes effectively.

**HEALTH**

**Key Findings:** Although coverage is extensive, results are still lacking. Life expectancy remains lower than the EU average, mainly because of preventable factors, inconsistent access in rural areas, and persistent staff shortages. Public spending on health care and investment in hospitals and equipment has also lagged behind EU standards, with no improvement. The expansion of private hospitals has not helped, as only a small share of the population can afford to use these services.

**Policy Context and Reform Developments:** Universal insurance and COVID-era investments increased intensive care unit (ICU) capacity, equipment, emergency readiness and upgraded IT systems for more efficient health service delivery. However, primary care remains underutilised, hospital improvements have stalled, procurement and management lack consistency, and doctor shortages due to outmigration and retirements impact service quality.

**EU Conditionality and Regional Frameworks:** Chapter 28 alignment is moderate, with greater impact from Chapter 27 (air quality) and Energy Community decarbonisation. European Centre for Disease Prevention and Control (ECDC) reporting, pharmaceutical standards, Instrument of Pre-Accession Assistance (IPA) health projects and regional recognition of health professionals support national reforms.

**Scenario Insights:** Health outcomes barely improve across scenarios without targeted action, and GDP growth or market access alone will not raise life expectancy. Convergence in health requires prevention, stronger primary care, more public investment in hospitals and equipment, and better personnel policies.

**Policy Assessment and Reform Recommendations:** Invest in public hospitals and equipment, hire more physicians, rebalance towards prevention and family medicine (e.g. with screening, cardiovascular disease (CVD) risk management, tobacco control). Adopt a workforce plan with incentives for underserved areas. Professionalise procurement while tying hospital funding to outcomes. Regulate better private hospitals. Scale e-health. Coordinate with environment/energy to cut particulate matter (PM) exposure. Publish regional health dashboards to track results.

## EDUCATION

**Key Findings:** The main issue is the quality of learning. Students have poor basic skills, higher education enrolment does not guarantee graduation or career success, and NEET rates remain high. These gaps are due to classroom practices, weak assessment methods, and insufficient connections between schools and societal needs rather than just to access-related issues.

**Policy Context and Reform Developments:** While pay increases, standardised funding formulas for primary and secondary education, and curriculum updates are underway, teacher professional development opportunities remain scarce. External assessments are inconsistent, and tertiary governance is divided. In addition, both the lack of school network optimisation and limited early childhood education coverage lessen the overall impact.

**EU Conditionality and Regional Frameworks:** Meeting EU qualification and quality standards (e.g. the European Qualifications Framework (EQF) and the European Higher Education Area (ESG) of the European Association for Quality Assurance in Higher Education (ENQA)), participating in Erasmus+ mobility programmes, engaging in Horizon capacity-building and achieving CRM recognition can enhance skills and quality assurance, provided that domestic delivery continues to improve.

**Scenario Insights:** Market access or higher spending alone does not improve skills. Convergence only accelerates when quality reforms and activation close the school-to-work gap.

**Policy Assessment and Reform Recommendations:** Increase public spending on education, focusing both on better infrastructure (e.g. schools, equipment) and teacher quality. Launch a three-year foundations programme (literacy/numeracy with coaching and periodic assessment). Introduce a merit-based teacher career ladder. Expand early childhood education (ECE) and childcare. Optimise the school network. Link tertiary funding to completion and graduate employment. Scale dual vocational education and training (VET) and apprenticeships co-designed with employers. Link education to economic and industrial policies. Publish school and tertiary outcome dashboards.

## GOVERNANCE

**Key Findings:** Legal frameworks are advancing faster than enforcement. Progress in rule of law, corruption control and government effectiveness has been limited by slow investigations, prosecutions and asset recovery as well as regulatory uncertainty. Weak management accountability and political influences hamper sector outcomes. Despite numerous high-level corruption scandals, no big political or business figure has ever been held accountable.

