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Western Balkans Competitiveness Outlook 2024

Fact-finding Meeting

Skopje, North Macedonia

10 October 2023

OECD South East Europe Regional Programme

The OECD **SEE Competitiveness Outlook:** A tool for building **competitive economies**

ABOUT

The Competitiveness Outlook (CO) assesses reform progress across multiple **policy areas crucial to competitiveness** in the six Western Balkan economies: Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, and Serbia.

Competitiveness Outlook 2024 is the 4th edition of this assessment, following the publication of the Competitiveness Outlook 2021.

APPLICATION

- **Guiding policy reform** and acting as a change management tool through government self-evaluation methodology
- **Benchmarking performance** between peer economies using internationally comparable databases
- **Providing a source of information** on international standards, databases and other tools across several policy areas
- **Enabling gradual adherence** to the OECD standards
- Supporting monitoring of **Sustainable Development Goals'** implementation.

The Competitiveness Outlook supports the Western Balkan governments' EU integration efforts by providing analytical contributions supporting the Economic Reform Programmes and the EU progress reports and recommendations.

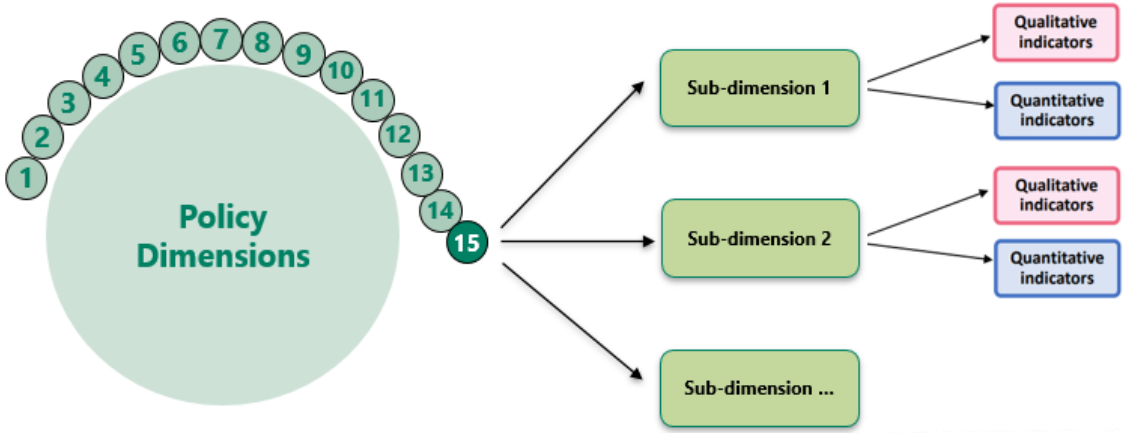
* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence

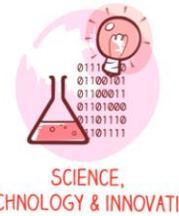
Assessment Approach and Methodology

The CO 2024 methodology is designed to provide an evidence-based assessment of progress in the design, implementation and monitoring across **15 policy dimensions** key to economic competitiveness

Each of the 15 policy dimensions is split up into **several sub-dimensions**, reflecting the key areas of that policy dimension

Sub-dimensions are composed of both **qualitative** and **quantitative** **indicators**





Scoring methodology – **Qualitative indicators**

According to the level of policy development and implementation, the qualitative indicators are assigned a **numerical score between "0" and "5"** to permit comparison of performance across WB6 economies.

