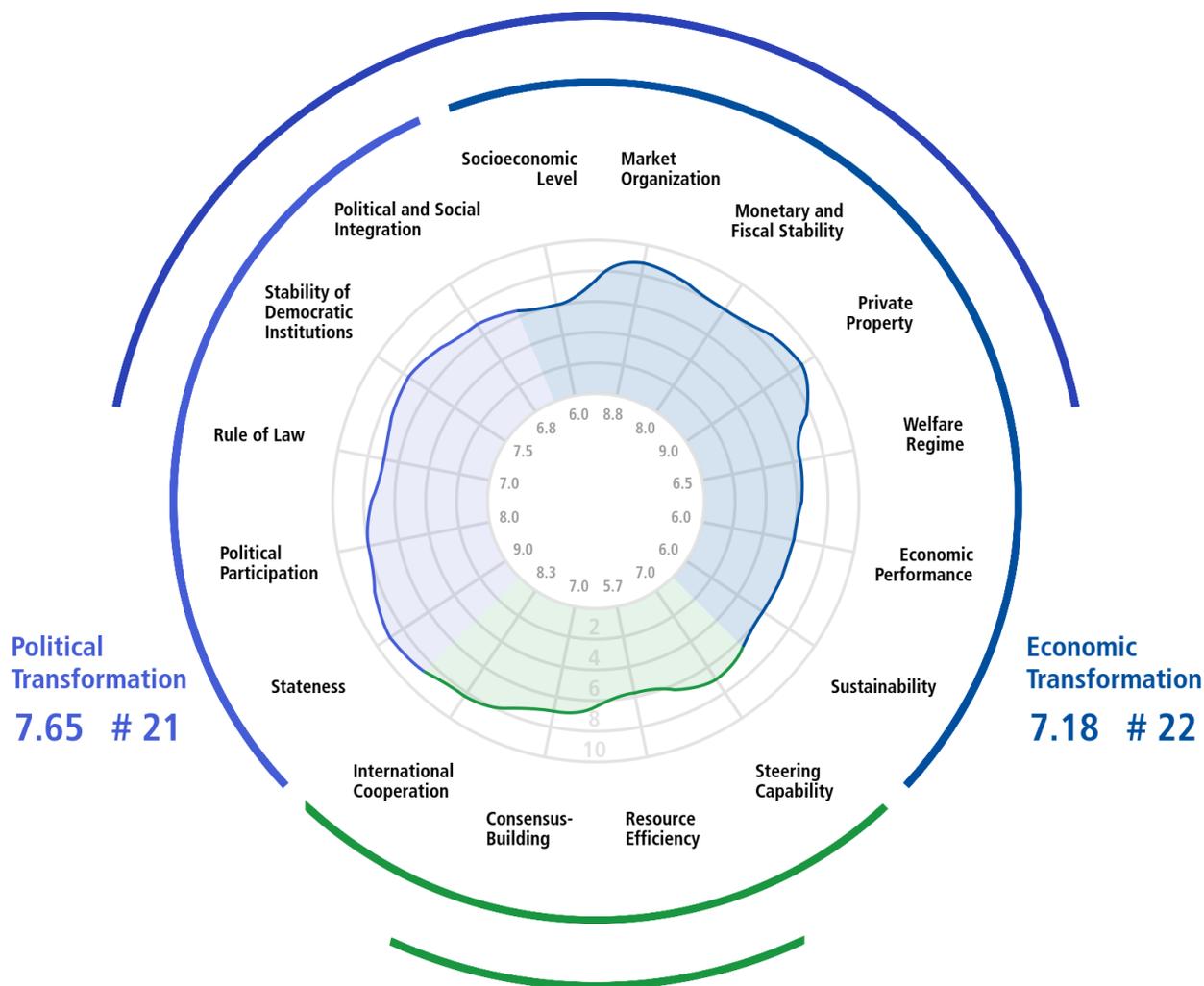


North Macedonia

Status Index

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on 1-10 scale out of 137



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on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	1.8	HDI	0.815	GDP p.c., PPP \$	26587
Pop. growth ¹	% p.a.	-2.0	HDI rank of 193	68	Gini Index	33.5
Life expectancy	years	75.3	UN Education Index	0.752	Poverty ³	% 7.5
Urban population	%	59.9	Gender inequality ²	0.112	Aid per capita \$	226.8

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

North Macedonia has spent the past several years in geopolitical limbo. Although the country formally began accession talks with the European Union on July 19, 2022, by holding the inaugural intergovernmental conference, the future of the process remains uncertain. The first step of the talks – the explanatory and bilateral screening of North Macedonian and EU legislation – concluded in November 2023. But progress toward EU membership is threatened by an ongoing dispute with neighboring Bulgaria, which does not recognize the Macedonian language, challenges how shared historical events are presented in North Macedonian textbooks, and demands recognition of an alleged Bulgarian community in the country.

According to the 2021 census, 3,504 people in North Macedonia identified as Bulgarian. The government in Sofia considers all North Macedonian citizens who hold Bulgarian passports – often obtained to gain the right to work and live in the European Union – to be Bulgarians. North Macedonia’s current government has rejected Sofia’s demand and said it would consider the issue only with delayed implementation, meaning after the completion of the entire EU accession process, to avoid additional conditions.

The former ruling party, SDSM, was widely seen as too conciliatory in its dealings with Bulgaria. It was also viewed as deeply flawed on corruption and, especially, governance, as the final stage (2022 – 2024) of its seven-year rule was led by a largely unknown prime minister surrounded by high-profile officials with unremarkable credentials. As a result, SDSM suffered a landslide defeat in the April and May 2024 parliamentary and presidential elections, leaving VMRO-DPMNE with a near-absolute majority of 58 seats in the 120-seat parliament. VMRO-DPMNE’s presidential candidate, Gordana Siljanovska-Davkova, also defeated SDSM’s incumbent, Stevo Pendarovski, by a 36-point margin in the runoff vote.

Since July 2024, VMRO-DPMNE has governed the country under party leader Hristijan Mickoski in coalition with the nominally center-left but de facto nationalist new party For Our Macedonia – ZNAM, and the new ethnic Albanian party alliance VLEN (“It’s Worth It”). One major consequence of the change in government has been the move to the opposition of the Democratic Union for Integration (BDI), widely viewed as severely corrupt. Its former deputy prime minister, Artan Grubi, fled the country in December 2024 to escape corruption charges.

The current political landscape leaves little room for optimism over the deadlock on constitutional changes. Apart from SDSM, none of the ethnic Macedonian parties that won seats in the 2024 elections showed any willingness to negotiate seriously with Bulgaria. The opposition party Levica – nominally far-left but in practice ultranationalist – even called for suspending EU accession talks unless Bulgaria drops its demands.

With only 19 seats in parliament, SDSM has emerged from the elections as a weakened force, despite a leadership change that brought former Health Minister Venko Filipce to the helm. Still, VMRO-DPMNE could use its strong political position to begin paving the way for a compromise, especially after the next local elections scheduled for fall 2025. For now, it is difficult to predict what such a compromise might look like, given Bulgaria’s insistence on the immediate entry into force of any constitutional changes regarding the alleged Bulgarian minority, as well as its own unstable political situation after several inconclusive elections in quick succession.

In the wake of Russia’s invasion of Ukraine, North Macedonia has faced a difficult period, including economic strain due to its openness and dependence on global supply chains. Inflation fell back to single digits in 2023 and ended 2024 at about 4%, while real GDP growth remained positive, if modest, suggesting a soft landing and gradual return to more normal conditions. Food prices remain high amid modest, inconsistent and poorly enforced price controls. The previous SDSM-led government introduced several minimum wage increases, boosting consumption without hurting employment, but the new VMRO-DPMNE-led government has given no indication it will continue that policy.

A major opportunity as well as a source of risk for the country is the recently secured \$520 million loan from Hungary at a favorable interest rate. Its intended use remains unclear, and it ties the country to one of Europe’s most illiberal governments. The Hungarian loan has pushed North Macedonia’s external public debt above 60%. Medium- to long-term prospects for the economy remain uncertain given its dependence on foreign trade and vulnerability to the unfolding global trade war. A mitigating factor could be Germany’s planned increases in public spending. Germany is North Macedonia’s largest trading partner, and exports to the country typically account for about one-fourth of North Macedonia’s GDP.

History and Characteristics of Transformation

The statehood of the Republic of North Macedonia within its current borders dates back to August 1944, when it became one of the six constituent republics of the Socialist Federal Republic of Yugoslavia. Independence was declared on September 8, 1991, after the collapse of Yugoslavia. According to 2021 census results, ethnic Macedonians make up 58% of the population, while Albanians are the largest minority at 24%. The country has been governed by large, ethnically mixed coalitions, with the nationalist, center-right VMRO-DPMNE, currently incumbent, alternating as the senior coalition partner with its main adversary, SDSM, a center-left party. Since 2002, the party formed by the leaders of the former National Liberation Army in the aftermath of the 2001 armed conflict – the Democratic Union for Integration – has been a nearly constant coalition partner in power, with the exception of 2006 to 2008 and since 2024.

In 2001, long-standing grievances and demands for a wide range of collective rights among ethnic Albanians, combined with a deterioration in security capabilities following the 1999 Kosovo crisis, led to a limited armed conflict between Albanian rebels and government forces that caused several hundred casualties. The European Union and the United States helped mediate a prompt resolution to the conflict, culminating in an agreement that the warring parties signed in August 2001. This agreement, known as the Ohrid Framework Agreement (OFA), aimed to address the demands raised by ethnic Albanians through political and constitutional reforms. The OFA introduced power-sharing measures, including the double-majority principle for key parliamentary decisions (requiring consent from minorities represented in parliament), municipal decentralization, official recognition of minority languages, representation of minorities in public administration and confidence-building initiatives.

To prevent further conflicts, the government signed a Stabilization and Association Agreement (SAA) with the European Union in 2001 to liberalize trade and establish an institutional framework for cooperation. In December 2005, North Macedonia officially became a candidate for EU membership. However, North Macedonia's integration into the European Union still faces domestic challenges, including the need for reforms and the establishment of an efficient rule of law. Externally, ongoing debates within the European Union over enlargement and a bilateral dispute with neighboring Bulgaria pose additional obstacles to North Macedonia's EU membership.

The long-standing name dispute with Greece, another major bilateral conflict that impeded EU and NATO integration, was resolved on June 12, 2018, with the Prespa Agreement. The country agreed to change its constitutional name to the Republic of North Macedonia, to define its citizens as "Macedonians/citizens of the Republic of North Macedonia" and to continue to call its language Macedonian. These changes were implemented through constitutional amendments, which were approved by a two-thirds majority in parliament. After the agreement was ratified by the parliaments in both countries and the Accession Protocol for North Macedonia to NATO was ratified in all NATO member states, North Macedonia joined NATO as its 30th member state on March 27, 2020.

