



EUROPEAN ANTI POVERTY NETWORK

NORTH MACEDONIA

TOWARDS A SYSTEMIC APPROACH TO SOCIAL PROTECTION

POVERTY WATCH 2024



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Macedonian Anti-Poverty Platform

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Introduction

EAPN North Macedonia or as it is officially registered "Macedonian Anti Poverty Platform" is a union of citizens' associations in which citizens' associations and individuals voluntarily join, in order to reduce poverty through the promotion of social justice, participatory democracy, protection of human rights, equality, solidarity, non-discrimination and the rule of law.

Working closely with marginalized and vulnerable citizens, the organization has initiated, organized, led, collaborated, managed and monitored dozens of projects over the last 14 years, building a national network that aims to 'leave no one behind' as society evolves. This experience and the networking allow the organization to reach vulnerable at-risk people, those who are marginalized and socio-economically segregated, which are groups of people that are hard to reach, especially when it comes to 'hearing their voice' for socially relevant issues."

The report is based on official documents and statistics from the national level, which reflect the policies related to reducing poverty and social exclusion, but as its inseparable part are the MAPP reports that convey the opinions, comments and feelings of people with experience of poverty from Republic of North Macedonia.

Poverty in North Macedonia

Official statistics on poverty in the country are published by the State Statistical Office. Based on the Survey on Income and Living Conditions, which is carried out in accordance with European Union recommendations, they calculated Laeken poverty indicators. In recent years, data has been delayed and by the time it is published, it has already lost its relevance. As an indication of this, the final Laeken poverty indicators for year 2020 were published on 6 May 2022, and for year 2021 on October 4, 2024. There are no data for years 2022 and 2023, so it is quite legitimate to have a dilemma on the basis of which poverty reduction policies are planned in the country.

The source for poverty calculations is incomes, and the poverty threshold is defined at 60% of median equivalised income. According to the data, the at-risk-of-poverty rate in the Republic of North Macedonia in 2021 was 23.0%. Analyzed by household types, the at-risk-of-poverty rate in households of two adults with two dependent children in 2021 was 26.4%. According to the most frequent activity status, the at-risk-of-poverty rate for employed persons was 8.9%, while for the pensioners it was 8.1%. The Gini coefficient (measure of income distribution inequality) was 30.3%.

T-01: Poverty and social exclusion indicators, 2018-2021 (final data)

	2018	2019	2020	2021
At-risk-of-poverty rate, % of population	21,9	21,6	21,8	23.0
Number of persons below at-risk-of-poverty threshold, in thousand persons	455,1	448,1	451,9	/
At-risk-of-poverty threshold of single-person household - annual equivalent income in denars	97 000	100 643	110 100	119 229
At-risk-of-poverty threshold of four-person household (2 adults and 2 children aged less than 14) - annual equivalent income in denars	203 700	211 351	231 210	250 380
At-risk-of-poverty rate before social transfers and before pensions, % of population	40,8	41,1	42,1	43.9
Inequality of income distribution, S80/S20, %	6,2	5,6	5,9	5.6
Inequality of income distribution, Gini coefficient, %	31,9	30,7	31,4	30.3

The increase in the total number is noticeable, but in terms of age, the trend shows growth in all age groups with the highest percentage in the 65 and over group. In terms of gender, poverty is equal for both men and women.

T-02: At-risk-of-poverty rate by age and gender, 2018-2021 (final data)

in percent												
	2018			2019			2020			2021		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	21,9	21,8	22,0	21,6	21,1	22,0	21,8	21,7	21,9	23,0	23,0	23,0
0-17	29,3	28,7	29,8	27,8	25,9	29,8	30,3	30,4	30,2	32,7	32,7	32,8
18-64	21,2	21,0	21,5	21,2	20,7	21,6	21,1	20,7	21,7	22,1	21,8	22,4

65 and over	14,6	15,0	14,3	14,8	15,6	14,1	13,4	13,8	13,1	15,2	15,4	15,1
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Divided by type of household, decreasing of poverty is recorded only in categories households without dependent children and households with three or more adults. The poorest are households of two adults with three or more dependent children, with almost 53%, followed by single parent with dependent children with almost 50%, then Households with dependent children with almost 30%. The increase in the percentage of Single parents with dependent children is worrying - it grew by 16.3% from 2018 to 2021.

J.N is a 27-year-old single mother who cares for her 7-year-old son, who attends regular school. After the divorce from her husband, who committed emotional abuse against her, J.N cleans houses to be able to pay rent, food, clothes, utilities, the child's education, and everything else that is needed. Her ex-husband still follows her and expects her to return to him because he earns little; he does not pay alimony for the child. J.N, with the support of her friend, submits documents for exercising social protection rights and the right to child allowance. But after some time, for unknown reasons, she loses the already acquired rights from social protection, during which the monthly income decreases, and, with it, the comfort of her child also decreases. Although her son is an excellent and exemplary student, the 7-year-old does not want to attend classes because he is not appropriately dressed like his classmates, and they make fun of him. For this purpose, J.N works extra hours and takes food from humanitarian organizations, as well as, clothes for her and her son. J.N points out that life is difficult when you cannot afford the basic means for yourself and your child.

Less than 23% of households with children in North Macedonia receive financial aid intended for children or households with children, while the average in the EU is 88.4%.

T-03: At-risk-of-poverty rate by household type, 2018-2021 (final data)

in percent

	2018	2019	2020	2021
Households without dependent children	12,7	13,6	13,1	11,9
Single-person households (one adult younger than 65 years)	13,6	15,6	16,9	23,5
Single-person households (one adult 65 years or older)	6,1	3,1	4,1	8,8
Single female	7,7	6,1	7,2	12,1
Single male	10,1	9,3	11,0	16,7
Households of two adults younger than 65 years	17,9	18,0	18,4	17,1
Households with three or more adults	11,5	12,9	12,2	9,3
Households with dependent children	27,2	26,2	27,2	29,5
Single parent with dependent children	33,5	42,6	41,6	49,8
Households of two adults with one dependent child	18,4	14,6	16,9	18,6
Households of two adults with two dependent children	22,0	19,3	20,7	26,4
Households of two adults with three or more dependent children	50,2	44,7	45,6	52,8
Households of two adults	16,4	16,8	16,4	16,6

According to most frequent activity status and by gender, the poorest are the unemployed, and despite all the efforts and policies that are undertaken, that number is constantly growing.

T-04: At-risk-of-poverty rate by most frequent activity status and by gender, 2018-2021(final data)

in percent

	2018			2019			2020			2021		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Employed	8,8	10,6	6,0	8,5	10,6	5,2	7,9	10,2	4,5	8,9	11,6	4,8

Unemployed	41,9	46,5	35,2	41,7	47,5	33,1	45,1	49,2	39,5	45,6	50,3	39,1
Retired	7,9	11,5	2,1	7,7	11,1	2,4	7,0	10,3	2,0	8,1	12,3	1,9
Other inactive population	31,1	30,8	31,2	32,9	31,8	33,1	32,5	31,9	32,7	33,9	28,8	35,1

Statistical data show that the role of social transfers in reducing poverty is very large, unlike the role of pensions.