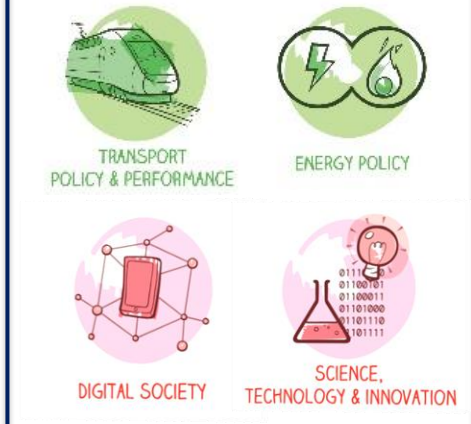
5	An **independent impact evaluation** of policy measures is executed. Results of monitoring and impact evaluation inform policy framework design and implementation updates towards **OECD and international good practices**.
4	The policy framework is **monitored** and, if necessary, adjusted accordingly. The policy framework includes **more advanced features** to increase its impact.
3	The adopted policy framework is effectively being **implemented.** The policy framework **includes key features** which make it impactful.
2	A policy framework specifically addressing the policy area concerned has been **officially adopted** by the government or parliament (where applicable).
1	A **draft / pilot policy framework** with government activity exists addressing the policy area concerned.
0	**No framework** (e. g. law, institution, project, initiative) exists addressing the policy area concerned.

Regional assessment **Five distinct clusters**

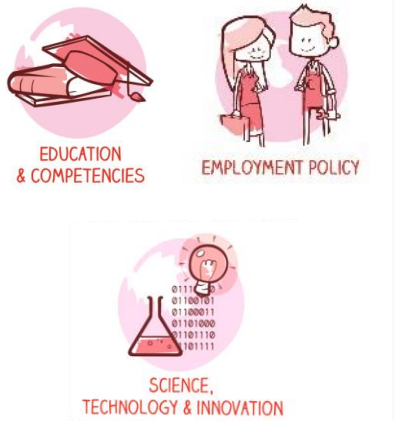
The CO 2024 will introduce an **enhanced regional profile methodology**, built around **five distinct clusters**, to effectively encompass and show the policy landscape of the Western Balkans.