**Policy Context and Reform Developments:** While strategies are in place for the judiciary and public administration, the implementation of merit-based human resource management (HRM), protections for senior civil service staff, and comprehensive performance management systems is still ongoing. Oversight of procurement processes and follow-up on audit recommendations lack consistency, and practices regarding state-owned enterprise governance as well as conflict-of-interest policies are not uniformly enforced.

**EU Conditionality and Regional Frameworks:** The ‘fundamentals’ cluster and the Growth Plan tie finance and staged single market access to credible justice outcomes. The principles of the OECD’s Support for Improvement of Governance and Management (SIGMA) and the recommendations of the Group of States against Corruption (GRECO) provide the operational benchmark.

**Scenario Insights:** Single market access without credible enforcement yields little institutional convergence. Combining rule-of-law reform with EU incentives will greatly improve investment climate, absorption and downstream-sector outcomes.

**Policy Assessment and Reform Recommendations:** Ensure that senior posts are filled via merit appointments and with fixed terms. Adopt prosecution and court performance dashboards (e.g. filings-to-convictions, time-to-disposition, asset recovery). Mandate end-to-end e-procurement with open data and beneficial-ownership checks. Strengthen internal audit and audit follow-up. Implement OECD governance standards for state-owned enterprises (SOEs). Introduce ministry ‘delivery compacts’ linking budgets to milestones. Protect whistleblowers. Expand integrity vetting for high-risk posts.

## ENVIRONMENT

**Key Findings:** Energy and carbon intensity remain high and air quality poor, mainly due to coal-based power, poor public transport (leading to the widespread use of cars), inefficient buildings, polluting industry and weak enforcement. Renewables have grown (notably solar/hydro), but grid and permitting bottlenecks are slowing the green transition. In addition, waste recovery lags and landfilling dominates.

**Policy Context and Reform Developments:** A 2030 National Energy and Climate Plan (NECP) sets targets, and auctions for renewable energy sources (RESs) have begun. Solar deployment is rising, and air-quality plans exist. Nevertheless, coal-fired plants still anchor baseload, building renovation is modest, municipal waste/wastewater projects are not making progress, and inspectorates and municipalities lack capacity.

**EU Conditionality and Regional Frameworks:** Chapter 27 alignment and Energy Community rules (e.g. market opening, RES/efficiency, monitoring) are the main levers. The Green Agenda; financing from the Western Balkans Investment Framework (WBIF), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD); and the Growth Plan's climate window can fund grids, efficiency and circular economy upgrades.

**Scenario Insights:** EU funds and single market access are accelerating green investment, but without a phase-out of coal, stronger enforcement and pricing signals (e.g. carbon/air emissions), intensity and health burdens will only fall slowly. The biggest gains come from pairing investment with firm rules.

**Policy Assessment and Reform Recommendations:** Set a credible coal-exit schedule with just-transition measures. Increase public (i.e. not just private) investment in renewable energies. Scale building refurbishment and industrial efficiency. Invest in grid reinforcement and storage. Expand public transport to reduce the use of cars. Enforce air-quality plans (e.g. household fuel switching, district heating upgrades, industrial compliance). Modernise waste via regional landfills, sorting and extended producer responsibility (EPR) schemes. Strengthen environmental inspectorates. Publish open air-emissions dashboards.

## DIGITALISATION

**Key Findings:** While connectivity and the tradable ICT sector show strong performance, public e-services and digital adoption by businesses are falling behind. The main challenges are back-office interoperability, data governance, and a lack of digital skills among SMEs and public-sector workers. These factors also restrict broader productivity gains throughout the economy.

**Policy Context and Reform Developments:** Broadband coverage and ICT exports have expanded. Although e-government portals exist, many services remain partially digitised, requiring manual steps and office visits. Registers are fragmented, cybersecurity capacity is uneven, and talent shortages persist despite a growing IT ecosystem.

**EU Conditionality and Regional Frameworks:** Growth Plan measures (e.g. Single Euro Payments Area (SEPA) services, digital single market steps); the CRM Digital Agenda; and acquis alignment on electronic identification, authentication and trust services (eIDAS), the Network and Information Security Directive 2 (NIS2) and the General Data Protection Regulation (GDPR) offer a roadmap and funding to professionalise e-government and trust services.