A controversial privatization process in the 1990s set the stage for a free-market economy, but it left many people unemployed and socially excluded, and it decimated the country's already weak industry. It also paved the way for large-scale corruption and severe economic inequality. Despite basic macroeconomic stability, the country struggled with low growth rates until the mid-2000s.

The main economic strategy of successive Macedonian governments has been to attract (largely foreign) investment through relatively low taxes, straightforward legal procedures for the launch and operation of (foreign and domestic) businesses and low labor costs. However, these efforts have had mixed results. The government softened the negative impact of the 2008 financial and economic crisis and continued to make considerable efforts to promote North Macedonia as an investment destination, yet failures to ensure the rule of law have endangered the viability of economic growth. In addition, internal and external debt increased along with unproductive public spending, flawed tax collection capabilities and stagnating or even declining human capital indicators, calling into question the sustainability of the economic model.

While many of these challenges persist, some negative trends – particularly in media and political freedoms – have been reversed since 2017, when VMRO-DPMNE's controversial 11-year rule ended. That period was later described by the European Union and many international observers as “state capture.” Although such concerns are now largely outdated, governance remains weak and high-level corruption pervasive. The country is currently governed by a partly reformed VMRO-DPMNE as the senior coalition partner, alongside several mostly new ethnic Albanian and other minority parties.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Republic of North Macedonia maintains a monopoly on the use of force within its territory, and no organized armed groups currently challenge the state's legitimacy or authority. Nonetheless, in the past the country has faced internal and external challenges, mainly along ethnic lines. In 2001, implementation of the Ohrid Framework Agreement (OFA) brought a peaceful resolution to the limited armed conflict, preventing a potential civil war. Yet the lack of reconciliation and post-conflict justice continues to leave interethnic relations fragile and prone to politicization, as four war crimes cases were dismissed through amnesties in 2011. In May 2015, a violent clash between an ethnic Albanian armed group and Macedonian special forces left 18 people dead, including eight police officers. The case was settled in court with heavy sentences, including seven life terms, though the motives remain unclear.

The legitimacy of the nation-state is rarely challenged, but internal national and ethnic tensions persist. While the scale of interethnic violence has certainly decreased, nonlethal confrontations remain prominent, particularly in the western part of the country, which is largely inhabited by ethnic Albanians. A recent example occurred in November 2024 during the celebration of Albanian Flag Day, when ethnic Albanians burned the Macedonian flag, resulting in eight arrests. The ruling coalition, led by VMRO-DPMNE and VLEN, has repeatedly accused the main ethnic Albanian opposition party, BDI, of attempting to destabilize the country. This comes in response to BDI's threats of protests and its claim that the status of Albanians in North Macedonia is threatened.

Ethnic voting remains a prominent feature of North Macedonia's political landscape. Most ethnic Albanian citizens continue to vote for ethnic Albanian parties, which have no distinct ideological identity beyond advancing the rights of Albanians in North Macedonia. Parties representing smaller ethnic groups generally enter pre-election coalitions led by one of the two major Macedonian parties to improve their chances of parliamentary representation.

Question
Score

Monopoly on the
use of force

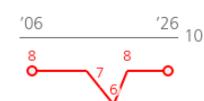
10



1

State identity

8



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Contrasting attitudes between ethnic Macedonians and Albanians also reflect differing national priorities and geopolitical outlooks. North Macedonia's EU accession process remains stalled due to Bulgaria's demand that ethnic Bulgarians be mentioned in the preamble to the constitution. The proposal has been widely opposed by ethnic Macedonians and partly explains the defeat of the ruling SDSM – which was more open to the request – in the 2024 parliamentary and presidential elections. It has, however, received strong backing from ethnic Albanians, who have made EU accession a priority. The issue has strained societal cohesion and continues to challenge the ruling coalition, as VMRO-DPMNE remains firmly opposed to any constitutional changes while VLEN “is ready to vote [for them] today,” according to Afrim Gashi, the president of the Assembly of North Macedonia.

By law, all citizens enjoy equal civil rights and liberties. Although no ethnic, religious or cultural group is formally excluded from obtaining citizenship, statelessness remains a significant problem, particularly for the Roma community. In 2017, about 600 Roma were still unable to acquire citizenship because of missing documentation dating back to the country's transition from Yugoslavia. In 2023, parliament adopted amendments to the Law on Civil Registry Books aimed at eliminating statelessness, enabling many people, particularly Roma, to obtain birth certificates and thus citizenship.

In addition, certain minority groups, such as the Roma, continue to face discrimination. The European Court of Human Rights has flagged recent cases of Roma segregation in primary schools in Bitola and Shtip. The Ohrid Framework Agreement (OFA) contains legal provisions to ensure the inclusion and representation of minorities. One such provision, the double-majority (“Badinter”) principle, requires that laws directly affecting culture, language use, education, personal documentation and the use of symbols be approved by a majority of members of parliament representing minority communities. At the end of the review period, four of the 17 government ministers were ethnic Albanians, as were one of the five deputy prime ministers and the speaker of parliament.

However, serious concerns remain that minority employment has been politicized and used to cultivate clientelist ties with voters. The “equitable distribution” principle, known as the “balancer,” was intended to ensure fair representation of minorities in public administration through employment quotas. In practice, it became a partisan clientelist tool that undermined meritocracy. Multiple investigations have uncovered absenteeism and preferential treatment for members of ethnic Albanian parties. Amid constitutional concerns over the freedom to express national affiliation and the prohibition of employment discrimination, the Constitutional Court declared the ethnic balancer unconstitutional in October 2024.

Article 19 of the Macedonian constitution outlines the separation of church and state and establishes the legal status and rights of churches. In practice, however, religious groups and organizations are not treated equally. The Macedonian Orthodox Church and Islamic religious communities receive preferential treatment and often have close ties to those in power. New Christian and Islamic denominations – particularly those that challenge the dominance of established religious organizations – face obstacles to registration and in carrying out their activities. Most Macedonian citizens, regardless of their ethnic group, consider themselves religious, although religious attendance has been in decline.

Although the state is secular and religious doctrine does not shape the legal order, church officials continue to engage in public affairs. In July 2023, the Macedonian Orthodox Church organized a protest against proposed gender-related laws that sought to incorporate gender and the individual right to legally change one's gender into national legislation. The provision on gender in that law has yet to be adopted, leaving decisions on gender change to the discretion of administrative officials. Still, the influence of religious organizations on legislation and policy appears limited in practice. For instance, the annual Pride Parade has been held in Skopje since 2019 and has been attended by senior government officials despite objections from religious leaders.

The public administration provides most basic services throughout North Macedonia, although sometimes with less success in rural areas. Between 98% and 99% of the population has access to sanitation facilities and water sources. Over the years, many governments have attempted to reform public administration with limited success. In December 2024, Goran Minchev, the newly elected minister for public administration, announced four new laws aimed at ending employment based on party affiliation and establishing a merit-based system. Nonetheless, clientelistic linkages continue to challenge these reforms in practice, as many state institutions are filled with card-carrying members of one of the governing parties, who, on average, are more likely to engage in work absenteeism.

While basic services remain available, occasional scandals continue to surface. Before the Constitutional Court struck down the “balancer” – a system designed to ensure proportional ethnic representation in public administration – some ethnic Macedonians reportedly identified as Albanians, and vice versa, to secure public sector jobs. Tax collection also remains a persistent challenge, with the informal economy estimated at between 21.3% and 33.6%, according to a 2023 analysis by Finance Think.

Efforts to reform and improve the efficiency of public administration are ongoing, but its large size – 128,879 employees in 2023, down by about 3,000 since 2021 – continues to strain the state budget and hinder alignment with EU standards.

No interference of religious dogmas

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Basic administration

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2 | Political Participation

Presidential and parliamentary elections were held in North Macedonia in spring 2024. The president is elected by popular vote under a majoritarian system. In the 123-member parliament, 120 MPs are elected using a closed-list proportional system in six electoral districts, while three MPs are elected under a majoritarian system in three overseas electoral districts. Parties are legally required to have at least 40% of each gender on their party lists.

Turnout in the first round of the presidential elections was 49.9%. Since no candidate secured more than 50% of the vote from all registered voters, the two leading candidates – Gordana Siljanovska-Davkova of VMRO-DPMNE, who won 41.2% of the vote, and the incumbent president, Stevo Pendarovski of SDSM, who won 20.49% – advanced to the second round, which was held alongside the parliamentary elections. In the runoff, turnout was slightly lower at 47.5%, partly due to a tacit boycott by BDI, which sought to challenge the 40% turnout threshold. Siljanovska-Davkova won by a landslide, securing 69% of the vote.

Turnout for the parliamentary elections was 55.4%. Corruption, EU integration, Bulgaria’s demands and the dire economic conditions were the most significant issues of the campaign. VMRO-DPMNE, the main opposition party, won in a landslide, securing 58 seats, while the incumbent SDSM won only 18 seats, its worst performance in parliamentary elections to date. BDI, an ethnic Albanian party and a member of the incumbent governing coalition, also won 18 seats, while VLEN, a newly created coalition representing the interests of the Albanian minority, won 14 seats. The Left (Levica), a far-left, anti-establishment nationalist party, and ZNAM (For Our Macedonia), a new culturally conservative party formed largely by senior former SDSM members, each won six seats.

Both the parliamentary and presidential elections were calm and well administered, and all candidates accepted the results. Media coverage of candidates and political parties was generally fair. International observers from the OSCE/ODIHR noted that the elections were “competitive, and fundamental freedoms were respected,” with an overall positive assessment. As in previous elections, the country suffers from a lack of consistency in the electoral code, which is often updated during the campaign, and in the updating and auditing of the voter register. The outdated nature of the voter register has significant implications for data quality – particularly given the 40% threshold required to elect a president – and raises suspicions of irregularities. Additionally, about 100,000 citizens had invalid ID registrations due to the name-change deadline under the Prespa Agreement. Although amendments were passed shortly before the elections to enable these citizens to vote, implementation was hindered by unclear instructions.

Free and fair elections

8



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Democratically elected political representatives have effective power to govern. North Macedonia has no military, clergy or political groups with veto power that could undermine democratic procedures. However, since the completion of a controversial privatization process in the 1990s, business elites now wield substantial influence over political processes. Moreover, the separation of powers, while constitutionally defined, is not always implemented in practice. The executive branch holds significant power over the legislative branch and, more recently, has criticized and sought to exert public influence over the judiciary. Prime Minister Hristijan Mickoski has regularly criticized the state of the judiciary and has threatened to dissolve the Judiciary Council as a first step toward restoring the rule of law.

Moreover, external actors, particularly major Western governments and EU representatives, are perceived as having significant influence over government decision-making. A notable recent example of foreign influence in domestic politics is the U.S. Department of State's formal blacklisting of government officials involved in significant corruption; Artan Grubi, a former deputy prime minister, is the latest case.

Article 20 of the Macedonian constitution guarantees the right to freedom of association and assembly. The Law on Associations and Foundations, adopted in 1998, was last amended in 2022 to prohibit the use of names, nicknames or pseudonyms related to fascism, genocide or Nazism.