Business Environment

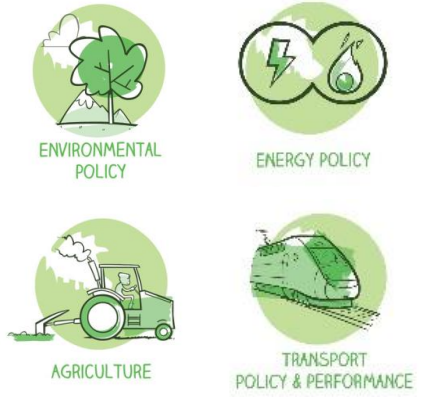
Connectivity & infrastructure



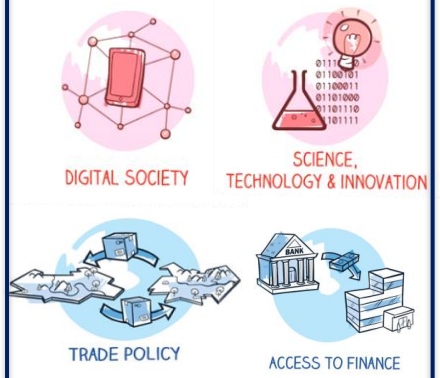
Skills



Greening



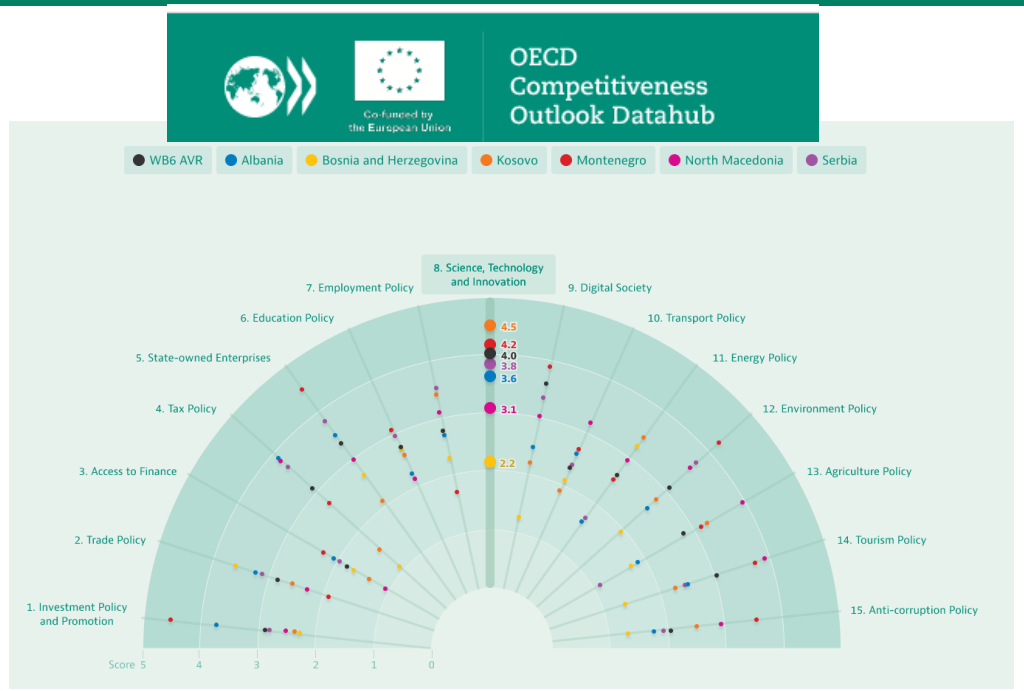
Digitalisation



Competitiveness Outlook 2024 **Useful components**

Datahub

Complement the publication with the underlying **wealth of qualitative and quantitative data** in a visual and easily accessible way



*The image shown is for illustration purposes only and will not be the exact representation of the final product.

Economy-specific profiles

Access an **economy-specific set of policy recommendations** and source of information on international standards, databases and other tools across several policy areas

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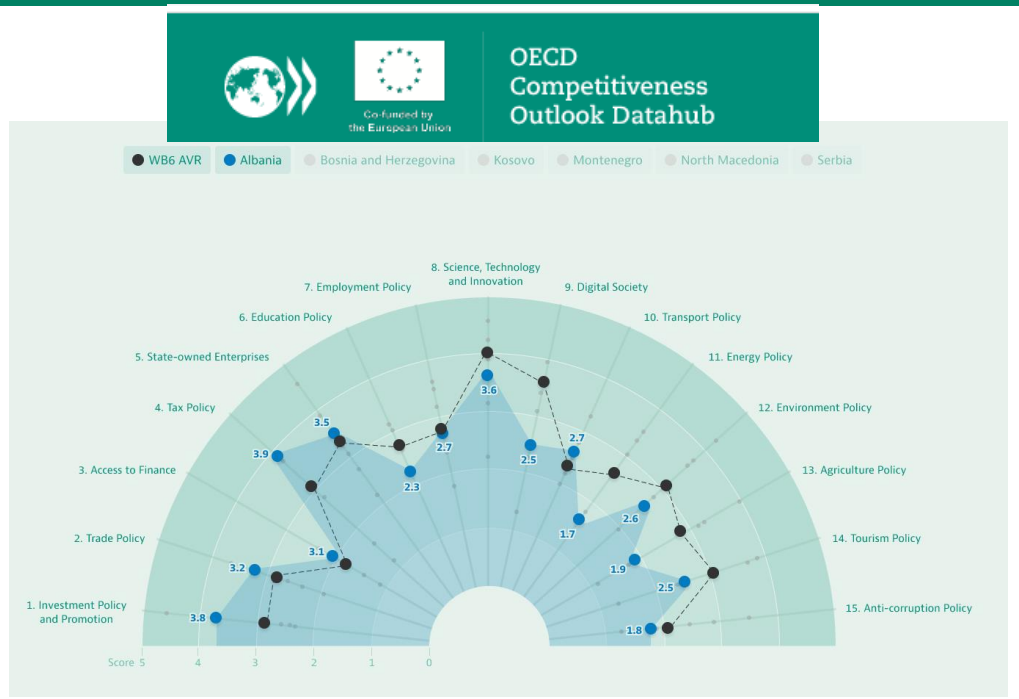