**Scenario Insights:** Single market access would boost ICT and services, but productivity gains would remain modest without full back-office reform, interoperable registers and stronger skills. Digitalisation is only a catalyst when it cuts transaction costs system-wide.

**Policy Assessment and Reform Recommendations:** Put all high-volume government services fully online (e.g. make documents obtainable free, in a reasonable time frame, and with a few clicks and no counters). Give every citizen and business a secure national eID/e-signature to submit, sign and pay end-to-end. Connect state databases so that institutions can check data themselves (entered only once) and publish clear service standards and response times. Strengthen system and data protection with a permanent cyber team and routine audits. Help SMEs adopt basic digital tools and cloud services through simple co-financing and brief practical training.

## INFRASTRUCTURE

**Key Findings:** The quality and coverage of networks are lagging behind EU standards due to project delays and insufficient maintenance funding. While major corridors are making progress, improvements across the broader road and rail network, municipal services and energy grid are slow. This hampers connectivity, logistics efficiency and the potential for benefits to spread.

**Policy Context and Reform Developments:** Although major highway and Corridor VIII works are underway, energy and gas interconnectors are progressing, and airports are being modernised, North Macedonia is not catching up as needed. Project preparation and permitting, land acquisition efforts and procurement disputes delay delivery, while multiyear maintenance planning and asset management remain weak, especially at the municipal level. The country is diverging in overall road length and airports, and it will need more than 100 years to converge with the EU level in terms of railways.

**EU Conditionality and Regional Frameworks:** Access to grants and low-cost financing through the Trans-European Transport Network (TEN-T), the Transport Community, WBIF/EIB/EBRD and the Energy Community rules depends on meeting standards for safety, interoperability, market access and environmental sustainability.

**Scenario Insights.** EU funds and single market access can only accelerate convergence if projects are shovel-ready and governance is credible. Otherwise, disbursements slow, costs rise and service quality lags despite available financing.

**Policy Assessment and Reform Recommendations:** Step up investment in railway, especially the line between Serbia and Greece. Expand local and regional road networks. Establish a Single Project Pipeline office with standardised designs, independent supervision and milestone dashboards. Ring-fence, index and publish road- and rail-maintenance budgets. Prioritise Corridor VIII rail and last-mile logistics over low-return road expansions. Fast-track electricity/gas interconnectors and distribution-grid upgrades. Require climate-resilient designs. Professionalise municipal utilities with performance contracts. Digitise permitting and land registration to cut lead times.

## 3. Conclusions and Policy Recommendations

**North Macedonia can shorten the amount of time it needs to achieve EU-level living standards, but only if it treats convergence as an implementation agenda rather than a wish list.** The evidence across pillars points to the same binding constraints: weak enforcement of rules, thin delivery capacity for public investment, and slow productivity growth rooted in the flawed economic model and low innovation. Although external anchors (e.g. the EU Growth Plan, the Reform Agenda and gradual access to the single market) create headroom and incentives, they cannot and should not be accepted as an alternative to full EU membership. Outcomes, however, will depend on credible domestic delivery, including: corruption-free public procurements and an independent judiciary; sound public finance management; and projects that are prepared, financed and finished on time. Reforms should be pursued not to 'tick EU boxes', but because they raise incomes, widen opportunity, and improve health and quality of life for citizens.

### a) National Government of North Macedonia

**Revise the current economic model to adapt it to the new geopolitical realities.** It should be based on a stronger role for the state in the economy via higher and better-targeted public investment in infrastructure, greater spending on public goods and services (e.g. education, health care and social protection), greater redistribution, and industrial and innovation policies that would support the move towards higher-value-added activities.

**Prioritise fundamentals and delivery.** Establish a central delivery unit to track rule-of-law, judiciary, public-administration and flagship-investment milestones, publishing monthly dashboards and linking budget disbursements to results. Protect the senior civil service through merit-based appointments and fixed terms, and require performance compacts for ministries and agencies.