Crucially, the pressure on and stigmatization of civil society, which characterized the late period of the previous VMRO-DPMNE-led government (2006 – 2017) and included attacks by pro-government media and senior politicians, have diminished considerably since 2017. Most recently, Prime Minister Hristijan Mickoski emphasized the importance of cooperation with civil society in policy creation and implementation, which is a significant departure from his party's traditional positions.

While North Macedonia is a conservative society, an annual Pride event was held in 2023 and 2024 with a moderate police presence and no significant incidents.

The main Albanian opposition party, BDI, has threatened protests and destabilization in response to the Constitutional Court's judicial review of the constitutionality of ethnic quotas and the extended use of the Albanian language. Recently, the party established a camp in front of the Constitutional Court building during deliberations, and the protests remained peaceful. No major instances of police brutality toward protesters – an area of considerable concern before 2017 – have been observed recently. By contrast, in light of the Day of the Albanian Flag celebrations, during which the Macedonian flag was desecrated, the police responded cautiously, partly due to the fragile ethnic context. Overall, however, the country continues to exhibit a relatively weak culture of public demonstrations, with many policy failures, government scandals or controversial decisions failing to attract significant street protests.

Effective power to govern

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Association / assembly rights

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Article 16 of the Macedonian constitution guarantees freedom of personal conviction and public expression of thought, and a legal framework is in place to protect freedom of speech. Government control of the media has been significantly reduced compared with the period of rule by VMRO-DPMNE and Prime Minister Nikola Gruevski. There is no systematic control of the media, although occasional incidents of pressure and legal threats against journalists occur. More recently, there have been a couple of incidents in which Macedonian journalists' vehicles were burned. In several cases, the Agency for Audio and Audiovisual Media Services and the Association of Journalists of Macedonia have responded strongly when government officials have threatened the media with lawsuits, labeling such actions as pressure on the media.

The media landscape remains polarized, although some improvements have been made in recent years. Freedom of information legislation is in place and effective, and government pressure on journalists has decreased significantly, although there are still occasional reports of self-censorship by editors and media owners wary of alienating the government. About 39% of female journalists in North Macedonia who have experienced harassment have engaged in self-censorship on social networks, according to an OSCE report. Disinformation is common. Because the online media environment is highly unregulated, many web portals publish unverified content, often with nationalist themes. Hate speech also remains widespread and is rarely addressed by public institutions, despite broad legislation and criminal provisions that should regulate it effectively.

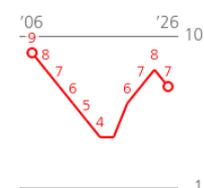
3 | Rule of Law

In North Macedonia, power is divided among the three branches of government: the legislative (the parliament), the executive (the president, the prime minister and the government) and the judiciary. The Constitutional Court, a body of the Republic that protects constitutionality, legality and individual rights, is constitutionally defined and independent of the division of powers. The executive dominates the legislative branch, with parliamentarians almost invariably voting along party lines. Similarly, allegations that the executive dominates the judicial branch persist – most recently, the president of the Judicial Council, Vesna Dameva, resigned in response to public pressure from top government officials.

The president holds a mainly ceremonial role with limited substantive powers, such as serving as commander in chief, appointing ambassadors and recommending members of judicial bodies. The president possesses a suspensive veto and may veto legislation once but must accept it if the bill passes again. Because both the government and the president are affiliated with the same political party (VMRO-DPMNE), cooperation has been relatively smooth, with only one suspensive veto on a recent bill. North Macedonia has a notable history of poor cooperation between the president and the prime minister during periods of interparty cohabitation from 2006 to 2009 and 2017 to 2019.

Freedom of expression

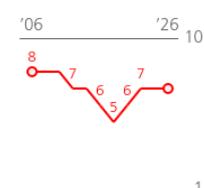
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Separation of powers

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The parliament is functioning but polarized, with some willingness to move toward cooperation. A recent example is the Jean Monnet Dialogue to build interparty dialogue and consensus, which resulted in a new and comprehensive parliamentary Rules of Procedure document, adopted in late 2023.

Since the election of a new president in June 2024, the Constitutional Court has taken on a more prominent role by reviewing two sensitive pieces of legislation: the ethnic employment quotas and the Law on the Use of Languages, the latter of which had been pending for five years and was highlighted by the Opinion of the Venice Commission as imposing “unrealistic legal obligations on the public institutions.” The work of the court, particularly in these cases, has been met with public threats, primarily from top BDI members, and by protests. For these reasons, the court’s recent decision to invite foreign experts and seek an amicus curiae has been publicly perceived as influenced by domestic political pressure.

The rule of law and the independence of the judiciary remain fundamental challenges for Macedonian democracy. However, the judiciary is significantly more independent than it was before the major political crisis of 2015 to 2017, when executive interference in the judiciary turned the country into a captured state.

Many scandals have overshadowed the work of the Macedonian Judicial Council. In 2023, a majority led by Vice President Selim Ademi (supported by BDI) dismissed President Vesna Dameva after she attempted to initiate a disciplinary proceeding against Judge Enver Bexheti (who is currently blacklisted by the U.S. State Department for significant corruption). After a week of deliberations behind closed doors and in a nontransparent process, the council elected a new president. In response, Dameva filed a lawsuit and was eventually reinstated as the Judicial Council’s president. This scandal further eroded public trust in the judiciary, prompting the European Union to send an evaluation mission to assess the council’s work. The recent elections of Danka Ristova to the Judicial Council and Ardian Demiri to the Council of Public Prosecutors were overshadowed by allegations of political influence. Ristova is married to Aco Ristov – the mayor of Radovish from VMRO-DPMNE – while Ardian Demiri is said to have close ties to First Deputy Prime Minister Izet Mexhiti. Both denied any political influence.

Historically, the Macedonian judiciary has ranked among the least trusted institutions in public opinion surveys – according to a recent national survey by the International Republican Institute, only 1% of Macedonian citizens have complete trust in the judiciary. The new government initially agreed to reform the system by dissolving the Judicial Council and the Council of Public Prosecutors and by allowing judges to elect one another. Although Prime Minister Hristijan Mickoski abandoned those plans, the executive and the legislature still seem willing to dismiss five members of the Judicial Council elected by the parliament to reduce political influence in the council. The proposed reforms include reform of the penal code and the Law on the Judiciary Council, among others.

Independent
judiciary

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The legal framework for prosecuting office abuse is largely in place. However, the relevant institutions lack resources. These bodies need to increase capacity and improve horizontal cooperation – for example, between the State Commission for Preventing Corruption and the public prosecutor – because only a limited number of cases have been processed. Progress in this area was recently achieved with the establishment of investigative centers within the Public Prosecution’s Office. This led to a significant increase in cases processed by these centers – from 150 in 2022 to 280 in 2023. Some high-profile abuse-of-power indictments were handed down in 2023 and 2024 against incumbent officials in the top echelons, such as former First Deputy Prime Minister Artan Grubi and the former director general of Power Plants of North Macedonia, for a combined misappropriation of \$15.3 million. As the review period ended, legal proceedings against them were ongoing, and international arrest warrants were in place because both were unavailable to law enforcement.

In 2023, the parliament passed amendments to the penal code that reduced sentences for state officials who abuse their positions or misappropriate public funds, drawing criticism from the European Union and major Western allies. Immediate consequences have included the obsolescence of five cases brought by the former Special Prosecution Office (SPO) involving former top government officials and a case involving the former secretary-general of the then-incumbent government. The new government has opposed these amendments publicly (although there are allegations that it supported the amendments privately when it was in opposition) and has reinstated the previous provisions in the new draft of the penal code. This new draft is under review by the European Commission and is expected to be enacted by the end of the first half of 2025.

Civil rights are guaranteed by the constitution, and in principle there are institutions to protect them, such as the Ombudsman, the Commission for Prevention and Protection against Discrimination and the Directorate for Personal Data Protection. Although there has been recent progress with the election of members of the Anti-Discrimination Commission, some of these high-profile institutions remain staffed by political appointees rather than experts. In 2020, the parliament passed a new, comprehensive Law on Prevention and Protection against Discrimination, which, among other things, introduced sexual orientation and gender identity as discriminatory grounds.

Certain vulnerable groups often face discrimination and violations of basic rights. This is particularly evident in the Roma community, where fundamental rights to education and health care, as well as children’s rights to protection from forced labor, are frequently neglected. A recent European Court of Human Rights (ECHR) judgment found that two primary schools violated the rights of Roma children by practicing school segregation.

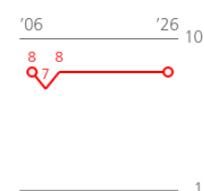
Prosecution of office abuse

6



Civil rights

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In 2023, the Commission for Prevention and Protection against Discrimination handled 599 cases, issuing 521 decisions, including 59 Opinions confirming instances of discrimination – marking a record high. The professionalization and promotion of the Commission’s work have contributed to higher public trust, and the public is increasingly aware of its existence and work.

In light of an ECHR ruling on gender identity, the previous government proposed amendments to the Law on Civil Registry to permit legal gender change. However, due to societal pressure, particularly from religious groups, the proposed changes were halted in parliament. Although it is currently possible to legally change one’s gender – with 14 transgender people having successfully done so – these decisions are discretionary, and there is no established legal framework or procedure.

Lastly, prison infrastructure is poor, and facilities remain overcrowded. One example of these inhumane conditions is when up to eight inmates are confined to a 4-square-meter space, instead of the legally required two.

4 | Stability of Democratic Institutions

After the May 2024 parliamentary elections, the parliamentary majority led by VMRO-DPMNE (which also includes VLEN and ZNAM-For Our Macedonia) holds 78 seats in the 120-member parliament, well above the threshold for a simple majority. This wide margin has proved convenient for the majority in passing legislation, some of which require a two-thirds majority. Yet parliamentary debates remain polarized, with a lack of consensus between the parliamentary majority and the opposition on many issues.

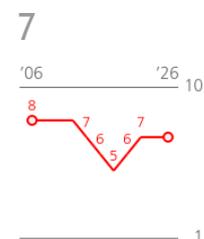
Institutional performance has been a more serious issue at the local level, including deadlocks caused by opposition party blockades in city councils. For instance, the mayor of Skopje, Danela Arsovska, has been in serious disagreement with the party that nominated her and holds the majority in the city council (VMRO-DPMNE); as a result, decisions have been delayed and blocked. Recently, the public transport enterprise ran out of fuel and had to draw on national reserves.

The functioning of the judiciary, public administration and vital institutions is generally unimpeded by such constraints.

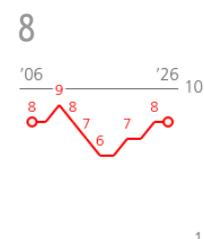
In principle, all relevant actors, including citizens, political parties, associations, civil society organizations and the military, tend to accept democratic institutions as legitimate. Their legitimacy, however, is indirectly challenged by the still widespread instances of abuse of power discussed elsewhere.