T-05: At-risk-of-poverty rate before and after social transfers, 2018-2021 (final data)				
in percent				
	2018	2019	2020	2021
At-risk-of-poverty rate after social transfers	21,9	21,6	21,8	23,0
At-risk-of-poverty rate before social transfers	40,8	41,1	42,1	43,9
At-risk-of-poverty rate before social transfers (except pensions)	25,7	25,4	25,7	26,1

Are we tackling poverty?

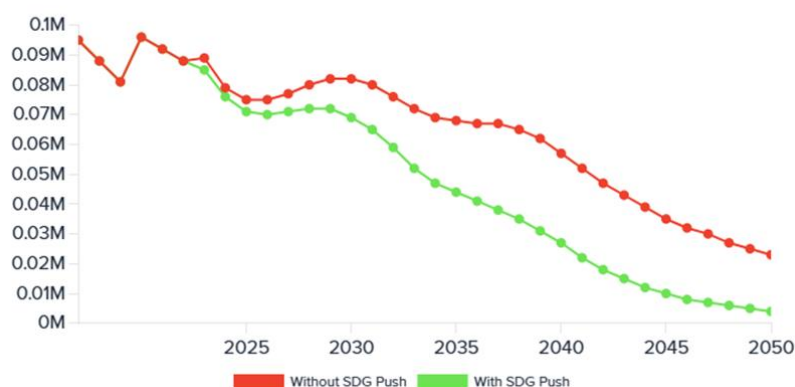
The state presents itself as fully committed to eradicating poverty, but on the other hand, there are almost no focused policies aimed at it. The state did not prepare or adopt a Poverty Reduction Strategy or any other related document, nor does there exist a strategic document aimed at this topic. The National Development Strategy 2024-2028 is taken as a cover, which presents the vision and roadmap for our country for the next 20 years. It is interesting that the National Development Strategy Implementation Program revises the previously set goal of reducing poverty to 16% in 2030, to below 20% by 2028. To achieve the planned goal, this program includes:

- Proactive prevention of social risks (Gender policies and initiatives that address issues such as poverty, unemployment and health disparities. Focus on early prevention intervention.)
- A fair system of social protection with appropriate targeting of vulnerable categories of citizens (Structured approach to identify and help vulnerable groups in the population in order for them to realize their full potential, ensuring the distribution of support where it is most needed, taking into account the different situations in where these individuals are located)
- Developed public social services available to all
- Social transfers aligned with living standards
- Integrated and activated vulnerable categories in society in accordance with individual capabilities
- Preservation of the purchasing power of pension income.

The country's commitments to achieving the Sustainable Development Goals (SDGs) are centered on alleviating the impact of the recent economic slowdown on vulnerable households and enhancing overall well-being. While this economic growth is anticipated to have a moderately positive effect on poverty reduction, there remain distributional challenges that could hinder faster progress when applying stricter thresholds.

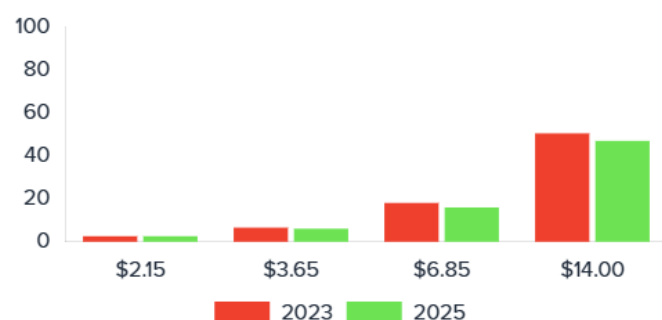
Poverty <\$1.90 Per Day (Number of People)

According to the projections¹, the SDG's will significantly contribute to the improvement of the current situation.



People

Poverty: Percentage of the population under each threshold (PPP\$ a day).



It is expected that by 2025 the percentage of the population living with \$2.15 will remain at 2.6%, while those with \$3.65% will decrease from 6.6% to 6.1%. A decrease is also expected in the group with \$6.85 – from 18.1% to 16% and in the group with \$14.00 – from 50.5% to 47%.

Although it is not directly related to the percentage of poverty in the country, it is worth mentioning that in the first half of 2024, parliamentary and presidential elections were held in the Republic of North Macedonia, after which there was a change of ruling parties. This blocked the country due to the great partisanship in public institutions, but despite the decision to change the distribution and powers in the government ministries, the functionality has not yet been fully established. From the sectors that are important for this document, with the new distribution of functions, the existing Ministry of Labor and Social Policy was transformed into the Ministry of Social Policy, Demography and Youth. Labor was added to the Ministry of Economy and a new Ministry of Energy, Mining and Mineral Resources was established. These novelties cause confusion in terms of the targeting of competences, but the system arrangement and personnel structure in the new departments and sectors are also missing. Well, apart from the fact that energy poverty is targeted only through the social protection sector in the Ministry of Social Policy, Demography and Youth (related to the realization of rights to financial assistance from social protection, specifically energy subsidy for recipients of minimum income) it is not known in whose competence will be the compilation of the Program for Vulnerable Energy Consumers, which until last year was under the competence of the Ministry of Economy.

In the program of the new government, in the section on Social care, it is stated that "The focus of the program of social protection refers to three key areas: the fight against poverty through comprehensive economic and social policies; care for pensioners; and full inclusion of persons with disabilities. The government will be fully committed to tackling these challenges and building a stronger and fairer system of social care."

¹ Integrated SDG Insights North Macedonia, <https://sdgpush-insights.undp.org/reports/mkd>

The new government pays special attention to productive and high-paying jobs. The program says "Our goal is to create 55,000 new jobs by the end of 2028. Through programs of the Employment Agency aimed at youth employment measures, creation of skills and qualifications, retraining and upskilling of vulnerable categories, training for skills needed for the labor market, support for entrepreneurship, as well as co-financing of training for the use of new technologies we will provide a budget of 150 million euros."

In the program there is also a segment entitled - The woman at the center of the Macedonian society, where it was said, "The equality of women and men is a basic human right, an essential element of democracy and an imperative of social justice." The government will be strongly focused on strengthening the position of women in every segment of social action, as a necessary basis for prosperity and sustainability, because strong women mean a strong society"

I end with a fragment of the section on stable public finances, where it is said "In order to improve the standard of living of educational, health, cultural and social workers, employees of the judiciary, the police and the military and all employees of the public administration, a salary increase is planned with the growth of the economy. The government will take special care of single parents, families with many children, people with disabilities and the sick. Social assistance will continue to increase. For pensioners, we will provide 5,000 denars (80 euros) more for pensions in the first year of the mandate. With that, we will contribute to a better and better quality of life for the oldest citizens."

North Macedonia is between having some level of preparation and a moderate level of preparation and made no progress in the prevention and fight against corruption. Corruption remains prevalent in many areas and is an issue of serious concern. The current government has stated that the fight against corruption is a priority.

Challenges noted in progress report²

The best overview of the state of the country is the North Macedonia 2024 Report, with which the European Commission records our progress towards membership in the European Union.