**Devise a budget that delivers on development** by implementing a medium-term fiscal plan that stabilises debt and reallocates spending from consumption to capital investment and human capital (e.g. education, health care, railways, and energy efficiency). Enhance tax compliance, and broaden the base for sustainable funding.

**Consolidate firm support into a single, rules-based state-aid scheme.** Create a single, transparent 'one-door' programme for firm support – via a state aid management information system (SAMIS) with simple public calls, clear and transparent scoring, and staged payments only once milestones have been met. Publish all awards and progress, and include money-back clauses if targets are missed. Expand predictable, small-ticket support for domestic SMEs and start-ups for technology upgrading, certification, export readiness and supplier-development links to FDIs. Align incentives for technological industrial development zones (TIDZs) with value added. Make tax breaks contingent on good jobs, training, R&D and local sourcing, and phase out blanket subsidies that do not boost productivity. Enact a law setting a living minimum wage that will automatically be adjusted to inflation and median pay, and anchor it in sector-wide collective agreements so that wages rise fairly, predictably and sustainably.

**Accelerate human-capital catch-up**. Increase public spending on education. Expand ECE coverage for ages 3–5 (which will help to raise female labour force participation) while simultaneously implementing a three-year Early-Grade Foundations programme (G1-3) with structured pedagogy, in-class coaching, termly formative assessments and targeted tutoring. Publish progress on early reading and numeracy. Introduce a merit-based teacher career ladder, and link tertiary funding to completion and graduate employment. Scale dual VET and apprenticeships co-designed with employers. Go beyond VET by developing an education system that fosters a knowledge-based and value-added vision in society.

**Reform the health model around measurable prevention and primary care**: Expand public spending on health care. Regulate better private hospitals. Introduce capitation with outcome bonuses for family practices (e.g., hypertension control, smoking cessation, diabetes A1c). Dedicate new tobacco/pollution excise yields to a ring-fenced Prevention & Clean Air Fund. Roll out nationwide CVD screening (ages 40-69, biennial) with nurse-led chronic-care teams. Centralise drug procurement with reference pricing. Deploy rural retention bundles (e.g. salary uplifts, housing, CME), and expand nurse/community-health worker scope. Scale e-prescribing, e-referrals and tele-triage to reduce unnecessary doctor and hospital visits.

**Reframe digitalisation to be focused on service delivery.** Digitalisation must measurably cut the time and cost of dealing with the state. Build a one-login system (secure digital ID) so that institutions can exchange data behind the scenes and citizens are not asked for the same documents twice. Redesign the 20 most-used services end-to-end with published turnaround targets and automatic decisions where rules allow. Safeguard systems with a standing cyber unit and independent checks.

**Deliver infrastructure with discipline.** Step up investment in railways, public transport, local roads, renewable energy and energy efficiency. Create a Single Project Pipeline unit using standardised designs, independent supervision and milestone dashboards. Prioritise Corridor VIII rail and last-mile logistics over low-return road expansion. Ring-fence and publish multiyear maintenance budgets. Digitise permitting and land registration to cut lead times.

**b) EU Institutions and EU Member States**

**Make EU enlargement the baseline commitment, rather than a continency, for Western Balkan countries.** State clearly that gradual integration and the Growth Plan are stepping stones to **full membership**, with an indicative political timeline if reform milestones are met. Instead of offering an 'either/or' deal, provide benefits now and accession later.

**Lock in predictable, bigger financing – before accession.** Create a pre-accession window in the next EU budget that mirrors cohesion logic: multi-annual envelopes, higher grant shares for the WB6 (up to 85-90% EU co-financing), and dedicated small-municipality and project-preparation windows to prevent weaker implementers from being left behind.

**Increased access to the single market before accession – on merit.** Where acquis alignment is demonstrably in place and rule of law is respected, grant **reciprocal, gradual access** to the four freedoms and/or elements of it.

**Turn mobility from brain drain to brain circulation.** Launch EU-WB6 **Talent Partnerships** with return incentives, training credits recognised in both systems, portable social rights, and re-entry grants for health, education and green skills, designed jointly with WB6 line ministries.

