

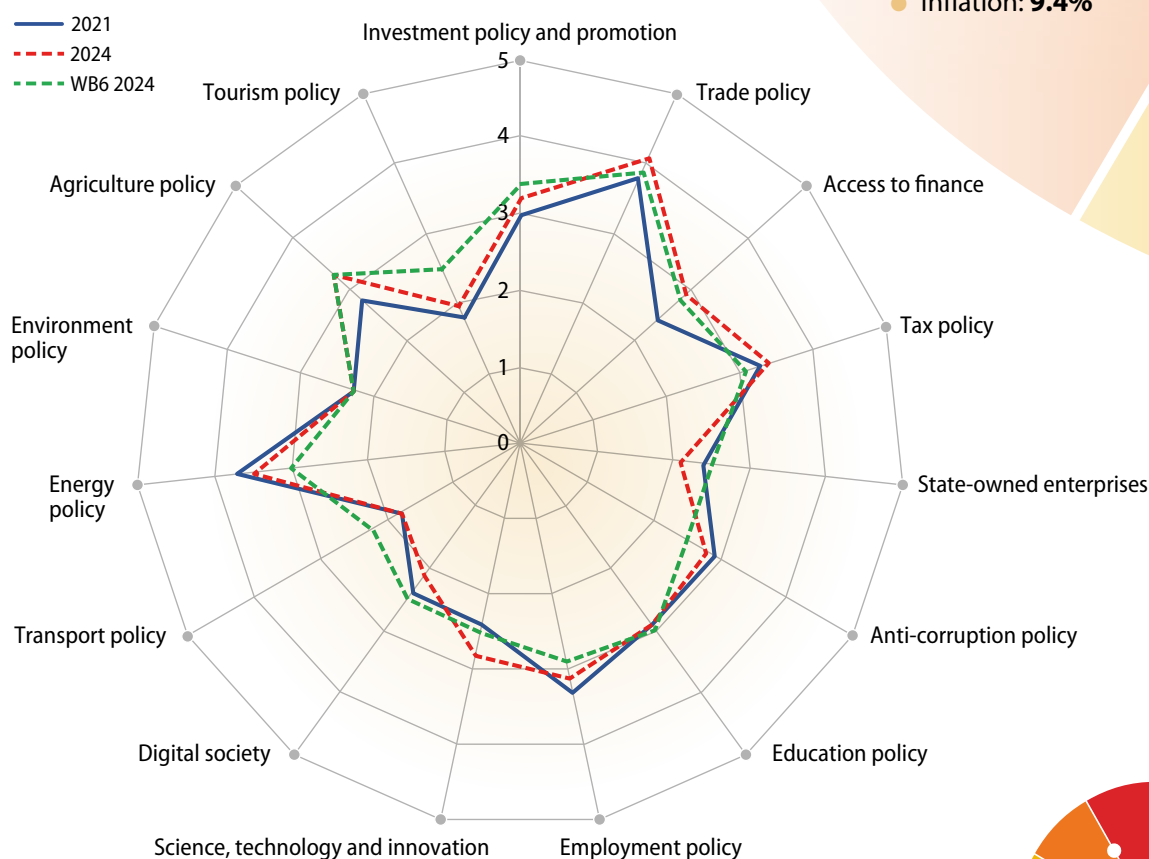
# Western Balkans Competitiveness Outlook 2024

OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

## North Macedonia

Since the *Competitiveness Outlook (CO) 2021*, North Macedonia has made strides in 7 of the 15 policy dimensions, with the strongest score increases observed in the areas of agriculture, tourism policies and access to finance. North Macedonia is outperforming the average of the six Western Balkan (WB6) economies across 7 policy dimensions, with the highest score in trade, tax and energy policies while tourism, digital society and transport policy lag behind. For additional insights into North Macedonia's performance across various dimensions, trends over time or comparisons with other economies, please refer to the Western Balkans Competitiveness Data Hub at: [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org).

### North Macedonia's Competitiveness Outlook performance<sup>1</sup> (2021 and 2024)



**Note:** Dimensions are scored on a scale of 0 to 5. See the reader's guide and the Data Hub at [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org) for information on the assessment methodology and the individual score assigned to indicators.

1. Source: OECD (2024), *Western Balkans Competitiveness Outlook 2024: North Macedonia*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/8207326d-en>.