According to this report:

- The country remains moderately prepared in the area of social policy and employment. Some progress was made by further reducing the unemployment rate and increasing social assistance benefits. The countrywide implementation of the Youth Guarantee Scheme continued. **The poverty rate decreased but remains significantly high.**
- **Further efforts are needed to reduce child poverty and improve social protection.** Local stakeholder cooperation and the capacity of social work centres should be enhanced, especially for at-risk children, including Roma and those with disabilities. The policy of including children with disabilities in regular schools is facing challenges.
- **Efforts to fight health inequalities, in particular for Roma, and for people living in poverty and those living in remote areas, were mostly led by international organisations and NGOs rather than by the health authorities.**
- **Health is one of the biggest national budget users, and the inspection services are vulnerable to corruption.** There are no effective criteria for determining health service or medicine prices. Procedures for treatment abroad are neither transparent nor objective. Market surveillance bodies still have inadequate staffing and unclear and overlapping jurisdictions. Most health-related activities in the anti-corruption strategy remained unimplemented. Strengthening integrity, asset declarations and digitalisation are needed to help prevent corruption in the area of consumer and health protection.
- Although primary healthcare in North Macedonia is provided free of charge its financing is significantly below the EU average. The scope of health services and their availability, in particular of specialist medical services, and their geographical distribution are inadequate. There are insufficient specialists, and the ratio of nurses per 100 000 inhabitants is under the EU average. Medical staff continue to leave the public health sector for private sector or to work abroad. Out-of-pocket healthcare costs are high, which is a barrier to equal access to healthcare. Despite the existence of an e-health application, referrals are still done on paper, and the application is not interoperable with Health Insurance Fund data.

² North Macedonia 2024 Report, EC, https://neighbourhood-enlargement.ec.europa.eu/document/download/5f0c9185-ce46-46fc-bf44-82318ab47e88_en?filename=North%20Macedonia%20Report%202024.pdf

- There were no developments on healthy environments.

Social cohesion	Note	2011	2018	2019	2020	2021	2022
Average nominal monthly wages and salaries (national currency)		20 847 w	24 276 w	25 213 w	27 182 w	28 718 w	31 859 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		98 w	106 w	109 w	116 w	119 w	115 w
Poverty gap		:	37.7	32.0	34.9	:	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		13.5	7.1	7.1	5.7	4.6 w	:

3

- Inflation slowed down, allowing the central bank to stop tightening monetary policy. Annual inflation peaked in October 2022 at 19.8% and receded gradually in 2023, due to the global levelling-out of food and energy prices and to monetary policy tightening. Average annual inflation fell from 9.6% in 2023 to 3.8% on average in the first half of 2024, dropping to 2.2% in August. Core inflation slowed, too - albeit at a slower pace - amid high nominal wage growth. Since September 2023, the central bank has kept the key policy rate unchanged at 6.3%.
- The policy mix did not fully address the challenges posed by high inflation. Monetary policy was appropriately tightened due to soaring inflation. It then turned neutral when inflation abated, while fiscal policy became expansionary, providing for a 10% ad hoc increase in public sector wages which entered into force in September 2023, and ad hoc pension increases (5.3% adjustment as of March 2024 and a flat sum of 2500 MKD for all pensioners in two rounds). This not only increases domestic risks should there be a new surge in inflation, but it also adds to already elevated fiscal risks.
- The post-pandemic economic recovery remained weak. Annual GDP growth dropped to an estimated 1% in 2023, down from 2.2% in 2022, due to weak domestic demand. Gross capital formation declined sharply, mainly as a result of a draw-down of inventories. Growth in household consumption slowed despite being bolstered by wage growth, remittances and government support. The foreign balance made a large positive contribution to economic growth, as imports of goods and services dropped sharply, amid falling global energy prices. In the first half of 2024, GDP increased by 1.8% on average, largely on account of a steep drop in imports, overcompensating for the simultaneous decline in exports. Domestic demand remained weak, with household consumption growth slowing further, to 1.4% on average, after a 2.4% rise in 2023, while the positive contribution from investment largely reflected base effects. Convergence with EU income levels remained slow, with real GDP per capita increasing from 37% of the EU-27 average in 2017 to 43% in 2021, and then dropping gradually to 41% in 2023.
- The fiscal deficit widened, despite revenue-increasing tax measures. At 4.9% of GDP, the 2023 budget deficit increased and was slightly higher than the government's target (4.8%), partly due to weaker than projected GDP growth. A budget reallocation became necessary in September 2023, mainly to accommodate higher public sector wages, pensions and social transfers, while leaving the deficit target unchanged. The high execution of capital expenditure in 2023, at 97% of the government's target, well above the average of the previous 5 years (83%), was mainly due to EUR 230 million pre-payment to the building consortium tasked with the construction of parts of Corridors 8 and 10d, as well as EUR 80 million in subsidies to the domestic electricity producer. Revenues in 2023 increased by 14% y-o-y, boosted by a one-off 'solidarity tax' on excess corporate profits. Tax-base broadening amendments to several tax laws entered into force in October 2023. In autumn 2023, the Parliament adopted further amendments to several laws to eliminate tax exemptions, notably to the Law on excise taxes, the VAT law, the Corporate Income Tax law, and the Decree on motor vehicle taxation, which entered into force on 1 January 2024. In the first seven months of 2024, revenue was higher by 12.6% compared to the same period one year earlier, mainly due to higher taxes and contributions, and expenditure had risen by 7.8%. The general government deficit dropped by 19.5% during this period. In July, the new government adopted a budget revision for 2024, which was approved by the Parliament in August. It projects an increase in both revenue and expenditure, compared to the original targets, with the planned deficit rising from previously 3.4% - as agreed with the IMF - to 4.9% of projected GDP.

SOCIAL PROTECTION

³ w = data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

The Ministry of Labor and Social Policy says that the current number of beneficiaries of Guaranteed Minimum Assistance, or as it used to be called Social Assistance, amounts to 36,650 beneficiaries. While the amount of the right is 5,256 denars for one person, according to the latest increase in child and social protection rights of 9.3%.

In 2023 more than 3 billion denars have been allocated only for the right to social protection – guaranteed minimum assistance. For 2024, 9 billion denars have been set aside for all social protection rights.

Taking into account that the persons who receive Guaranteed Minimum Assistance are also recipients of other rights from social and child protection according to the criteria and the latest increases of the same incomes of a materially insecure family reach over 26,000 denars. Only the guaranteed minimum assistance for five or more members currently amounts to 16,361 denars. Those same families, according to the criteria, receive child allowance, someone else's care or any other right from child and social protection.

Although the legally guaranteed minimum benefit aligns with the cost of living, it does not follow the minimum consumption basket or inflationary trends or the growth of the minimum wage and leaves the most vulnerable in a state of poverty.

Authorities have implemented the Law on Financial Support for Socially Vulnerable Citizens, which includes a range of measures aimed at assisting pension beneficiaries with low pensions. In 2023, pensions were adjusted twice, resulting in a total increase of 14%. In the coming year, the country should in particular: provide adequate support to vulnerable categories of children, especially children victims of violence, Roma children and children with disabilities, based on The Commission's recommendations.

LEFT BEHIND

Individual farmers in the Republic of North Macedonia, despite being payers of contributions in the compulsory social insurance system, do not have the right to monetary benefits due to incapacity to work during illness, injury, pregnancy, giving birth and motherhood. The term individual farmer is applied gender neutrally, to include men and women engaging in farming, unless the context requires to necessarily distinguish between the feminine and masculine form of the noun. The current social insurance model excludes this category, despite: the fact they engage in individual economic activity, pay contributions in the only social insurance system and contributions for health insurance. Such a systematic failure violates their right to social security and social insurance by placing an economically active category who pay contributions in the social insurance system (individual farmers) under law, in a disadvantage, without a legitimate purpose and disproportionately, in comparison to other economically active categories of contributors payers (employees and self-employed individuals). The discriminatory nature of this failure was in fact confirmed by the Commission for Protection against Discrimination as well.