**De-risk private investment that builds local value chains.** Scale EFSD+/EIB/EBRD guarantees and blended finance for WB6 suppliers to integrate into EU value chains of original equipment manufacturers (OEMs). Prioritise green and digital upgrades, ISO/CE certification and export readiness. Require local training and apprenticeships in all EU-funded investments.

**Refocus EU support to shorten the 'convergence gap'.** Allocate multi-annual pre-accession funds by the size of each pillar's gap ('years to EU'), with higher grant intensity and faster disbursement for lagging areas (e.g. health outcomes, education quality, clean air/energy efficiency and core infrastructure). Tie disbursements to **measurable enforcement outcomes**. Keep funding predictable while pairing them with light technical support and open data. Swiftly reallocate funding and other support from underperforming areas to those delivering impact to insure faster convergence.

**Increase rewards for regional cooperation.** Prioritise WB6 projects that deliver cross-border public goods (e.g. air quality, corridors, energy security) with bonus funding.

**Make every euro visible and fair.** Require use of the Open Contracting Data Standard (OCDS) for all EU-funded tenders in WB6 countries. Publish project pipelines, change orders and milestone dashboards. Embed local-content training clauses and living-wage compliance in EU-financed works.

**c) Regional and International Organisations**

**Programme to the convergence gaps, not to templates.** Use converge2eu findings to set country strategies and annual envelopes, prioritising measures that measurably shorten 'years to EU' in each area (e.g. learning quality, primary care/prevention, clean air/energy efficiency, digital back-office, Corridor VIII/last-mile logistics). Shift from activity-/output-driven programmes to **outcome-centred contracts** with clear baselines, targets and independent verification, while making it mandatory that these are jointly created by state institutions and civil society.

**Fund delivery capacity and transparency as first-order goods.** Pair every investment with support for project preparation, open contracting and performance dashboards. Reduce red tape (e.g. by having fewer, larger tranches) when milestones are met, and pause automatically when they are not. Require data (e.g. on contracts, milestones and results) to be made publicly accessible so as to enable citizens to track progress.

**Focus on regional public goods that unlock scale.** Back mutual recognition, mobility, cross-border corridors, energy coupling and clean-air actions where a single regional fix yields outsized national gains.

**d) Civil Society Organisations and Think Tanks**

**Make delivery visible and accountable.** Regularly publish convergence and integrity scorecards covering areas that are of interest to civil society organisation (CSOs) and think tanks as well as related to their specific expertise(s). Monitor justice/procurement outcomes (e.g. case flow, asset recovery, open contracting, beneficial ownership) and flagship-project milestones to ensure that progress and bottlenecks are transparent and actionable for the whole society.

**Strengthen public-sector delivery through civil society engagement.** Establish structured collaboration with ministries and municipalities (e.g. memorandums of understanding (MoUs), data-sharing, joint working groups) so that CSOs can provide independent expertise, training and knowledge transfer in project preparation, procurement integrity, monitoring and evaluation (M&E), and open-data use while filling skills gaps, standardising methods and improving results tracking across government.

**Connect education to jobs, and support sector transitions through structured civil society facilitation.** Position CSOs as neutral brokers between ministries, schools, employment services and employers to strengthen dual VET, career guidance and work-based learning. Extend the same partnership model to help SMEs' green transition and community-based health outreach while using shared standards, training and data for continuous improvement.

**Bottom line:** Convergence is not a mystery; it is an implementation agenda. North Macedonia will shorten its 'years to EU' if three things happen in parallel: rules are enforced (judiciary, procurement, professional administration), productivity is lifted in firms and classrooms (formalisation, technology, skills), and green/digital transitions cut costs and raise service quality across the economy. The evidence in this report shows that North

Macedonia is closest to the EU where coverage and delivery are most mature and furthest where enforcement and project execution are weakest. The policy message is therefore simple: make enforcement and delivery the organising principle of reform, and measure success by how fast the gap closes rather than by how many strategies are written.