While in opposition, the political party VMRO-DPMNE opposed using the country’s new constitutional name for symbolic and political purposes, yet it fully participated in the country’s political life and in democratic institutions such as parliament and local government. After winning the 2024 elections, it accepted the new constitutional name as a legal reality, although politicians (both in government and

Performance of democratic institutions



Commitment to democratic institutions



sometimes in the opposition) largely continue to use the name “Macedonia.” The Judicial Council, despite the legal authority of its decisions, continues to face significant criticism because of the political affiliations of its members and the influence exerted by political factors.

5 | Political and Social Integration

Although smaller parties have emerged and often disappeared since independence in 1991, VMRO-DPMNE and SDSM have alternated in power and remain the most significant players.

Since the 2002 change to a proportional representation system with six electoral districts, VMRO-DPMNE and SDSM have led coalition blocs in elections. At the same time, ethnic Albanian parties have sought political reforms to improve the status of Albanian citizens in North Macedonia. The Democratic Union for Integration (BDI), founded by the leaders of the National Liberation Army – a rebel group involved in the 2001 conflict – has been part of ruling coalitions during the periods from 2002 to 2006 and 2008 to 2024. BDI’s dominance among ethnic Albanian parties has been contested by: (a) the Alliance for Albanians (AA), which promotes Albanian nationalism and mobilizes former supporters of the Democratic Party of Albanians; and (b) the BESA Movement, a conservative ethnic Albanian party. In the 2024 parliamentary elections, the AA, the BESA Movement, the Alternative and the Democratic Movement joined forces in the VLEN coalition. Although VLEN won 14 seats in parliament, as opposed to BDI’s 18 seats, VMRO-DPMNE chose VLEN as its government partner, citing BDI’s 16 consecutive years in power and accusations of corruption.

Ethnicity is the primary source of political division, and ethnic nationalism remains a significant driver of political mobilization, even as political adversaries within ethnic groups are also intensely divided. This has been and continues to be particularly true of ethnic Albanian parties before and after the 2024 elections. From the opposition, BDI accuses the ethnic Albanian parties in the governing coalition of undermining the rights of ethnic Albanians. In 2020, SDSM formed the first Macedonian-Albanian pre-election alliance with BESA, building on its 2016 multiethnic appeal. However, its coalition with BDI (2017 – 2024) and Talat Xhaferi’s interim premiership alienated many anti-establishment Albanians, leading to a return to ethnic-based voting in 2024.

In the ethnic Macedonian party bloc, Levica, a nationalist and at times Albanophobic left-wing party, expanded to six seats in 2024. ZNAM-For Our Macedonia, a centrist party also with six seats, seeks to bridge VMRO-DPMNE and SDSM, blending left-wing economic policies with a culturally right-wing emphasis on Macedonian identity.

Party system

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Clientelism plays an important role in party support. After taking power, all major political parties find ways to distribute public goods to targeted groups. The public administration workforce remains large, for example, and subsidies for farmers and pensions are high. In return, the parties expect political and voter support, though not as explicitly as under the VMRO-DPMNE government led by Nikola Gruevski.

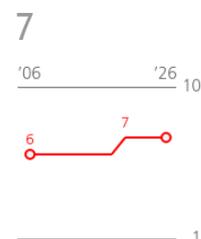
The two main parties, VMRO-DPMNE and SDSM, are highly centralized and generally loyal to their leaders, Prime Minister Hristijan Mickoski and opposition leader Venko Filipche, respectively. Despite the party's 2021 introduction of direct elections for the party leader by all members, SDSM remains highly centralized. Party officials, individual legislators and members of parliament rarely, if ever, express disagreement with the party's political course – the ongoing dispute with Bulgaria is a rare exception.

Broadly speaking, parties in North Macedonia represent societal interests. All the parties discussed here are pro-EU and pro-NATO (except Levica), aligning with the population's high support for these institutions. Moreover, while VMRO-DPMNE and SDSM nominally hold opposing positions on the two-dimensional ideological spectrum – economic and social – both parties have in the past largely governed within the confines of a neoliberal economic consensus.

The previous government led by SDSM significantly increased openness and transparency in communication between government institutions and NGOs. For instance, the Strategy for Cooperation between the Government and Civil Society (2022 – 2024) aimed to create a stronger working relationship between the NGO sector and the government. However, under both the previous and the current government, the NGO sector, while publicly influential, has very limited policy impact. For instance, a working group of NGO representatives was involved in drafting changes to the penal code. However, the final amendments adopted in 2023 reflected political priorities rather than expert or civil society recommendations and – in some cases – appeared to contradict them.

Although the government announced a robust national tripartite social dialogue among government, workers and employers to address public policies and laws, implementation has been weak. While the legal framework for social dialogue is sufficient, social partners' involvement in policymaking and decision-making remains limited. Most major unions remain largely ineffective and reactive, a reality perhaps unsurprising given the traditional alignment of the largest union with the ruling party. However, unions – less influential under the previous SDSM-led government – have begun to assert themselves in response to proposals to raise the retirement age to 67 under the new VMRO-DPMNE-led government. In addition, employers recently intensified their efforts to reverse the “Non-working Sunday” regulation, expressing heightened concern over its impact.

Interest groups



In January 2023, cultural workers assumed an unusually prominent interest-group role in response to allegations of a clientelistic appointment to the directorial post at Skopje's Youth Cultural Center. After thousands of citizens took to the streets in Skopje to defend the independence of the cultural scene, the appointment was reversed.

A December 2023 opinion poll conducted by Gallup International shows that 48% of citizens believe democracy is the best form of government, while 17% regard it as inferior to other systems. The 48% figure is down from 51% in 2022 and 61% in 2021 (both opinion polls conducted by the International Republican Institute).

According to a 2024 survey by the Macedonian Center for International Cooperation, public trust in institutions is declining, with the lowest confidence in the judiciary (14.4%), the Public Prosecution Office (16.9%) and the State Commission for the Prevention of Corruption (22.6%), while the Army remains the most trusted institution at 67.8%.

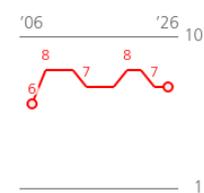
Trust in government in North Macedonia stands at just 17%, the lowest level recorded in the 2024 Balkan Barometer and far below the regional average of 37%. Albania reports the highest trust at 54%, followed by Serbia at 46% and Kosovo at 43%. Montenegro, at 38%, is close to the regional average, while Bosnia and Herzegovina also reports low trust at 24%.

Social capital has increased over the past decade, and family and close interpersonal relationships show relatively high levels of trust. Even so, only 15% of respondents in 2022 agreed with the general statement "most people can be trusted," a figure that aligns with regional standards. Trust between ethnic Macedonians and ethnic Albanians remains relatively low, and there is a widespread perception that the other group is more privileged – a divide that dates to the ethnic conflict of 2001.

Regarding grassroots cultural and other civic associations, North Macedonia follows the broader post-socialist trend toward informal relations, with citizens mostly socializing privately, outside formal membership in groups or organizations. The NGO sector is funded mainly by international donors rather than by local citizen groups or domestic funders, which can occasionally lead to suspicion and mistrust among the general public regarding NGOs' missions and objectives.

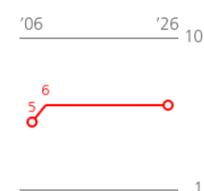
Approval of democracy

7



Social capital

6



II. Economic Transformation

6 | Level of Socioeconomic Development

According to the 2022 Human Development Index – the most recent data available – North Macedonia ranks 83rd out of 193 countries, with a score of 0.765. This places the country below Albania and all other former Yugoslav states except Kosovo. However, on the Gini coefficient – where lower scores indicate less inequality – North Macedonia performs better than most of the region, posting a relatively low score of 34 in 2019, the latest year with available data. Wealth inequality, by contrast, is widely viewed as more severe than income inequality, largely because the country lacks an inheritance tax and has low property taxes.

Both absolute and relative poverty rates have risen in recent years. The Macedonian Anti-Poverty Platform estimates that in 2023 nearly 28% of the population lived in moderate poverty (on less than €3.5 a day) and more than 3% in absolute poverty (on less than €1 a day), with both figures up by more than one-third compared with the pre-pandemic period. Among children and teenagers under 17, the poverty rate climbs to 30.3%. The economic fallout from Russia's war in Ukraine, along with the expiration in early 2024 of food price caps introduced to cushion these effects, likely contributed to the increase in poverty. Several minimum-wage hikes during the reporting period have only partially offset this trend.

Gender disparities persist as well. About 40.5% of adult women have at least a secondary education, compared with 56% of men. Labor market differences are even more pronounced: As of 2024, 46% of women were economically inactive, compared with 22% of men. North Macedonia's score on the Gender Inequality Index was 0.134 in 2022, one of the highest – and thus most unfavorable – in the region.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	14000.3	13932.4	15763.6	16685.2
GDP growth	%	4.5	2.8	2.1	2.8
Inflation (CPI)	%	3.2	14.2	9.4	3.5
Unemployment	%	15.8	14.5	13.2	13.4

Question
Score

Socioeconomic
barriers

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Economic indicators		2021	2022	2023	2024
Foreign direct investment	% of GDP	5.0	6.1	4.1	7.0
Export growth	%	14.3	10.6	-0.6	-3.8
Import growth	%	14.8	13.6	-5.8	-0.6
Current account balance	\$ M	-374.8	-869.0	56.6	-374.4
Public debt	% of GDP	52.7	50.4	50.8	54.8
External debt	\$ M	10871.2	11639.7	12614.3	-
Total debt service	\$ M	1542.7	1081.7	1732.8	-
Net lending/borrowing	% of GDP	-5.3	-4.3	-4.6	-
Tax revenue	% of GDP	17.4	17.7	17.9	-
Government consumption	% of GDP	15.8	15.0	14.9	16.8
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	4.6	4.3	-	-
R&D expenditure	% of GDP	0.4	0.4	0.4	-
Military expenditure	% of GDP	1.5	1.6	1.7	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The legal foundations for a competitive market economy are largely established in North Macedonia. The market economy is more firmly established than in most Western Balkan countries except Albania. Business regulations are relatively efficient, and administrative reforms have cut red tape and shortened bankruptcy and company registration procedures. Prices are mostly determined by market forces. Cross-border mobility of labor and capital is largely unimpeded.

To attract foreign direct investment, North Macedonia offers a wide range of incentives, including unrestricted foreign ownership of companies; corporate and income tax benefits for foreign firms; rebates on construction, machinery and equipment investments; and favorable land-lease rates. A streamlined regulatory framework further supports investment.

Market organization

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However, structural obstacles to investment and innovation persist, including political instability and corruption. According to the International Labour Organization, the informal sector has declined significantly in recent years, representing 9.9% of employment in 2021 – a lower share than in much of the region. The local think tank Finance Think, however, estimates the informal economy at between 21% and 40% as of 2024.