In January 2024, the government adopted the Programme for Social Security Support of **Women Farmers** for 2024⁴, enabling the utilisation of maternity benefits during periods of inability to perform agricultural work due to childbirth. The program applies to women who perform agricultural activity and have the status of an insured individual farmer, with non-refundable funds. With this program, it is possible to use a maternity allowance during the time when agricultural activity is prevented due to childbirth, which allowance is not covered by the regulations in the field of labor relations for paid maternity leave. This program is not enough and work on this topic must be continued.

"My child was left alone to watch, instead of sitting with him, I had to go to the field. I have not used maternity leave, because we, who are women farmers and farmers, do not have the right to do so. ", says Sonja Pusoska. Her children are already grown, but she says she is disappointed that the state still does not provide the right to maternity leave to farmers. It is precisely because of this discriminatory attitude, he says, that a large number of women in agriculture give up or do not even start working in this sector. "You face financial

⁴ <https://www.mzsv.gov.mk/CMS/Upload/Programi-2024-godina/Programa-za-poddrška-za-socijalna-sigurnost-na-zenite.pdf>

problems and just when you need them the most, for a child, you don't have them." Why shouldn't the state help us and come to our rescue, we pay our own pension and health contributions," adds Pusoska.

There is a step towards including **undocumented persons** in the system. Amendments to the laws on residence and residence as well as the ID Card Law have been passed, enabling vulnerable and socially endangered persons to gain access to personal documentation, which represents a solution to the long-standing systemic problem of undocumented persons. Previously, due to not owning property, some citizens did not have the opportunity to provide evidence of property ownership or a lease agreement and remained without a registered address, and therefore without an identity card, as a basic identification document. Amendments to the Law on Civil Registry made it possible for every child born in the country to receive a birth certificate, no later than 45 days after birth, regardless of whether their parents are undocumented or stateless. This will complete the process of solving the problem of statelessness and cover about 700 people, as many as were detected in our country. The realization of the social and other rights of persons who acquire documents for the first time, their social integration and formal activation on the labor market remains a challenge. A big challenge is the mutual coordination of the institutions and the long duration of the processes (we have testimonies that after submitting documents for an ID card, it takes up to 3 months to receive it)

Sevdije, a woman who had just given birth, could not leave the hospital with her baby because she did not have a health card, the preparation of which is in charge of another institution and is ongoing. She was supposed to be released home yesterday, but they asked her to pay about 23,000 den. (370 euros) to let her go, even though she had proper identification documents. For clarification, she is married to a MK citizen and on the basis of marriage she will acquire MK citizenship, but the procedure takes a long time and causes disruptions in the realization of basic rights. After the intervention of the Roma health mediator from the municipality and a public exposure on national television (MTV 1), the authorities once again reviewed the submitted documents and the woman was discharged from the hospital.

Homelessness is slowly becoming visible and there is no national legislation and no national priority to address it. There is a systemic inconsistency in the possibility of using a social apartment. These are apartments owned by the state that are given under a minimum lease to socially vulnerable categories for which there are very restrictive conditions in the call for the distribution of apartments. One of the conditions is that the applicant is a recipient of a minimum income, but if he is homeless and is not such a recipient, then he is excluded from the possibility to apply. This is reinforcing vulnerability and instead of prioritizing it excludes the most vulnerable. The problem is even bigger if it is supplemented with the information that in the country we have one point for the homeless (for daily service) and one reception center with a minimum capacity of about 30 people.

ECONOMIC REFORM PROGRAMME 2024-2026⁵ and reform of social protection

The Economic Reform Program (ERP) for 2024-2026 presents the medium-term macroeconomic and fiscal framework (chapters 3 and 4), as well as structural reform measures (chapter 5), while chapter 2 provides the status of implementation of the recommendations from the Joint Conclusions of the Economic and Financial (ECOFIN) dialogue of May 16, 2023 between the EU and the countries of the Western Balkans and Türkiye. ERP 2024-2026 is prepared on the basis of the Revised Fiscal Strategy 2024-2028, Revised Public Debt Management Strategy 2024-2026 (with prospects until 2028), the medium-term budget framework for the period 2024-2028 and national sector strategies, regional strategies and documents, and is closely linked to the recommendations in the EC Country Progress Report of October 2023, the EC Evaluation of the ERP 2023-2025, as well as the EU Economic Investment Plan for the Western Balkans.

⁵ ECONOMIC REFORM PROGRAMME 2024-2026, <https://finance.gov.mk/wp-content/uploads/2024/01/ERP-2024-2026-EN.pdf>.

The Economic reform program is part of the European Semester Light process for candidate countries, inspired by the European Semester for EU member states. The process, introduced with the Enlargement Strategy in 2013, implies the improvement of economic governance and the coordination of economic policies in order to ensure long-term economic growth and competitiveness in accordance with the requirements of the Copenhagen criteria for EU membership.

The program is also a basis for the preparation of the reform agenda in accordance with the recently announced Growth Plan for the countries of the Western Balkans by the EU, which aims to support and accelerate the process of access of the countries of the region to the EU single market by implementing the necessary reforms in the country in that direction. During the preparation of the ERP, the appropriate EU Guide for the preparation of the ERP 2024-2026 was followed.

Part of the programme suggest that structural reform is needed and one of the masures will be Enhancing the system for social inclusion of vulnerable groups. As they note “The measure continues form previous year and builds on the reform of the social protection system whose aim is to reduce poverty, especially for the vulnerable categories and their successful reintegration into society. The measure is complex and includes several parallel activities that complement each other and are important for supporting the activation and social inclusion of people in a vulnerable position, and of youth in particular. Moreover, there is a need to further deepen the cooperation between the employment and social work services, in order to better profile and support the transition of people in a vulnerable position (e.g. youth, persons with disabilities) from welfare and inactivity to work. At the same time, the conditions and the capacities of the private and non-government social service providers, including social enterprises also need to improve, as these providers could also be involved in outreach activities with vulnerable groups and facilitating their transition to the labour market. In addition, it is important to enact the law on social enterprises, which will enable the development of enterprises for work integration, which will help to develop skills of people who are far from the labour market. The professional rehabilitation as a precondition for successful inclusion of persons with disability and other vulnerable individuals into the open labour market needs to be promoted, and the provision of this service by external service providers, including social enterprises shall be regulated. Validation of informal and experiential learning is an important way to reduce the shortage of appropriate skills in the labour market. It also facilitates the integration of vulnerable groups and unemployed and low-skilled people into the formal economy. Once the validation system is established, the adult education will be linked with the Employment Service Agency and through various programs persons without education who are registered with the Employment Service Agency will be able to complete the education and thus their employability will be improved.”