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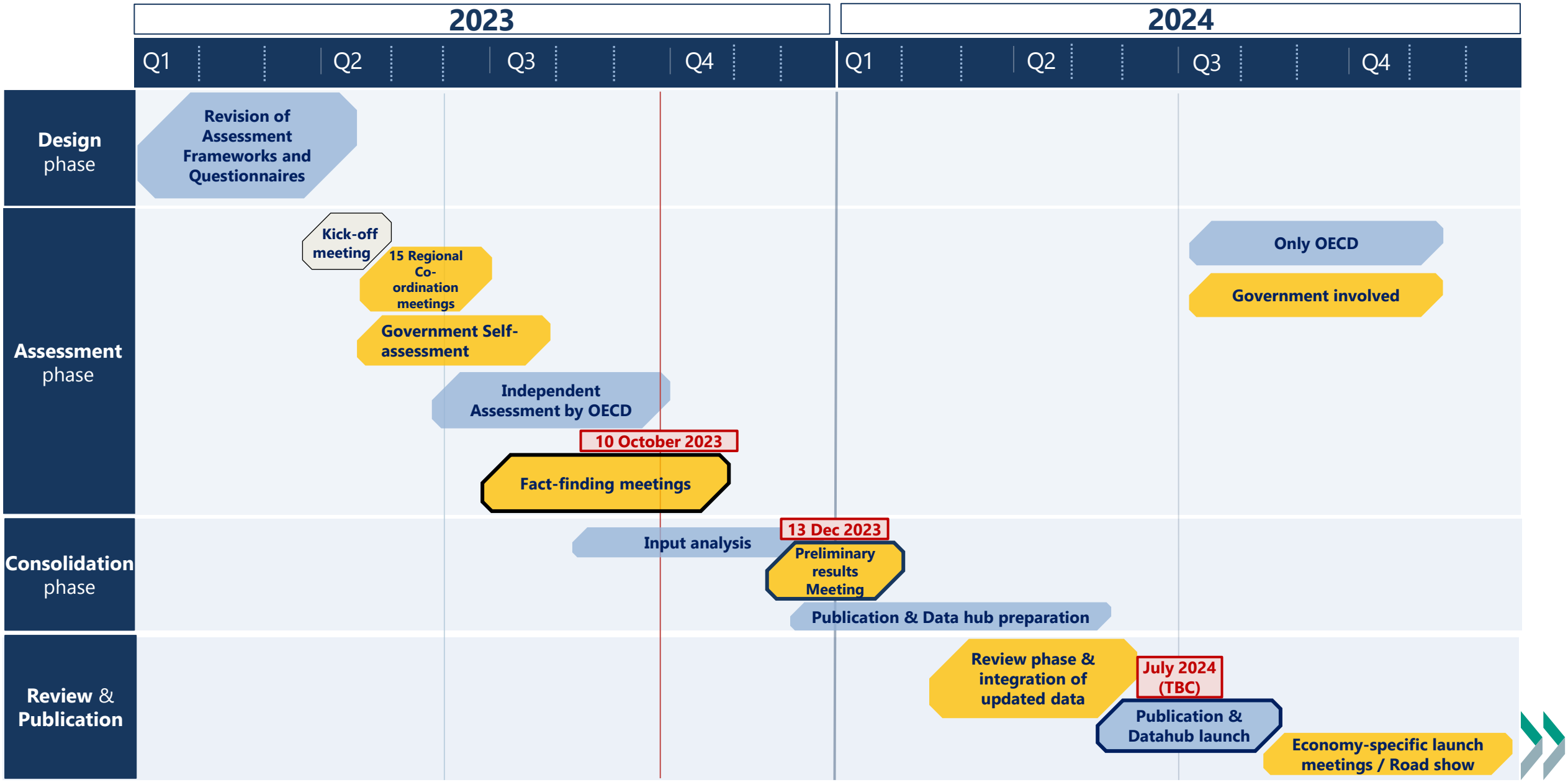
Competitiveness Outlook 2024 **Timeline**



Competitiveness Outlook 2024 **Next Steps**

14 July 2023
Second round of input collection

- ❑ **Respond** to OECD comments and update the demanded information
- ❑ **Send** the final qualitative and quantitative questionnaire