North Macedonia has anti-monopoly laws and institutions in place. The Commission for Protection of Competition is responsible for enforcing competition rules. Recent legislative changes – including alignment of the Criminal Code with the Law on Protection of Competition – allow for leniency procedures. Still, the commission lacks adequate staff, technical expertise and stable funding. Awareness of competition rules among stakeholders is also limited. Strengthening enforcement will require more on-site inspections and full implementation of the European Union’s leniency policy. Concerns remain about the independence and capacity of the courts to adjudicate antitrust cases. Companies facing compliance challenges may request exemptions for horizontal and vertical agreements through self-assessment.

Anti-monopoly institutions and legislation are in place in North Macedonia. The Commission for Protection of Competition (CPC) is responsible for anti-monopoly measures. Legislative changes – including aligning the Criminal Code with the Law on Protection of Competition – permit leniency procedures. However, the CPC remains understaffed and lacks expertise and a stable source of funding. Moreover, stakeholders have limited knowledge of the rules and procedures. The CPC’s enforcement policy must be strengthened by increasing the number of on-site inspections and actively implementing the EU leniency policy.

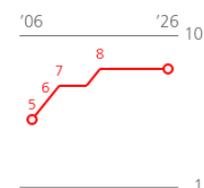
Concerns persist about the independence and capacity of the courts to handle antitrust cases. Companies facing capacity constraints may seek an exemption from horizontal and vertical agreements through self-assessment.

Foreign trade has been extensively deregulated in North Macedonia, and the state does not fundamentally interfere in free trade. The country is a member of the World Trade Organization and the Central European Free Trade Agreement. It is deeply integrated into global markets, with total trade amounting to roughly 160% of GDP in 2022. As of 2023, the World Bank reported a relatively low simple average most-favored-nation tariff rate of 6.5%.

Under the Stabilization and Association Agreement, North Macedonia has fully liberalized trade with the European Union since 2014. There are no restrictions on payments, financial transactions, transfers or the repatriation of profits. Germany, Serbia and Bulgaria are its main export partners, while imports primarily come from Germany, the United Kingdom, Greece and Serbia. The country remains heavily dependent on Germany: About 40% of its exports go to the German market, representing roughly one-quarter of North Macedonia’s GDP.

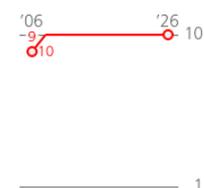
Competition policy

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Liberalization of foreign trade

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As expected for an economy that traditionally relies on imports, the trade deficit remains substantial. From January through November 2024, the deficit reached 40.3%, according to the National Statistics Office – slightly higher than in previous years. The gap widened in part because exports to Germany fell by 14% in the first half of 2024 alone.

North Macedonia has a strong capital market, with foreign investors owning about 75% of the country’s banking sector. According to the World Bank, the country’s financial stability indicators outperform those of many of its regional peers. Fourteen commercial banks operate nationwide, but as of 2021, the three largest – Komercijalna Banka, Stopanska Banka Skopje and NLB Tutunska Banka – held a combined market share of more than 58%. North Macedonia’s banks have adhered to the Basel regulatory framework since 2016.

Non-performing loans (NPLs) accounted for 2.7% of total loans in 2023, continuing several years of steady decline and remaining below the average for the Western Balkans. Most NPLs are corporate and concentrated in the three major banks.

Performance varies widely across individual banks, which are regulated by an independent supervisory authority. Several smaller banks have struggled in recent years. Even so, public trust in the banking sector is comparatively high: According to an International Republican Institute survey from October 2022, 56% of citizens said they trust banks “somewhat” or “a great deal,” placing them ahead of other public and private institutions.

8 | Monetary and fiscal stability

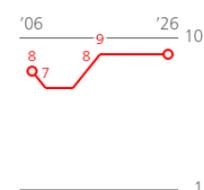
Monetary policy and anti-inflation measures fall under the purview of the National Bank of the Republic of North Macedonia (NBRM). The NBRM is an independent institution whose governor has a strong mandate.

The national currency, the Macedonian denar, is de facto pegged to the euro at an exchange rate of 61.5. The NBRM buys or sells foreign currency to keep the denar trading within a very narrow band around this rate.

Inflation remained remarkably low until 2022, aligning with trends in the European Union, North Macedonia’s main trading partner. Major supply shocks stemming from Russia’s invasion of Ukraine resulted in double-digit inflation in 2022. In 2023, price growth returned to single digits, albeit still at a historically high annual rate of 9%. This remained one of the highest inflation rates in Europe, largely due to the highly integrated nature of North Macedonia’s economy and the resulting higher vulnerability to supply disruptions, as well as insufficient anti-inflation measures. Food price controls were applied sporadically and too briefly to benefit consumers. As inflation began to slow, price caps were replaced with caps on retailers’ profit

Banking system

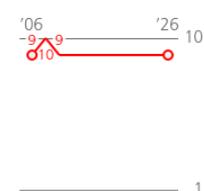
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Monetary stability

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margins, but even these were imperfectly enforced. The latest such attempt occurred in September 2024, when profit margins on 70 essential food products were capped at 10% for one month. Persistently high prices prompted a popular one-day citizen boycott of all supermarket chains on January 31, 2025, amid reports that Vero, a major chain, had a profit margin that exceeded 10% in 2024.

The annual inflation rate returned to a more manageable 4.2% in 2024, still above real GDP growth and the NBRM's inflation target of 2%. As inflation slowed, the NBRM lowered interest rates, largely in line with decisions by the European Central Bank. By the end of 2024, the policy rate fell to 5.8% – still high by historical standards – down from 6.3% in 2023.

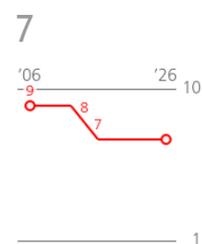
North Macedonia's total reserves rose from \$3.6 billion at the end of 2022 to \$4.3 billion by the end of 2023 before falling again to \$4 billion in June 2024.

Given the de facto peg to the euro, successive governments have focused on maintaining price stability and external balance through macroeconomic policies. The country's fiscal discipline and well-functioning coordination between fiscal and monetary policy have been confirmed by international financial institutions. Until the COVID-19 pandemic, public debt was about 40% of GDP. Since then, however, it has been rising, reaching 51.4% of GDP in 2021 and 60% at the end of 2024. The increase was somewhat gradual until the injection of the \$520 million Hungarian loan at the end of 2024. The loan will be distributed 50-50 to local municipalities and businesses over the coming months and will be repaid to Hungary by the government at a below-market interest rate.

The fiscal deficit fell to 4.5% of GDP by the end of 2024, down from the 5.7% peak in June 2024, as several pre-election stimulus packages provided by the SDSM-led government in spring 2024 expired. The deficit remains far higher than the European Union's recommended level of 3% of GDP and is expected to grow once disbursement of the Hungarian loan begins in 2025. The national budget for 2025 totals about \$7 billion, or close to 40% of the country's 2024 GDP.

Despite strong political pressure from parts of its electorate to introduce a progressive income tax consistent with its social-democratic credentials, the SDSM-led government opted to maintain the country's flat income tax at 10%. According to Finance Think, a local research institute, the informal (gray) economy could account for 21% to 40% of GDP.

Fiscal stability



9 | Private Property

The constitution guarantees property rights to citizens and investors. Foreign investors may acquire property if they register a company in North Macedonia. In general, property rights are adequately defined regarding the acquisition, use, benefits and sale of property.

The Agency for Real Estate Cadaster has worked to clarify property rights for every cadastral parcel in North Macedonia. To advance this effort, the Law on Real Estate Cadaster was amended in 2014 to allow free property registration in selected municipalities. Subsequent governments expanded the initiative, enabling both citizens and legal entities to register property without paying a fee. As a result, more than 100,000 cadastral parcels – including 60,000 parcels of agricultural land and 40,000 parcels of construction land – were registered between 2014 and 2021.

The legal framework for a functioning private sector is in place. However, enterprises face unstable regulation in areas such as licensing and judicial enforcement.

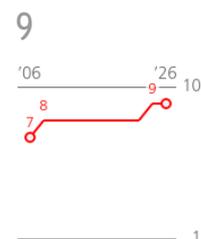
The share of state-owned enterprises (SOEs) remains high, particularly in the energy, banking, water supply, communal utilities and public transportation sectors. Many SOEs are unprofitable, and various governments have undertaken efforts to privatize, or find private partners for, several SOEs that have accumulated losses over the past decade. For example, the National Post Office operates at a loss and continues to be publicly owned despite a series of privatization attempts over the years. Progress in this area could enhance market competition and efficiency in certain sectors.

The privatization of state companies has consistently followed market principles in recent years. However, privatization efforts remain marked by a number of suspicious and harmful decisions, resulting in many job losses. Some parties have raised the issue of changing the statute of limitations for the privatization period, implying that criminal activities have taken place in certain cases. Nevertheless, there have been no recent developments on this matter.

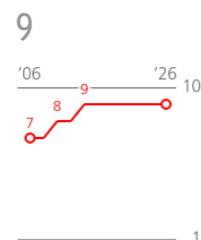
10 | Welfare Regime

Some social safety nets are in place, with about one-third of the annual budget going to social transfers such as pensions, social protection and child protection. However, because of the country's relatively poor overall economic performance, these safety nets do not fully mitigate poverty or address risks associated with old age, illness, unemployment and disability. The public health care system, which primarily operates on an insurance basis, typically requires only modest copayments in limited situations. The system's poor quality was exposed during the COVID-19 pandemic, when North Macedonia experienced one of the highest excess mortality rates in the world.

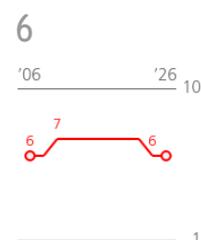
Property rights



Private enterprise



Social safety nets



Pensions are adjusted to reflect salary growth and amount to about 40% of the average salary. The government has tentatively proposed gradually raising the retirement age to 67 for men (currently 64) and 65 for women (62), but they are unlikely to become law soon given their unpopularity and the fact that the country has one of the smallest gaps between average retirement and life expectancy in Europe. Unemployment benefits have amounted to about 50% of a recipient's average salary over the previous two years, and duration depends on length of employment, with a maximum of 12 months for individuals who have worked 25 years or more.

The record on family policy is mixed. While fully paid maternity and parental leave (with nonmandatory fathers' days) is currently available for nine months, child benefits are scarce. They are almost exclusively targeted at low-income households, and public childcare facilities are overstretched and often have long waiting lists. The post of national demography coordinator has been created to advance policy responses to population aging, potentially including pronatalist measures, which were a signature policy of the previous VMRO-led government until 2017. A proposal to extend parental leave and introduce "use-it-or-lose-it" fathers' days has been stalled in the national parliament for years.

Equal opportunity is constitutionally guaranteed and was reinforced by the adoption of the Law on Prevention of and Protection Against Discrimination in 2019. Primary school enrollment remains high (97.5%), with no significant gender gap. Enrollment rates in secondary and tertiary education are 91.5% (even though secondary education is mandatory) and 53.4%, respectively, with women outnumbering men in tertiary education by a ratio of about 1.3 to 1. In the past, the VMRO-DPMNE-led governments promoted wider access by opening decentralized universities throughout the country. However, this has come at the expense of education quality.