Table 4.2. Budget Execution as of November 2023 Inclusive

	Budget 2023	Reallocation I	Realization January - November 2023	Realization January - November 2022	Realization January - November / Budget 2023 (%)	Realization January - November 2023 /Realization January - November 2022 (%)
						BO %
TOTAL REVENUES	282,052	282,052	248,473	219,381	88.1%	13.3%
Taxes and Contributions	250,689	253,205	224,060	198,703	88.5%	12.8%
Taxes	162,600	162,235	141,207	129,712	87.0%	8.9%
Personal Income Tax	26,500	27,635	23,579	20,552	85.3%	14.7%
Profit Tax	14,700	17,404	15,612	14,571	89.7%	7.1%
VAT (net)	78,500	72,477	62,798	59,670	86.6%	5.2%
Excises	29,200	27,736	24,304	23,330	87.6%	4.2%
Import Duties	10,700	11,348	10,166	9,081	89.6%	11.9%
Other Taxes	730	3,730	3,108	616	83.3%	404.5%
Contributions	88,089	90,970	82,853	68,990	91.1%	20.1%
Non Tax Revenues	19,894	17,962	15,005	15,571	83.5%	-3.6%
Capital Revenues	2,800	2,800	2,002	2,214	71.5%	-9.6%
Foreign Donations	8,669	8,085	7,406	2,893	91.6%	156.0%
TOTAL EXPENDITURES	324,810	324,811	276,936	243,233	85.3%	13.9%
Current Expenditures	276,059	279,888	245,006	223,655	87.5%	9.5%
Wages and Allowances	34,880	37,457	33,234	29,164	88.7%	14.0%
Goods and Services	23,631	23,678	17,724	17,485	74.9%	1.4%
Transfers to LGUs	26,687	27,685	25,006	21,127	90.3%	18.4%
Subsidies and transfers	31,548	26,140	20,538	26,661	78.6%	-23.0%
Social Transfers	146,390	151,708	136,002	120,410	89.6%	12.9%
Interest	12,923	13,220	12,502	8,808	94.6%	41.9%
Capital Expenditures	48,751	44,923	31,930	19,578	71.1%	63.1%
BUDGET BALANCE	-42,759	-42,759	-28,463	-23,852	66.6%	19.3%
BUDGET BALANCE (% of GDP)	-4.8%	-4.8%	-3.2%	-3.0%		
Primary budget balance (% of GDP)	-3.3	-3.3	-1.8	-1.9		
FINANCING	42,759	41,966	28,463	23,852		
Inflow	94,876	94,058	71,098	31,450		
Domestic	33,626	43,011	33,000	12,855		
Foreign	66,876	65,885	31,997	24,591		
Deposits	-5,626	-14,838	4,909	-6,831		
Outflow	52,117	52,092	42,635	7,598		
Domestic	15,611	15,664	6,805	2,622		
Foreign	36,506	36,428	35,830	4,976		

Source: Ministry of Finance

SOCIAL SERVICES

Monitoring and evaluation system for social services, as well as the centralized IT system for tracking social assistance schemes, remain inadequate, and greater accessibility to social services is necessary. The methodology for licensing and costing social services has been adopted, resulting in 119 licensed providers, capable of serving 4,700 beneficiaries as of April 2024. Citizens' associations and private entities are now also licensed to deliver social services.

The decentralization of social assistance is still limited, but progress has been made in executing the national deinstitutionalization strategy for 2018-2027. In December 2023, the government adopted the National Strategy for the Rights of Persons with Disabilities for 2023-2030, along with an action plan for 2023-2026. There is a need to strengthen the human resources of the Commission for Disability Assessment. Additionally, a new action plan for the deinstitutionalization strategy for 2022-2024 was approved, leading to the establishment of services such as home care, personal assistance, supported living, and respite care.

Social services are central to ensuring equality in opportunities leading to better human capital outcomes for all, poor and vulnerable population in particular. Hence, the measure furthers the expansion of the coverage and range of social services across municipalities. It also sustains the reform of the management and quality assurance of social services. The measure will be implemented by the Ministry of Labour and Social Policy.

I. Inclusion of vulnerable groups through activation

a) Activities planned in 2024

- Adopted amendments to the Law on Social Protection, which will introduce mentoring for work integration of persons at risk of social exclusion and will enable the household to continue using Guaranteed Minimum
- Assistance, in the event one of the household members got employed;
- Adopted Law on Social Enterprises, which creates legal ground for establishment of social enterprises that focus on improving employment prospects for the vulnerable;
- Established bodies for assessment as well as training and certification of trainers and experts for disability assessment according to the new Law on Unified Disability Assessment System.

b) Activities planned in 2025

- Adopted new Law on employment and professional rehabilitation of persons with disabilities and related bylaws regulating employment, including professional rehabilitation of persons with disabilities.

c) Activities planned in 2026

- Established centres for professional rehabilitation of persons with disabilities;
- Developed social enterprises for social integration and professional training of persons who are farthest from the labour market.

II. Improving the availability of quality social services

a) Activities planned in 2024

- Introduced new software that integrates social protection cash benefits and services;
- Adopted Rulebook for user's co-payment to the price of social services;
- Launching a new project for development of new social services.

b) Activities planned in 2025

- Developed new quality standards for the social services and monitoring procedures for all types social services;
- Prepared initial design for the adaptation and transformation of additional two residential institutions and opening of new community-based services intended to support the independent living of persons with disabilities.

c) Activities planned in 2026

- Capacity building of institutions and social services providers to apply new social services quality standards and monitoring procedures.

EMPLOYMENT SUPPORT

Regarding labour law, the minimum wage starting from March 2024 is MKD 22 567 (approximately EUR 365). The State Labour Inspectorate (SLI) enhanced its capabilities by hiring 25 additional inspectors and conducting multiple training sessions, but further enhancements are necessary, particularly in occupational safety.

In recent months, we have witnessed that workers are demanding a salary increase due to the continuous increase in the cost of living, but the government says that there is no money in the budget for this year. There will be wage adjustments, which unions say are minor amounts. All employees are demanding a significantly higher salary increase than the current adjustment, including the minimum wage, which is 22,500 denars, in conditions where the value of the union's minimum basket is currently 60,570 denars. If a family of four rents an apartment, it will need 75,945 denars, and two parents with one average and one minimum salary can cover 64,500 denars. According to the expertc "Some minimum for (increase), in general for all salaries and other incomes, is the inflation of the previous year so that there is no loss of purchasing power." In Republic of North Macedonia, as a country with low salaries, in principle it should be more than this, so that salaries start to reach the European ones. Another rule for raising is inflation plus the growth of the economy, so that the share of wages in GDP does not decrease." Unfortunately our salaries do not keep up with inflationary increases.

The poverty rate among unemployed individuals has risen to 45.1%, highlighting the urgent need for labor market activation for those relying on social protection. Among the 105,357 unemployed registered in September 2023, a

significant portion lacks adequate education, with many unable to participate in active employment measures due to legal restrictions. The absence of mechanisms to validate skills gained outside formal education increases the risk of these individuals engaging in the informal economy. Despite legal obligations for users of Guaranteed Minimum Assistance (GMA) to seek labor market activation, their participation remains limited. Weak institutional capacities hinder effective support and individualized activation plans, while the option for informal work discourages formal employment. Additionally, only 3.2% of individuals with severe care needs received formal care in 2022, with informal care significantly surpassing formal spending. This trend, exacerbated by an aging population, calls for investment in formal care services, which could relieve the burden on informal caregivers and create formal job opportunities.

The main measure addressing youth unemployment remains the Youth Guarantee Scheme. Its implementation continued across the country, following the adoption of Youth Guarantee Implementation Plan for 2023-2026. At the end of 2023 a total of 23 619 people (11 675 women) throughout the country were enrolled, 8 404 of whom were employed, and 1 849 participated in active employment measures that do not result in direct employment but increase their employability. The Youth Guarantee included 1 423 Roma, as one of the vulnerable categories on the labour market.