### Key facts<sup>1</sup>

(2023 estimate)

- GDP growth: **1.0%**
- Unemployment rate: **14.3%**
- Exports of goods and services: **74.9% of GDP**
- Net FDI: **3.8% of GDP**
- Inflation: **9.4%**



## Main achievements

- Streamlined and digitised processes have boosted **trade**, with North Macedonia's trade-to-GDP ratio reaching 171% in 2022, the highest in the Western Balkans. In November 2023, the launch of a green customs declaration system and the Electronic System for Customs and Excise Declaration (CDPS) reduced import/export times and eliminated paper documentation.
- Developing alternative financing sources has diversified business **finance** options. Since 2021, efforts to introduce or revise legal frameworks for alternative financing have aimed to align capital market legislation with EU regulations, enhancing investor protection and market transparency. Concurrently, amendments to leasing regulations have led to a 75% increase in leasing volumes from EUR 62.3 million in 2017 to EUR 140.1 million in 2022.
- Alignment with EU and international standards has bolstered North Macedonia's **agriculture** sector competitiveness. In 2022, agrifood exports surged by 17%, comprising 8.5% of total exports. Certification bodies and labs have supported new regulations on food safety and animal health, ensuring access to global markets. Continued EU compliance, especially in organic farming, will enhance competitiveness and ease integration into the European market.
- Recent policy developments and increased funding have enhanced North Macedonia's **science, technology, and innovation** (STI) landscape. Despite low R&D investments at 0.38% of GDP, research and innovation efforts are on the rise, guided by the Smart Specialisation Strategy (2023-27). Additional funding to the Fund for Innovation and Technology Development (FITD) has supported over 669 projects, receiving nearly 50 million euros from 2016 to 2021, promoting advancements in commercialisation, acceleration, and technology development.

## Main priorities

- Outdated frameworks and project selection in **transport** infrastructure have hindered progress. The single project pipeline (SPP) hasn't been updated since 2018 and lacks appraisal tools. North Macedonia must adopt a framework assessing environmental, accessibility, connectivity, safety, economic, resilience, equity, and social impacts to enhance competitiveness. Strengthening transport infrastructure planning and management is crucial.
- Boosting **digitalisation** will enhance economic competitiveness, as digital government services are currently underutilised, with many e-services not fully transactional, and businesses face limited ICT adoption due to low awareness and workforce skills. With only 34% of individuals possessing basic digital skills, compared to the EU average of 54%, improving digital skills through adult learning and integrating digital competence in education curricula is essential for advancing public and private sector digitalisation.
- To enhance skills through **education**, increased investment in North Macedonia will be crucial. Evidence of progress in establishing sufficient budgets to support policy reforms in education systems is limited, while public spending remains low, leading to reliance on donor funding and uncertainty about sustainability. This challenge is particularly acute in improving the quality and accessibility of professional development for teachers and providing necessary equipment for evolving labor markets.
- Strengthening **environmental policies** in North Macedonia is essential to improving citizens' quality of life and workforce productivity. With air pollution levels nearly four times the World Health Organization's recommended limits (22.3 µg/m<sup>3</sup> vs. 5 µg/m<sup>3</sup>) and untreated sewage contributing to water pollution, significant health risks and economic obstacles persist. Effective implementation of depollution measures is crucial for mitigating these risks and fostering a healthier, more prosperous society.

## Western Balkans Competitiveness Outlook 2024

Inclusive and sustainable economic growth in the six Western Balkan (WB6) economies requires enhanced economic competitiveness. Although the gap is closing gradually, the standards of living in WB6 are well below those of the OECD and EU. Accelerating the rate of socio-economic convergence will require a holistic, growth-oriented approach to policy making.

This report is the fourth study of the region, and it comprehensively assesses policy reforms in the WB6 economies across 15 policy areas key to strengthening their competitiveness. It enables WB6 economies to compare performance against regional peers, as well as EU-OECD good practices and standards, and to design future-oriented

policies based on rich evidence and actionable policy recommendations.

Economy-specific profiles offer each WB6 economy an in-depth analysis of their policies supporting competitiveness. In addition to tracking the implementation of the previous 2021 study's recommendations, these profiles provide additional recommendations tailored to the economies' evolving challenges. These recommendations aim to inform structural economic reforms and facilitate the region's socio-economic convergence towards the standards of the EU and OECD.