Women have the same legal status as men but do not enjoy the same rights in practice. For example, they are under-represented in senior positions in the private and public sectors and own less property. While a 40% gender quota is in place for party lists in parliamentary elections, women remain severely under-represented in mayoral and ministerial positions. In 2024, women made up only 39% of the total labor force, and the female inactivity rate remains among the region's highest at 46%, with 27% of unemployed women citing unmet childcare needs as the reason for not seeking employment. These gaps stem primarily from the expectation that women will provide unpaid domestic care, a lack of institutional support and unpaid work in family businesses and farming. Some progress has been made on gender equality, notably since the ratification of the Council of Europe's Istanbul Convention in December 2017. The existing laws on gender equality are adequate but often poorly implemented.

Ethnicity is another important source of discrimination, with particularly high rates of poverty and, in rarer instances, statelessness still observed among the ethnic Roma population. Gender, ethnicity and geographical location often intersect in discrimination, with rural Roma women particularly hard hit.

Equal opportunity

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A 2023 World Bank report found that unemployment among LGBTQ+ people in North Macedonia was 13.5% to 15% higher than the national average. The report found that GBTI men had the greatest wage losses – three times those of women – and that workplace discrimination was most commonly reported by bisexual and intersex people. The exclusion of the LGBTQ+ community from the labor market results in a fiscal loss of 0.13% of North Macedonia’s GDP.

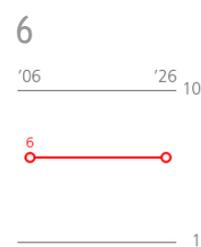
11 | Economic Performance

Real (inflation-adjusted) GDP per capita has grown continuously yet modestly since 2021, rising 1% in 2023 and 1.8% in 2024. Annual GDP per capita was \$24,873 in 2023. Growth is projected to accelerate in 2025 to around 3%. These growth rates remain well below the last pre-pandemic figure of 3.9% in 2019.

Foreign direct investment (FDI) inflows fell considerably from \$817 million in 2022 to \$615 million in 2023, yet still equaled a relatively high 4% of GDP. Although these trends largely reflect broader economic conditions, increasing FDI inflows has been a major commitment by the new VMRO-DPMNE-led government, with one larger investment in wind energy already announced. An FDI-based growth model was the cornerstone of the previous VMRO-DPMNE-led government’s economic strategy (2006 – 2017).

The official unemployment rate was 12.5% at the end of 2024, after a steady decline from about 15% at the peak of the pandemic. Importantly, the series of increases in the minimum wage toward the end of the SDSM-led government’s rule does not seem to have hurt employment. With no new indications of wage increases under the new government and a gradual rebound of the economy as a whole, unemployment can be expected to fall further, although the country is still a long way from full employment. The rise in overall wages, thanks to minimum wage hikes, has boosted consumption and allowed many households to get through the massive inflation of recent years. With inflation down from its 14.2% peak in 2022, and with no excessive toll on economic growth, the country can be deemed to have undergone a soft landing from the supply shocks of recent years. The service sector is generally in a good state, while the manufacturing sector remains somewhat affected by fragile economic conditions in Germany, the country’s biggest export market.

Output strength



12 | Sustainability

The government is increasingly focused on addressing environmental concerns. By offering various investments and subsidies, it encourages businesses, schools and private policy enterprises to transition to renewable energy. The country has also taken steps to reduce its dependence on coal. However, the notorious REK Bitola coal-fired power plant remains the main source of electricity. Authorities have fined it, and experts and campaigners have criticized it over the years for failing to meet environmental standards. The construction of a large hydroelectric plant in the east – Cebren – has been blocked for years after several opportunities for foreign investment proved illusory.

The current government endorsed the Green Agenda for the Western Balkans in November 2020 as part of the EU-Western Balkans Berlin Process. However, implementation has been limited, according to the European Union's 2024 progress report. At the same time, the report found that the country was better prepared to join the European Union on environmental legislation than in most other policy areas.

Air pollution is a significant problem in major cities, resulting in an estimated tens of thousands of premature deaths a year. The World Health Organization reports that Skopje and Tetovo have Europe's highest levels of air pollution after Sarajevo, Bosnia and Herzegovina. Several factors contribute to air pollution: the use of wood for heating, old and unsustainable vehicles and outdated equipment in the metal industry. Air quality has improved little over the years, and successive governments have shied away from unpopular ideas such as limiting the number of cars on the road during periods of peak pollution.

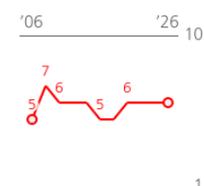
The budget for environmental protection remains extremely low at 1.33% of total public spending. There is a striking lack of political representation for green policies and ideas, as none of the current parliamentary parties identify with green platforms.

According to the latest available data, North Macedonia ranks below most other Southeastern European countries in the U.N. Education Index (0.70 in 2022, slightly down from 0.72 in 2021). However, the literacy rate is high (98%), and school enrollment has improved over the past two decades mainly because secondary education became compulsory in 2008 (although enforcement is imperfect). Access to higher education has also improved through decentralized university programs. The education system has been slow to address the mismatch between the skills required by the labor market and what is taught, partly because of too many compulsory subjects, too few optional courses and limited on-the-job training for teachers, though efforts are underway to modernize vocational education.

The quality of education has stagnated over the years. Public spending on education is about 4% of GDP, lower than the EU average. A large share of North Macedonia's

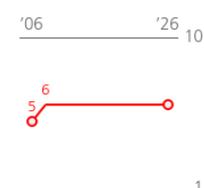
Environmental
policy

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Education policy /
R&D

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young population is functionally illiterate. The country has consistently received some of the lowest scores in Europe in all three areas of the PISA (Program for International Student Assessment) ranking of educational performance (reading, math and science). Efforts to adapt primary and secondary education to the needs of digitalization were made during the COVID-19 pandemic, but these initiatives were suboptimal and have been partly abandoned since.

The country consistently performs poorly in the Programme for International Student Assessment (PISA) rankings. In 2022 – the latest available data – North Macedonia scored about 100 points below the OECD average in reading, mathematics and science, with the largest gap in reading.

Educational infrastructure, resources and capacity require significant improvement and investment. R&D expenditure remains low at 0.4% of GDP. The government continues to stimulate investment through the National Innovation Fund to support SMEs. However, there are concerns about the sector's weak absorption capacity and serious indications that funds have been granted to individuals close to high-ranking government officials.

The functioning and management of public education institutions, including universities, are far from optimal. No public or private university in the country ranked among the world's 1,000 best in the 2024 Shanghai Rankings.

Governance

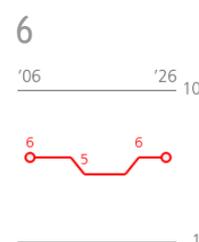
I. Level of Difficulty

North Macedonia faces significant structural governance constraints. Unemployment has generally declined over the past decades. However, as of the end of 2024, it remained relatively high at 12.3%. More importantly, North Macedonia has historically had one of the highest youth unemployment rates in the world, consistently above 50% until 2015. While the rate has since improved to around 22.5%, in 2023, the country still ranked second in Europe for youth unemployment and among the top 25 globally. A large part of the population, especially women, is officially inactive due to traditional norms, lack of childcare facilities and informal work on family farms and in family businesses. The estimated size of the informal economy ranges from 21.3% to 33.6%, according to a 2023 analysis by Finance Think, making the gray economy a structural constraint on the country's economic development. In 2023, 32.6% of the population was at risk of social exclusion. GDP per capita is rising but remains 59% below the EU average.

The country has no strategically important natural resources. Significant parts of the country, particularly in the east, remain poorly connected, and the number and length of highways are insufficient. Several major transportation infrastructure projects are underway, but some have been delayed by both abuses under the VMRO-DPMNE-led governments in the early 2010s and a lack of progress under the SDSM-led government. In 2024, the VMRO-DPMNE-led government pledged to prioritize infrastructure development along Corridor VIII and Corridor X, though results remain to be seen.

North Macedonia is located in a region historically troubled by political instability. The country experienced a brief interethnic armed conflict in 2001 that was peacefully resolved after intervention by the international community; nonetheless, ethnic divisions remain prominent, and tensions occasionally flare. Despite these challenges, a wide range of policies was implemented to improve the position and rights of minority communities following the armed conflict. The country joined NATO in 2020, but its EU membership prospects remain bleak. The failure to adopt constitutional amendments concerning the Bulgarian minority and potential future obstructions by Bulgaria over linguistic and historical matters hinder the country's progress.

Structural
constraints



Since gaining independence, North Macedonia has maintained certain aspects of a functional civil society, characterized by a variety of civil society organizations (CSOs), social movements and associations. This stems from the legacy of the Yugoslav era, during which neighborhood associations actively encouraged engagement at the local level; organizations such as women’s groups, youth organizations, fire brigades and cultural and sports clubs were prevalent. This tradition of civic engagement has persisted in the post-independence period, with an estimated 5,000 to 6,000 registered CSOs. However, they largely depend on donor funding and often lack substantial institutional capacity, as donors typically prioritize specific projects over long-term organizational development. Only a small number of CSOs operate on a membership basis. The Law on Associations and Foundations enshrines the legal rights, obligations and functioning of civil society in the country.

Civil society has been politicized, at times strongly, over the past decade. Before and immediately after the Colorful Revolution, the government led by VMRO-DPMNE and Prime Minister Nikola Gruevski publicly denounced the NGO sector, including politically motivated prosecutions. NGOs and civil society played a crucial role in the Colorful Revolution that led to the ousting of Gruevski and the subsequent change of government.

A notable positive example of the civil sector’s work is the nonprofit media organization Investigative Reporting Lab. Following its August 2022 documentary “Dirty Blood” on COVID-19 treatment at a prominent private hospital, it released two more documentaries: “Murder in Tetovo,” which exposes the corruption and negligence that led to 14 deaths in a fire at a modular hospital, and “Stolen Lives,” which exposes a scam involving the theft of ID cards and sensitive private information of North Macedonian citizens. These scandals have led to criminal investigations by authorities.

Political tensions persist, although conflicts among members of the political elite no longer involve violence or hostilities. Clashes in the parliament occur sporadically but generally do not escalate. In the past two years, such clashes have almost always involved those affiliated with the Levica party.

However, society remains highly divided along social, ethnic, political and religious lines. Government and opposition parties alike exploit ethnicity to advance policy proposals, a practice that further polarizes communities. Most parties are defined by ethnicity, although most ethnic Macedonian parties do so implicitly. The implementation of the 2018 Prespa Agreement and the 2022 French proposal to include the Bulgarian minority in the constitution have further strained an already fragile social landscape. Recent incidents of violence include ethnic Albanians burning the Macedonian flag during a November 2024 celebration that also involved gunfire. In January 2024, ethnic Macedonians blocked a primary school in Čaška to protest the Ministry of Education’s decision to allow Albanian minority students to receive instruction in their native language.