“For some workers, non-standard employment offers advantages such as flexible hours, self-organization, and potentially higher earnings. This is particularly true for young men and women engaged as online platform workers. However, many others find that non-standard employment is their only option for earning an income, which often lacks adequate labor and social protections. Regulating these forms of non-standard work, which do not constitute formal employment relationships, would allow workers to access essential protections, including minimum wage, social security, paid sick leave, maternity leave, and health and safety standards. Additionally, persons with disabilities can benefit from non-standard work opportunities that leverage information technology.” Is noted in ERP and it is true.

Targeted programs focus on vulnerable groups, particularly young people who are not in employment, education, or training, as well as those receiving guaranteed minimum assistance who are often long-term unemployed. The new Law on Labor Market Regulation will facilitate more tailored services and support for these clients of the Employment Service Agency. Improving employability and integrating these individuals into the labor market can significantly impact poverty and social exclusion. Additionally, enhanced access to unemployment insurance benefits, along with extended duration for receiving these benefits, will bolster income security for those who have lost their jobs.

FROM INFORMAL TO FORMAL JOB

The government adopted the new Strategy for Formalizing the Informal Economy for 2023-2027, along with an action plan for 2023-2025, on September 12, 2023. To ensure strong political commitment, two significant decisions were made on October 3, 2023, which were published in Official Gazette 213/23. These decisions established the National Council for the Formalization of the Informal Economy and an Interdepartmental Body to coordinate activities for implementing the strategy and action plan.

Transitioning from the informal to the formal economy can significantly reduce employment insecurity and create new opportunities for decent work. It is important to recognize that for many workers, informality is a necessity rather than a choice, often arising from a lack of decent job options. Formalizing employment will protect workers' rights and provide social and health security for those engaged in casual, temporary, and seasonal work. While around two-thirds of informal jobs are held by men, the strategy aims for a balanced gender impact. Investments in research, development, and innovation are expected to foster new businesses and job growth, particularly for youth and skilled workers. Enhanced access to finance will support women and youth entrepreneurship, with gender equality integrated into implementation activities and gender-disaggregated data used for monitoring. The STP (Science and Technology Park) will develop a Gender Equality Plan that includes diverse data, allocated resources, and mechanisms for data collection, along with performance indicators to measure the impact of the STP on job creation for young people and highly skilled workers

State commitment: Green transition is promoting green jobs

Transitioning to renewable energy not only promotes environmental sustainability but also has the potential to drive economic growth through multiple avenues. Investments in renewable energy infrastructure, such as wind, solar, and hydropower, create jobs and stimulate economic activity, particularly in the construction and manufacturing sectors.

Licensing for photovoltaic (PV) installers will facilitate market expansion and job creation, while subsidies for PV installations can support energy-vulnerable households.

Additionally, the renewable energy sector will generate both temporary and permanent positions in service areas like design, installation, management, and maintenance of energy efficiency. This transition will require construction workers and skilled personnel, fostering employment opportunities. Moreover, the implementation of these measures will also promote gender equality in the workforce.

State commitment: Strengthen access to active labor market policies, particularly for low-skilled unemployed individuals and those in vulnerable situations (Activation of vulnerable citizens).

Efforts are underway to enhance the capacity and cooperation among employment agencies, social work centers, and educational institutions to provide integrated services aimed at improving labor market inclusion. A Plan for activating users of Guaranteed Minimum Income (GMI) for 2024-2026 has been developed, which includes training sessions for employees in employment and social work centers to boost their effectiveness in supporting GMI users. Additionally, the Ministry of Labour and Social Policy has drafted a law to facilitate the employment of individuals engaged in seasonal, temporary, and occasional work.

As part of the IPA project focused on activating vulnerable groups, the Employment Agency has issued guidelines to improve the Cooperation Platform and monitor activation processes between employment and social work centers. This initiative aims to strengthen collaboration and enhance service delivery, with activities already being implemented in the first half of 2024.

	Data source	2018	2019	2020	2021	2022
Social protection and inclusion						
11. At-risk-of-poverty or social exclusion rate (AROPE)	Eurostat	41,10%	39,90%	39,80%	N/A	N/A
12. At-risk-of-poverty or social exclusion rate (AROPE) for children (0-17)	Eurostat	45,90%	44,00%	46,30%	N/A	N/A
13. Impact of social transfers (other than pensions) on poverty reduction	Eurostat	14,79%	14,96%	15,18%	N/A	N/A
14. Disability employment gap, age 20-64	Eurostat	27,10%	28,60%	33,70%	N/A	N/A
15. Housing cost overburden rate	Eurostat	10,20%	9,90%	8,50%	N/A	N/A
16. Children aged less than 3 years in formal childcare	Eurostat	8,80%	13,00%	6,30%	N/A	N/A
17. Self-reported unmet needs for medical care	Eurostat	2,30%	2,50%	1,70%	N/A	N/A

Source: Eurostat

N/A: (not available)

DIGITALISATION

The digitalisation of the economy is advancing slowly. According to our Ministry of Finance more effort is needed to improve digital skills, including by: (i) setting up a national framework for digital skills for students and teachers; (ii) increasing IT tools in primary and secondary schools; and (iii) expanding access to fast-speed internet to small business and to non-urban areas. They project that digitalisation of the business processes of the tax administration will inevitably lead to less financial burden to the businesses, which can further on allocate funds to increase employment, thus reducing

poverty. Another positive impact might be gender equality because, as they wrote in ERP “digitalisation does not favour or discriminates any particular gender.”

The percentage of households with internet access at home increased by 10.1 pps between 2017 and 2021, to 83.6%. A fixed broadband connection to the internet is used by 88% of household users, and by 92% of larger businesses, while smaller companies and rural areas still face obstacles.

Government stays committed in digitalisation of public services for businesses and citizens by upgrading the eportal for services. The specific e-services available on the National e-Services Portal (uslugi.gov.mk), include enrolment in primary education, employment and pension statements, certificates of nonconviction, population register statement, various social insurance certificates, labour and employment data, recognition of diplomas and others. The establishment of the e-portal was part of the previous ERP and its further development can be considered as a continuous effort to upgrade the portal according to the development of public services. At the same time, the number of institutions connected to the interoperability platform increased to 56 institutions/ instances (communication clients). It is notable that local governments are also slowly joining the digitization of their work and services, which is to be welcomed.

However, citizens often complain about the non-functionality of the service or half-hearted digitization - you submit the request in digital form, but you have to go and pick it up in person, in printed form. Some of the institutions do not recognize the digital documents issued by the service, which again complicates and slows down the work. It should be noted that this service is not used by the elderly and those with less digital skills.

„Five centers for One Point of Services have been established, where citizens without digital skills and people with disabilities can get services and information about services from different institutions in one place. The utilization of these centers in the last two years is: Ohrid with 0.9; Tetovo with 7.57; Bitola with 62.9 and Kumanovo with 146 citizens per month, that is, from 0.2 to 24.33 citizens per employee in the center per month. Bearing this in mind, some of the ETU centers outside Skopje did not achieve the intended goals.“⁶

In its performance audit (published on 04.06.2024), the State Audit Office determined that "the process of digitalization of services is slow, it affects the quality and availability of electronic services, and the use of the national portal for e-services by citizens is at a low level." The audit determined that sufficient monitoring was not established in the area of harmonization of the parent legislation with the legal legislation on digitization, which represents an administrative barrier for citizens."