While programmes (e.g. the Growth Plan), gradual single market access and regional cooperation provide valuable resources and standards, they cannot be viewed as a substitute for the transformative impact of full EU membership. Their success hinges entirely on the ability of North Macedonia to implement reforms credibly, to enforce rules, and to deliver measurable results. The EU and international partners must therefore prioritise targeted, results-based financing that directly supports reforms proven to close the convergence gap. At the same time, governments must ensure that public spending is transparently linked to outcomes, and civil society must be empowered to hold institutions accountable and to safeguard integrity. Only through this disciplined, outcome-driven approach – anchored in both robust domestic implementation and enhanced EU support – can North Macedonia accelerate its path to EU living standards and ensure that convergence becomes a reality within a generation.

## METHODOLOGICAL NOTE

### What do the different numbers reported here mean?

- **% of EU average:** shows the current level of a specific indicator compared with the EU average.
- **Year-on-year rate of change:** shows how the gap to the EU changed compared with the previous year in percentage points (pp).
- **Rate of change over the past five years:** shows the average annual pace of change over the last five years, capturing whether the indicator has been improving or worsening recently.
- **Years to EU:** shows how long it would take for a country to reach the EU average for the given indicator while assuming that the recent pace of change continues.

### How do we calculate the numbers for individual indicators?

**% of EU Average:** calculated as the native value of a certain indicator in a certain country, compared with the corresponding EU average.
*Example:* If the average monthly wage in Serbia is EUR 1,150 and the average monthly wage in the EU is EUR 3,000, then Serbia's wage level is 38% of the EU average (1,150/3,000). ***For indicators where lower values mean better outcomes (e.g. unemployment, child mortality), the calculation is reversed*** so that a higher percentage always indicates better performance.
*Example:* If the unemployment rate is 11% in Kosovo and 6% in the EU, Kosovo's relative level is 55% of the EU average (6/11).

**Rate of change over the past five years:** calculated as the simple average of the year-on-year changes in the indicator measured as a percentage of the EU average over the last five years.
*Example:* If public health spending in North Macedonia, measured as a share of the EU average, changed by -0.4, +7.2, -2.7, -2.1 and +0.2 p.p., the five-year rate of change is +0.4 pp.
**Years to EU:** calculated by comparing the remaining gap to the EU average with the speed of progress over the last five years. It shows how many years it would take to close the gap if recent trends continue.

*Example:* If Montenegro's GDP per capita is 55% of the EU average (a gap of 45 pp) and it has been catching up by 0.9 pp per year, it would take about 50 years to reach the EU level.