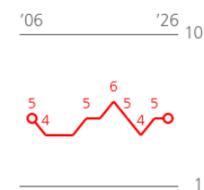
Civil society traditions

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Conflict intensity

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II. Governance Performance

14 | Steering Capability

Each year, the government sets its strategic priorities and develops corresponding strategic frameworks with action plans. In addition, individual ministries and local governments set priorities within their strategic units and sectors.

Since independence, the strategic priority of every North Macedonian government has been integration into the European Union and NATO. The VMRO-DPMNE government elected in 2024 campaigned on a platform known as 1198, focusing on projects to improve quality of life in the country. Since taking office, it has prioritized combating corruption, upholding the rule of law, establishing a functional administrative system and advancing infrastructure development.

Coalition interests shape longer-term policy perspectives. A lack of cooperation between the government and the opposition often hinders effective longer-term prioritization. Experts and the opposition are not substantively involved in policy planning. Efforts to seek advice from experts and civil society are usually initiated – and funded – by the international community and are conducted on an ad hoc basis.

As noted in the 2024 European Commission progress report, the government has yet to implement some of its main strategic priorities effectively, such as fighting corruption and improving public administration. Overall, a more comprehensive, collaborative and cross-institutional approach is needed to implement reforms at the national and local levels, along with collaboration with civil society. Despite repeated pledges from successive governments to reform the judicial system, no meaningful progress has been achieved toward greater efficiency, leaving trust at persistently low levels. The European Commission also notes limited progress in strengthening judicial independence. While the progress report commends the country for harmonizing some of its legislation with European laws and standards, particularly in Common Security and Foreign Policy, gaps remain in other areas, and more progress is needed.

On paper, the government takes policy learning seriously. For instance, all national and local policy strategies are developed and regularly updated; European Commission progress reports are taken seriously and are often accompanied by action plans. However, the public and experts frequently question the effectiveness of policy learning in practice because many subsequent strategies feature similar language, particularly regarding the judiciary. For instance, the Development Strategy for the Judiciary (2017 – 2022) and the subsequent strategy for the period from 2024 to 2028 share similar language and goals.

Question
Score

Prioritization

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Implementation

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Policy learning

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A persistent problem is the severe shortage of researchers and policymakers to evaluate and monitor policies and action plans. To address this, the government typically invites domestic and international experts to join working groups. However, these initiatives are often driven by international agencies and the NGO sector. This limits government institutions' capacity to address issues with sustained institutional knowledge and to achieve meaningful progress.

15 | Resource Efficiency

The government uses only a portion of the available resources. Successive governments have promised to reform public administration, but it remains highly inefficient, in part because of overemployment. There is no merit-based employment system, and patronage remains widespread. Politically motivated dismissals and appointments were less common under both governments than during VMRO-DPMNE's previous rule (2006 – 2016), but they continued. For example, the newly appointed director of the State Agency for National Security, Bojan Hristovski, was a member of the ruling VMRO-DPMNE until less than a year before his appointment.

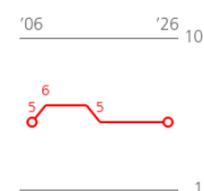
Over the past two decades, the country has suffered a brain drain of educated young people, with about 10% of citizens emigrating (IMF 2023). The scholarship program for Macedonian students at leading universities worldwide is a particularly striking example of the government's inability to provide employment for educated youth. Although these students are contractually obligated to return and work in the public sector, the government often prefers to hire party members rather than use their potential.

State debt stood at 56.9% at the end of the review period. It is manageable but has been rising, particularly after the 2024 \$1 billion loan from Hungary. Public finances still lack transparency. Although transparency in planning and implementation has improved, a mismatch persists between plans and expenditures. In addition, certain major outlays remain shielded from public scrutiny, such as the controversial, confidential \$1.3 billion contract with Bechtel-Enka to build parts of the Pan-European highway corridors VIII and X. Progress has been made in disclosing the travel and meal expenses of ministers and state officials, but scandals continue to emerge over officials overspending at restaurants.

The State Audit Office releases annual and special reports on the operations of public institutions. While these reports occasionally highlight potential instances of corruption or misuse of public funds – such as 14 tenders in 2023, all awarded to a single firm by the Ministry of Digitalization and Administration – they rarely lead to formal investigations.

Efficient use of assets

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Since 2013, North Macedonia has had 80 municipalities, with the City of Skopje as a special unit of local self-government comprising 10 municipalities. Municipal financial autonomy remains low. VMRO-DPMNE has proposed a new law on local self-government for consultation. The proposal aims to increase transparency and accountability in local self-government, a response to the public's discontent with Danela Arsovska's performance as mayor of Skopje.

There is functional policy coordination, but it remains heavily dependent on stakeholders' party affiliations. Coordination among the prime minister, the cabinet and the president has largely been smooth, as they are affiliated with VMRO-DPMNE. The president holds limited powers, and slight disagreements generally arise when the president uses a suspensive veto. President Siljanovska-Davkova, elected in 2024, has used a veto only once.

Parliamentary commissions chaired by opposition members sometimes obstruct the review process, delaying legislation.

In the first half of the review period, policy coordination was severely strained between the SDSM-led central government and the municipalities, most of which were run by VMRO-DPMNE officials. The opposition party was frequently blamed for policy failures, and the central government at times restricted local government authority in certain areas. For example, mayors were stripped of their authority to appoint school principals; this responsibility fell to the Ministry of Education. However, cooperation between the central and local governments improved significantly following VMRO-DPMNE's victory in the 2024 parliamentary elections. The government has made decentralization a key priority, launching a \$260 million grant for projects to improve local quality of life and development. A number of informal and formal coordination mechanisms have been established within the central government to manage key strategic priorities, such as the EU accession process and reforms.

A bleak example of poor coordination continues to be Skopje, the capital, which has been governed by VMRO-DPMNE-nominated Mayor Danela Arsovska since late 2021. In addition to suboptimal coordination with the SDSM-led central government, Arsovska has also fallen out with VMRO-DPMNE, which holds a majority on the Skopje City Council. This has led to serious delays in key government decisions, most notably, severe disruption to public transportation in late 2024, when the public transportation company ran out of fuel.

The fight against corruption remains one of the most pressing issues in North Macedonia. Regulations and institutions to contain corruption, such as the State Commission for the Prevention of Corruption (SCPC) and the State Audit Office, are in place. Both bodies enjoy considerable independence and face significantly less government control and pressure than they did under the previous VMRO-led government. For instance, the 2019 Law on Prevention of Corruption and Conflict of Interest strengthened the SCPC's efficiency and capacity, a body that has been positively reviewed in the European Commission's most recent progress reports. An

Policy coordination

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Anti-corruption policy

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exception is the SCPC's decision allowing Bojan Hristovski to continue to serve as director of the National Security Agency despite possessing a forged English-language certificate. An SCPC member, Cveta Ristovska, who led Hristovski's case, has been accused of a conflict of interest, as she is associated with the University of Tourism and Management, where Hristovski obtained his diploma in 2023. All in all, although the commission has been proactive, issuing 1,455 decisions in 2023 on matters such as corruption, conflicts of interest, asset declarations and election campaign financing, challenges remain in the processing of cases. The public prosecutor pursues a limited number of cases, and even fewer lead to verdicts.

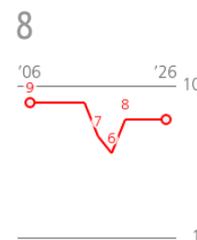
Transparency in public procurement has improved in recent years, following two major scandals involving the former secretaries-general of the government in the early years of the previous SDSM-led government. In 2019, North Macedonia implemented the Red Flag System to proactively identify and flag risky public procurement activities. In 2023, for example, about 40 procedures were flagged as high-risk by the Public Procurement Bureau and terminated. However, tenders still tend to be negotiated privately. According to the Center for Civil Communications, the value of such agreements totals \$294 million.

16 | Consensus-Building

The main political actors agree that establishing a stable democracy is a strategic long-term aim. All major parties, at least rhetorically, agree with the goals of NATO (achieved in 2020) and EU membership, although views on how to achieve this vary considerably – especially regarding the constitutional amendments to make progress in the EU negotiations. A rare exception among the main political parties is Levica, which opposes NATO membership and is ambivalent toward the European Union.

All major political actors support the market economy. Previous VMRO-DPMNE-led governments attempted to diversify the country's international relations by reaching out to Russia, China and India, with the aim of diversifying and increasing foreign direct investment (FDI). However, these efforts were only partially successful. The SDSM-led government pursued policies to advance the market economy and strengthen social safety nets, though these efforts met with limited success amid rising inflation. In 2024, the new government signed an agreement with the Hungarian Export-Import Bank for two loans of \$520 million each. The move was criticized by the opposition, which feared that it would jeopardize the country's relations with the World Bank and the International Monetary Fund and hamper its EU accession prospects by bringing it too close to the illiberal Hungarian government.

Consensus on goals



The military and police are largely under civilian control, and recent governments have worked to improve the accountability of civilian intelligence services. However, the scandal involving the appointment of the director of the National Security Agency and his potential political affiliation with VMRO-DPMNE has raised concerns about impartiality.

The National Liberation Army, an ethnic Albanian guerrilla group that challenged the state in 2001, was demobilized after the conflict. Most of its organizational structure was transformed into the Democratic Union for Integration (BDI), a junior coalition partner in all governments from 2002 to 2006 and from 2008 from 2024. The political party Levica, represented by six MPs in the 120-seat parliament, has seen its popularity grow since 2016. However, the party has shown anti-democratic inclinations, particularly in the rhetoric of its president, Dimitar Apasiev, and other prominent members who have been involved in recent parliamentary incidents.

North Macedonian society is divided along ethnic lines. The power-sharing nature of the system has led to ethnic mobilization in the political arena. With the exception of SDSM in the 2016 parliamentary elections (and to a lesser extent in 2020), political parties primarily appeal to ethnic constituencies. This has strained already fragile ethnic relations over time. Institutional mechanisms are in place to defuse tensions – for instance, all coalition governments since 1992 have been multiethnic, and further mechanisms were outlined in the 2001 Ohrid Framework Agreement (OFA). The OFA introduced fair representation and the Badinter mechanism, which stipulates a double majority for bills concerning minorities, language rights and decentralization, to improve the status of minorities. These bills must win two separate majorities – one from the full parliament and another from members representing minority communities.

Significant divisions along ethnic lines have become prominent in North Macedonia's EU accession negotiations. The dispute with Bulgaria over historical, cultural and linguistic issues has deeply polarized the country: the winner of the most recent parliamentary election, VMRO-DPMNE, has shown little flexibility in opposing constitutional amendments, while all ethnic Albanian parties have demonstrated a willingness to compromise.

The religious divide, which seldom aligns with the ethnic divide, becomes prominent only on certain issues, such as abortion and LGBTQ+ rights. However, these issues are not contentious for most North Macedonian citizens, as most support abortion but oppose extending LGBTQ+ rights.