GENDER POVERTY

On equality between women and men in employment and social policy, the notable gender gap in the labour market persists. Women in North Macedonia are significantly less active on the labour market than men. In January 2024, a midterm review was conducted on the implementation of the Employment strategy and the 2021-2023 action plan.

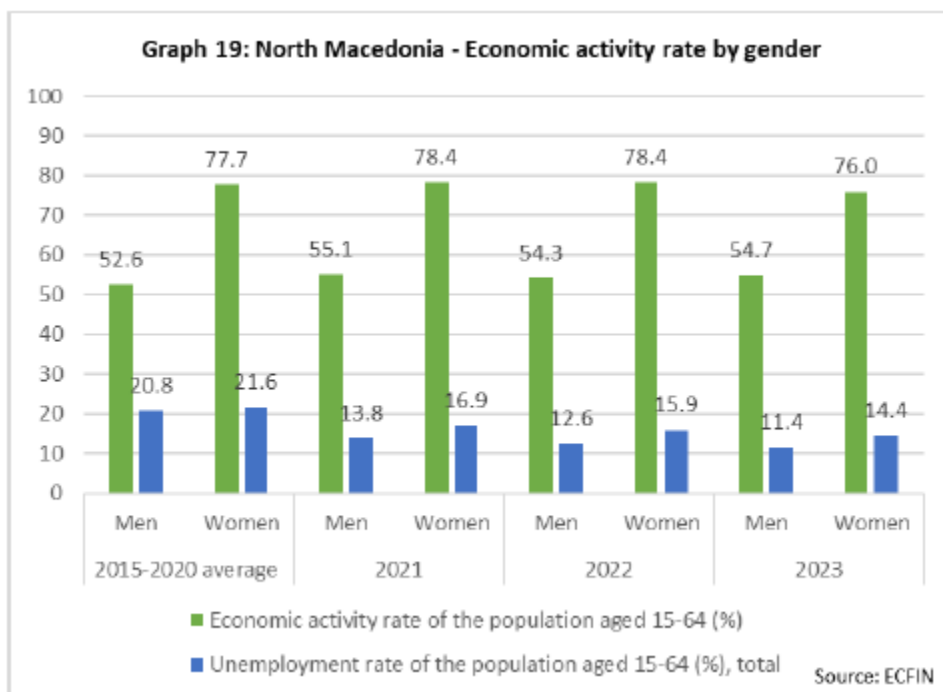
The low participation of women is the result of several factors: limited childcare support, unavailability of flexible working arrangements, cultural barriers, and increased domestic responsibilities. This one situation leads to unfulfilled economic potential, which is negative affects economic growth and productivity. Increased participation of women in the labor market is important for achieving gender equality, economic stability of families and improvement of social welfare. Although the legislative framework in North Macedonia provides laws and strategies for improvement the participation of women in the economy, there are significant challenges in their implementation, such as the insufficient support measures at parental leave and the restrictions child care services⁷.

Childcare and pre-school capacities increased and capacity covers 34.5% of children aged 0-6 and 45.5% of children aged 3-6. During the reporting period, the capacity of public and private institutions providing early childhood and care (ECEC)

⁶ <https://dzt.mk/mk/240604-bavna-digitalizacija-nedovolna-promocija-i-slaba-iskoristenost-na-e-uslugi>

⁷ https://www.financethink.mk/wp-content/uploads/2024/10/PolicyBrief_no.-69-MK.pdf

increased by 1 072 places. While enrolment of children 3-6 years old into ECEC increased over the last year by 4%, the current rate of 46% still falls considerably short compared to the EU target on ECEC attendance set at 96%.



With only 35 % employed women, the disparity between employment of women and men in rural environments is significantly higher than in urban environments, in which the percentage is more balanced and amounting to 43% employed women. Most of the women in rural environments work at the family agricultural households without salaries, in addition to house work, and don't have personal health or pension insurance. They are not registered as individual farmers and don't pay contributions on their own behalf although in reality they do work. Their work falls under the grey economy, while state statistics registers them as inactive population⁸.

Home-based work is more prevalent among women, offering a means to balance household responsibilities with professional development. In designing and implementing active employment measures, equal gender representation is a fundamental principle.

ENERGY POVERTY

Through the program for economic reforms, the state committed itself to continue to provide targeted and temporary support to vulnerable households and firms to cushion the impact of the energy crisis, if needed, and at the same time start to phase out untargeted subsidies to the energy sector.

With the beginning of the crisis situation in the energy sector, from 2021 the Government reacted in a timely manner with direct financial support from the Budget of the domestic state companies to ensure the domestic production of electricity, with the aim of uninterrupted supply of energy to the population and the economy. For this purpose, approximately EUR

⁸ <https://mzd.mk/wp-content/uploads/2023/10/%D0%95%D0%9D%D0%93-Policy-brief-%D0%9D%D0%B0%D0%B4%D0%BE%D0%BC%D0%B5%D1%81%D1%82%D0%BE%D1%86%D0%B8-%D0%B7%D0%B0%D1%80%D0%B0%D0%B4%D0%B8-%D1%81%D0%BF%D1%80%D0%B5%D1%87%D0%B5%D0%BD%D0%BE%D1%81%D1%82-%D0%B7%D0%B0-%D1%80%D0%B0%D0%B1%D0%BE%D1%82%D0%B0-%D0%98%D0%BD%D0%B4%D0%B8%D0%B2%D0%B8%D0%B4%D1%83%D0%B0%D0%BB%D0%BD%D0%B8-%D0%B7%D0%B5%D0%BC%D1%98%D0%BE%D0%B4%D0%B5%D0%BB%D1%86%D0%B8-%D0%A4%D0%98%D0%9D.pdf>

86 million were paid in 2021, EUR 230 million were paid in 2022 (1.8% of GDP) and EUR 91.4 million were paid in 2023 (EUR 78.7 were used to overcome crisis situations in the energy sector and EUR 12.6 million were paid to support vulnerable households and companies). In the Budget for 2024, funds of approximately EUR 60.5 million have been allocated to overcome certain unforeseen situations and targeted measures to support the most vulnerable categories of citizens and companies.

The administrative capacity for dealing with energy policy, strategic planning, and investments in the energy sector remains largely insufficient. There is no energy data collection system within the Ministry of Economy neither a proper policy evaluation nor performance assessment in place.

- Measures to improve energy efficiency are delayed. The economy is characterised by high energy intensity with low efficiency in energy production and consumption. Energy efficiency is one of the key pillars to reach the ambitious national energy and climate targets. The new Energy Efficiency Fund (EEF) was set up in 2023 as a dedicated unit within the Development Bank, with the necessary amendments to the Law on the Development Bank adopted by the Parliament in October 2023. The first EEF will focus on municipalities and other public entities with the possibility of expanding the scope to the residential sector.
- The government increased renewable energy capacities. While the economy continues to rely heavily on coal-fired electricity production, the installed capacity of power plants from renewable energy sources increased to 50% in 2023, from some 17% in 2021. Renewables accounted for 33% of total electricity production. The most notable increase is in the production of electricity from photovoltaic power plants, which increased by 287% in 2023 compared to 2022. However, progress on climate change abatement policies is lagging. The adoption of the Law on climate change, which provides for the introduction of carbon pricing mechanisms is delayed.