**How do we calculate the numbers for the pillar/area averages?**

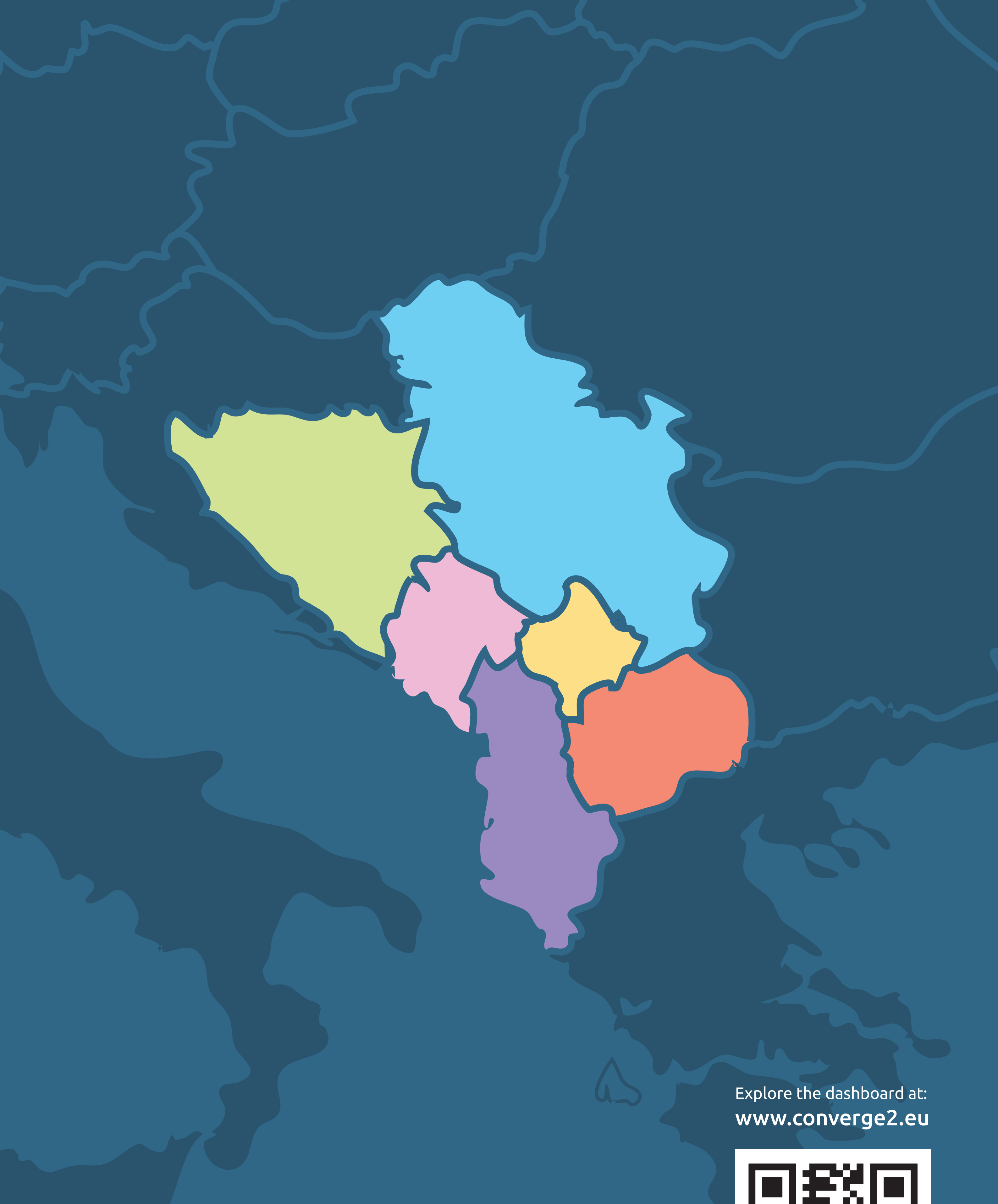
**% of EU Average:** calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.
*Example:* If Albania's five environment indicators are 50%, 55%, 60%, 65% and 70% of the EU average, the overall Environment pillar stands at 60% of the EU average.

**Rate of change over the past five years:** calculated as the average of the year-on-year changes in the overall pillar's value measured as a percentage of the EU average over the last five years.
*Example:* If Bosnia and Herzegovina's Education pillar changed by +0.5, +5.6, +0.2, +0.8 and +1.0 pp, the five-year rate of change is +1.6 pp.

**Years to EU:** calculated by comparing the remaining gap to the EU average for the overall pillar with the pace of progress over the last five years.
*Example:* If Serbia's Digitalisation pillar stands at 98% of the EU average and has been improving by 1.0 pp per year, it would take two years to reach the EU level.

**What does it mean when an indicator is 'converged' or 'diverging'?**

**Converged:** an indicator is considered converged if its value (measured as a percentage of the EU average) is at or above 100%. This means the country has reached or exceeded the EU average in that area.
*Example:* If government spending on health in Montenegro is 105% of the EU average (6.9% of GDP vs 6.5%), Montenegro is considered converged.
**Diverging:** an indicator is considered diverging if its average change over the past five years (measured as a percentage of the EU average) is negative. This means the country has been moving further away from the EU average.
*Example:* If road density in North Macedonia (expressed as percentage of the EU average) has been declining by 0.4 pp per year, the country is diverging.
A categorisation of 'Not Possible' may be used when a convergence calculation cannot take place due to missing data.



Explore the dashboard at:
**www.converge2.eu**

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