Anti-democratic actors

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Cleavage / conflict management

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Civil society organizations (CSOs) participate in public debates at national and local levels, but their role is ad hoc and relatively limited. This trend was established under SDSM-led governments and continued under the new VMRO-DPMNE-led government. Government bodies rarely hold public debates, and the legal requirements for these debates have been subject to varied interpretations. CSOs have participated in working groups on new legislation, but many have expressed concern that drafts they worked on were significantly altered during the adoption process because of political bargaining.

A limited but growing number of laws have been fast-tracked as “laws with a European flag” because of their alleged essential importance to the country’s EU integration – thus limiting public debate. In 2023, the amendments to the penal code that reduced sentences for state officials who abuse their position or misappropriate public funds were passed with “a European flag.” This drew significant criticism from major Western allies, and the EU Delegation repeatedly reminded the government that this tool should be used solely to harmonize national laws with the *acquis*.

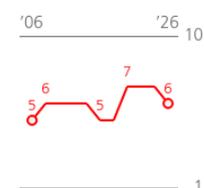
In the past, some significant political decisions have been made behind closed doors by leaders of the main political parties rather than through a transparent institutional process. For example, in 2022 the government accepted the French proposal for the negotiating framework of EU accession talks without public debate. This continues to cast a shadow over the country’s EU accession process.

North Macedonia experienced a brief interethnic armed conflict in 2001. The inclusion of ethnic minorities in government institutions and decision-making processes has improved significantly, alongside notable advances in their rights and equal representation. However, interethnic tensions remain a persistent source of political mobilization and unrest. No major effort has been made to address the country’s past or promote reconciliation, and no leading party members have expressed regret for the violence committed during the conflict. Even the SDSM, which has promoted the concept of “one society for all” since 2016, has not recognized the need to address historical injustices related to the 2001 armed conflict or the events leading up to it. The 2001 conflict remains a contentious issue in social discourse. Ethnic Macedonian politicians, particularly from Levica, have emphasized that amnesty should not extend to war crimes, while BDI has commemorated National Liberation Army (NLA) members and organized state-funded annual celebrations of the conflict, further fueling polarization.

Two members of the country’s security forces were tried by The Hague tribunal, only one of whom was convicted. In 2011, parliament issued an amnesty for war crimes that members of the National Liberation Army (NLA), an Albanian guerrilla group, might have committed but that were not addressed by the International Criminal Tribunal for the former Yugoslavia. It effectively prevented the victims of the armed conflict and their families from seeking justice. The amnesty was part of a previous coalition agreement between VMRO-DPMNE and BDI, the successor to the NLA

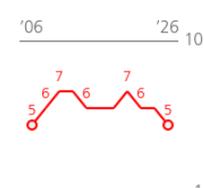
Public consultation

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Reconciliation

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and currently the largest ethnic Albanian party. Many former NLA members have held senior positions, including Talat Xhaferi, the country's first ethnic Albanian speaker of parliament and, briefly, prime minister before the 2024 parliamentary elections.

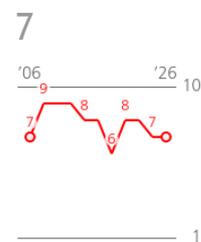
In April 2017, VMRO-DPMNE supporters stormed the parliament to prevent it from voting in an SDSM-led government. In 2018/19, Prime Minister Zoran Zaev (SDSM) called for national reconciliation, mainly because his government needed the support of opposition members of parliament to pass the constitutional amendments required to implement the Prespa Agreement, which resolved the name dispute with Greece. Since then, several parliamentarians and prominent conservative activists connected to the 2017 incident have been pardoned under a controversial, selective amnesty law, seemingly aimed at reconciliation. However, this has not been widely supported by the public. Recently, a case brought by the public prosecutor against the organizers of the 2017 storming of parliament (two former ministers, a former speaker of parliament and a former director of intelligence) was closed after six years under the amnesty law.

17 | International Cooperation

The government relies extensively on political and economic support from international actors, primarily the European Union and the United States. There has been a significant increase in the use of EU funds for structural reforms, along with efforts to seek assistance in implementing these reforms. The country is adopting a more proactive approach to promoting opportunities for citizens to use available foreign funds. Through the European Union's Instrument for Pre-Accession Assistance (IPA), support has been provided for socioeconomic development and fundamental reforms. For the period from 2021 to 2023, IPA III funding totaled \$276 million. However, the implementation of the long-term strategy still falls short, primarily due to party interests, political corruption and insufficient institutional capacities to operationalize this support. For example, in 2022 and 2023 alone, \$25 million and \$57 million, respectively, in EU funds remained unspent. This highlights the government's lack of effective strategic mechanisms and policy road maps to fully use international support, even when funds have already been allocated.

The EU and the United States contribute significantly to the socioeconomic development of the country through national and international aid agencies and support many NGOs. While international aid is often directed toward smaller towns and rural communities, the government fails to convert this support into sustained long-term strategies, continuing to prioritize urban centers.

Effective use of support



North Macedonia's credibility as a partner in international cooperation has been strong under the SDSM-led governments since 2017. The country has joined all diplomatic condemnations and sanctions against Russia since the beginning of its full-scale invasion of Ukraine and has harmonized its foreign and security policy with the European Union. In 2023, North Macedonia held the OSCE chairmanship, which culminated in the 30th OSCE Ministerial Council in Skopje. In 2024, Radmila Shekerinska, the former minister of defense during North Macedonia's NATO accession, was appointed NATO's deputy secretary-general.

Early in its term, the new VMRO-DPMNE-led government engaged with close allies of President Trump. In August, Prime Minister Mickoski met with Richard Grenell, former director of national intelligence, to discuss strategic projects, including the Chebren hydropower project. Mickoski was also one of the few European leaders invited to President Trump's inauguration. While in the United States, he held a series of meetings with representatives of the Macedonian diaspora, including Chris Pavlovski, CEO of Rumble, which hosts Truth Social, Trump's social media network. The meetings were followed by preliminary announcements of U.S. investment in digitalization. Although it is too early to assess the impact on credibility – amid tensions between the new U.S. administration and the European Union – EU allies want the country to remain fully aligned with the European Union's foreign policy.

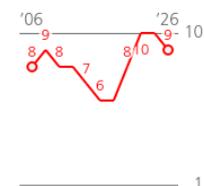
Progress on EU integration remains stalled because of delays related to the dispute with Bulgaria. The new government did not adopt the constitutional amendments and instead proposed amendments that Bulgaria and the European Union rejected outright. In its 2024 progress report, the European Union praised North Macedonia for strong compliance with the European Union's Common Foreign and Security Policy. The government generally respects international rulings and adheres to ratified treaties and conventions, but according to the European Implementation Network, 29% of key judgments from the past 10 years are still pending implementation.

North Macedonia continues to play a proactive role in regional cooperation. It is part of the Open Balkan initiative – a free economic zone with Serbia and Albania – designed to boost trade, expand student exchanges and support EU integration. The arrangement also allows citizens of the three countries to cross borders using only a national ID card, making travel easier and faster.

Economic and political cooperation with Greece expanded after the 2018 Prespa Agreement and the subsequent commitment to good-neighborly relations, although both countries now have governments whose ruling parties previously opposed the agreement, leading to sporadically tense rhetoric. Greece has supported North Macedonia's EU accession, even after the center-right New Democracy – previously opposed to the Prespa Agreement – came to power. However, ratification and implementation of three protocols of the agreement have remained incomplete since 2019.

Credibility

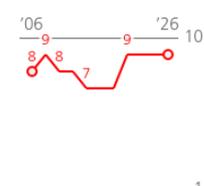
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Regional cooperation

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Most countries in the region, especially Serbia, are among North Macedonia's closest trading partners. Although economic relations with Bulgaria are largely stable, the political relationship remains highly fraught. This stems from Bulgaria's obstruction of North Macedonia's accession to the European Union over unresolved differences about common historical and linguistic legacies. The new EU-funded railway project linking North Macedonia and Bulgaria is expected to enhance collaboration between the two countries and boost mobility and market access, thereby strengthening economic ties. Although Kosovo is not part of the Open Balkans Initiative due to its disputed status and is not among North Macedonia's largest trading partners, economic relations between the two countries remain significant and stable.

Strategic Outlook

It is difficult to be optimistic about North Macedonia's geopolitical trajectory. Its core strategic objective – EU accession – remains jeopardized by the deadlock over required constitutional changes and by the chronic, and arguably growing, enlargement fatigue among EU member states.

Amid geopolitical uncertainty, strengthening the rule of law and combating corruption remain North Macedonia's primary challenges. Achieving meaningful progress will require decisive, measurable action, especially in implementing existing strategic plans and allocating the necessary financial and human resources. Political parties across the spectrum must also show genuine resolve to address corruption within their own ranks.

Bulgaria's obstruction of North Macedonia's EU accession talks risks reversing democratic gains and fueling deeper polarization, including a rise in political extremism – particularly along ethnic lines, given that ethnic Albanian parties broadly support the constitutional amendments. The negotiating framework for EU membership, accepted in summer 2022, reaffirmed Bulgaria's right to block the country at any stage of the accession process if it is not satisfied with steps taken toward resolving the bilateral dispute – a position Bulgaria is unlikely to cede any time soon. Should the VMRO-DPMNE-led Macedonian government decide to soften its stance, rebuilding trust with Bulgaria and negotiating acceptable language and timing for the constitutional changes will be a lengthy process. While it is unlikely that the European Union will side with the government and apply pressure on Bulgaria to drop its demands, Brussels would be well advised to do so, given the sensitivity of the issue, as any other approach might only further curb the (political and public) appetite for EU membership and further detract from the country's EU accession path.

Neither the dispute with Bulgaria nor the structural reforms needed domestically are likely to see a major breakthrough before the local elections scheduled for fall 2025. VMRO-DPMNE is on track for a comfortable victory, maintaining its dominance at the local level. An early parliamentary election held alongside the local vote seems unnecessary and improbable at this stage. In the medium to long term, concerns persist about VMRO-DPMNE's commitment to democratic governance, given the party's role in creating a “captured state” prior to 2017.

Several high-ranking officials from the previous party leadership remain influential in the current government, and there has been no substantive reckoning with its authoritarian legacy. These concerns have only grown since the government accepted a \$520 million loan from Hungary, where former party leader and Prime Minister Nikola Gruevski remains in exile to avoid serving prison sentences for abuse of power. Even so, civil liberties have not deteriorated, and no major corruption scandals have emerged in the government's first six months.

On the economic front, the global context is expected to remain stable, as most European countries have tamed inflation without sacrificing economic growth, benefiting North Macedonia's extremely open and trade-dependent economy. This could give the government room to claim credit for improvements and potentially attract significant foreign investment. Yet so far, there is no sign of a coherent economic strategy – or a credible team capable of shaping one. The government has not followed the broader European shift toward higher public investment and more active industrial policy. Instead, it continues to rely on a low-tax growth model, while leaving largely untapped the country's substantial potential for renewable energy development.