The change that occurred in the Program for the Protection of Vulnerable Energy Consumers for 2024⁹ is worrying. The concept has completely changed from providing additional financing to low-income families (which was expected to pay for part of the energy needed in the home) to providing a voucher intended for the purchase and installation of high-efficiency inverter air conditioners. The commitment to reduce air pollution and the push towards greener solutions for heating is clear, but it does not reflect the need and opportunity of families at social risk. This program is adopted within the framework of a working group in the Ministry of Economy and the change in methodology was not followed by participation by representatives of the affected groups. Given that the Republic of North Macedonia has many rural areas and heating is traditionally based on wood, this way of inadequate support motivates people at risk to manage by resorting to illegal logging or buying cheaper wood that was illegally cut, but and to the use of inappropriate energy reagents that contribute greatly to pollution.

We are talking about illegal logging as a struggle for existence against organized crime. They inform us that last year the price of a cubic meter of wood reached 6000 denars (100 euros), which is already becoming an economic problem. Given that a household needs about 2000 euros to spend the winter for people who are economically unsecured or live with minimal income, this amount is unattainable.

"People need to secure wood at any price!" Our interlocutor says that institutions are obliged to provide access to obtain wood, because if this is not done, no strategy or attempt to prevent illegal logging will be successful.

"On the one hand, we punish people, on the other hand, we do not provide them with the opportunity. If you don't enable him, they will steal! First, it should be possible to get wood through the institutions."

CHILD POVERTY

120,000 children in North Macedonia, or 32.8% of all children, live below the national poverty line. The poverty rate among children is 50% higher than among the adult population and has increased from 28% in 2015 to 32.8 % in 2021, showing that children are being left out of the country's economic development.

⁹ https://www.economy.gov.mk/content/documents/Stecaj/Programa_ranlivi_2024_inverteri_final.pdf

The situation is of great concern considering that children are more vulnerable to the effects of poverty. Childhood poverty affects all aspects of life and can have lifelong consequences on children's physical, cognitive and social development, and has a high cost on human capital and prosperity.

Institutions, development partners, the academic community and civil society agree on the need for a cross-sectoral and long-term approach to tackle multidimensional child poverty in Macedonia through the introduction of the European Child Guarantee - an intervention that gives hope that the most vulnerable children will be included, while ensuring systemic access to social services. It is agreed that tackling the lack of education that contributes to child poverty through programs to reduce early school leaving and support for the inclusion of children who are not included in the educational process and children with disabilities can be an important success factor. Immediately is required:

- the visibility of children living in poverty should be achieved, through monitoring, measurements and taking actions based on data.
- access to social services and care should be increased to address child poverty, support targeted at families should be promoted and the vulnerable should be included through child protection interventions.
- more adequate direct financial support should be provided for families with social transfers.
- the trend of increasing access to early childhood education should continue, bearing in mind the importance for future outcomes in life.
- access to health care for every child should be ensured by improving the coverage of health insurance for children, as well as strengthening the patronage services and the immunization system.

The main international partner for overcoming child poverty in the Republic of North Macedonia is UNICEF, the country uses the experiences of the European Union, including the European Child Guarantee as a mechanism that aims to prevent and overcome the social exclusion of children through guaranteed access to key social services and financial aid.

"I don't send my child to school because we don't have money to give him for a meal, to buy new clothes or shoes, it breaks my heart because he will be uneducated and unhappy like me and my husband"

Over 21,000 children in the country do not have health insurance, and even insured children from low-income households are not exempt from co-payments for outpatient drugs and medical products. Roma children are significantly more vulnerable – at least every third child from the Roma community is exposed to multidimensional poverty, and in the general population this is the case for every ninth child. Although access to primary education is free in Macedonia, the government has yet to provide free meals to all students.

EU SUPPORT

The level of preparation for the participation in the European Social Fund remains moderate but European funds, IPA funds remain a great support in improving the quality of life of the citizens of the Republic of North Macedonia. As an example, the annual action program of the Republic of North Macedonia for IPA 2024 consists of four actions. Action 1 "EU on rights and security" provides support for the country's policies in the area of fundamental rights and will contribute to improving the respect for human rights and strengthening security. The total budget of the Action is 6.8 million. EUR, of which the EU (IPA) participates with 6.5 million. euros, and 0.3 million euros are the participation of the users.

One of the specific goals of this action program is a strengthened response to the national system for dealing with gender-based and family violence and improving the housing situation of the Roma. With the implementation of the projects within the framework of this program, it is expected to achieve:

- improved services for the protection of victims of gender-based and family violence, through support for their establishment and development;
- strengthened inter-institutional cooperation at the national and local level for gender-based and family violence, through the establishment of an integrated data collection system,
- monitoring and reporting by the relevant institutions;

- supported detailed urban planning and preparation of project documentation for future investments in social housing in part of Roma settlements.

Regarding the programming of EU assistance, the IPA Annual Action Programme for 2024, amounting to EUR 58.6 million, was approved in April 2024. Additionally, the IPA Operational Programmes for 2024-2027, focusing on environment, transport, and human capital, with a budget of EUR 160 million, were adopted in July 2024. These programmes will be implemented under indirect management by Republic of North Macedonia. During the reporting period, the efficiency and frequency of sector policy dialogue, which supports the strategic planning and programming of EU assistance, improved.

The institutional framework for managing EU funds under IPA III has been better aligned with its requirements in anticipation of its role in EU cohesion policy. However, the performance of the Operating Structures for the multiannual operational programmes is at risk due to inadequate administrative capacity and staffing issues. North Macedonia needs to enhance its administrative capabilities and align its management and control systems with IPA III standards.

Challenges remain in the administrative capacity of key institutions managing EU funds. The absence of a national staff retention policy, deficiencies in human resource management, and a high staff turnover rate—averaging 10% in 2023—are major concerns. Implementing an effective retention policy for IPA structures is essential. Additionally, the IPA training center is understaffed and has a dysfunctional trainer roster.

RECOMMENDATIONS

- Urgent reaction by the government with a focus on poverty reduction rather than the continuation of ad hoc populist policies with short-term effect is necessary. We need a strategic orientation towards an integrated interrelated system of measures leading to the eradication of poverty. For this purpose, it is important to prepare a comprehensive strategy against poverty and to operationalize all existing documents and strategies that could support it.
- Financial support through social transfers is not enough to overcome all the challenges faced by people in poverty; support through different services is needed. In order to reduce poverty, it is necessary to help in different fields. Improving welfare/protection is more than obvious so that poor people, homeless people, children, and families who need it most will be provided with and supported.
- Adequate access to health and social protection, as well as access to social services and care, is crucial in our fight against poverty. Furthermore, promote support for families, children, and individuals at social risk. Additionally, programs to reduce early school leaving and support for the inclusion of children, as well as increasing access to early childhood education.
- Child poverty must become a priority challenge to overcome.
- The social and green impact of policies must not be seen separately and must be added value to the economic development of the country.
- Meaningful participation of civil society organizations, representatives of vulnerable social groups, and individuals with experiences of poverty in the process of policy development for poverty eradication and social exclusion is crucial.