10 October 2023
Fact-finding meeting

- ❑ Contribute to **closing information gaps** in policy dimensions related to the skills system by sharing additional information
- ❑ **Identify** achievements, challenges, and policy priorities

13 December 2023
Presentation of preliminary findings

- ❑ Contribute to **discussion and validation** of the preliminary results
- ❑ Provide **updated data** if available
- ❑ **Comment** on initial OECD policy recommendations

February 2024
Draft publication shared

- ❑ Provide **updated data** if available
- ❑ Provide **final comments** on the draft outputs

Publication & Datahub release in July 2024 (TBC)
&
Economy-specific launch meetings in Q3 2024

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Western Balkans Competitiveness Outlook 2024

SKILLS POLICY IN NORTH MACEDONIA
DATA GAPS

Skopje, North Macedonia
10 October 2023

OECD South East Europe Regional Programme

Data gaps across 15 assessed policy dimensions as of 7 October 2023

Dimension	Questionnaire	Statistical sheet	Remarks
Investment Policy and Promotion	Major gaps	Partial gaps	Major qualitative data gaps (sub-dimension 1 largely missing)
Trade Policy	Partial gaps (only 1st round received)	Major gaps (only 1st round received)	Some qualitative data gaps (e.g., QL. 9 missing) and large quantitative data gaps
Access to Finance	Minor gaps	Major gaps	Large quantitative data gaps (e.g., sub-dimension 1 largely missing)
Tax Policy	Minor gaps	N/A	
Environment Policy	Major gaps (only 1st round received)	Minor gaps	Major qualitative data gaps (sub-dimension 3 largely missing)
Agriculture Policy	Minor gaps	Minor gaps	
Tourism Policy	Major gaps (only 1st round received)	Major gaps (only 1st round received)	Large qualitative (sub dimension 2 & 3) and quantitative data gaps
State-owned Enterprises	Partial gaps (only 1st round received)	Not received	Pending review of qualitative questionnaire; no statistical sheet received
Education Policy	Not received	Minor gaps	No qualitative questionnaire received
Employment Policy	Minor gaps	Minor gaps	
Science, Technology and Innovation	Minor gaps	Minor gaps	
Digital Society	Not received	Major gaps (only 1st round received)	Major data gaps in statistical sheet (mostly pre-filled in); no qualitative questionnaire
Transport Policy	Major gaps (only 1st round received)	Minor gaps	Additional qualitative input pending
Energy Policy	Partial gaps (only 1st round received)	Partial gaps (only 1st round received)	Missing qualitative indicators (sub-dimension 3); some quantitative data gaps
Anti-Corruption	Minor gaps	Minor gaps	

Skills cluster – **Data gaps (qualitative)**

	Minor information gaps	Partial information gaps	Largely incomplete
Education Policy			
Sub-dimension 1: Equitable education for an inclusive society			Not received
Sub-dimension 2: Teachers			Not received
Sub-dimension 3: School-to-work transition			Not received
Sub-dimension 4: Skills for the green-digital transition			Not received
Employment Policy			
Sub-dimension 1: Inclusive labour market governance			
Sub-dimension 2: Social protection and activation policies			
Sub-dimension 3: Skills for adaptable labour markets			
Sub-dimension 4: Expanding the skills pool			Largely incomplete
Science, Technology and Innovation			
Sub-dimension 1: STI system			
Sub-dimension 2: Public research system			
Sub-dimension 3: Knowledge exchange and co-creation			

Skills cluster – **Data gaps**

Education Policy

Missing questionnaire

Employment Policy

- Progress on digitalisation of Public Employment Services (PES)
- Active Labour Market Policies (ALMPs) – budget and stakeholders
- Details on "Learn smart, work professionally" campaign
- Information on activities to prepare for greening of economy

Science, Technology and Innovation

- Details on time/budget for Smart Specialisation Strategy
- Future operations of Fund for Innovation and Technology Development (FITD)
- Details on activities of National Council for Higher Education, Scientific
- Information on progress of research infrastructure roadmap

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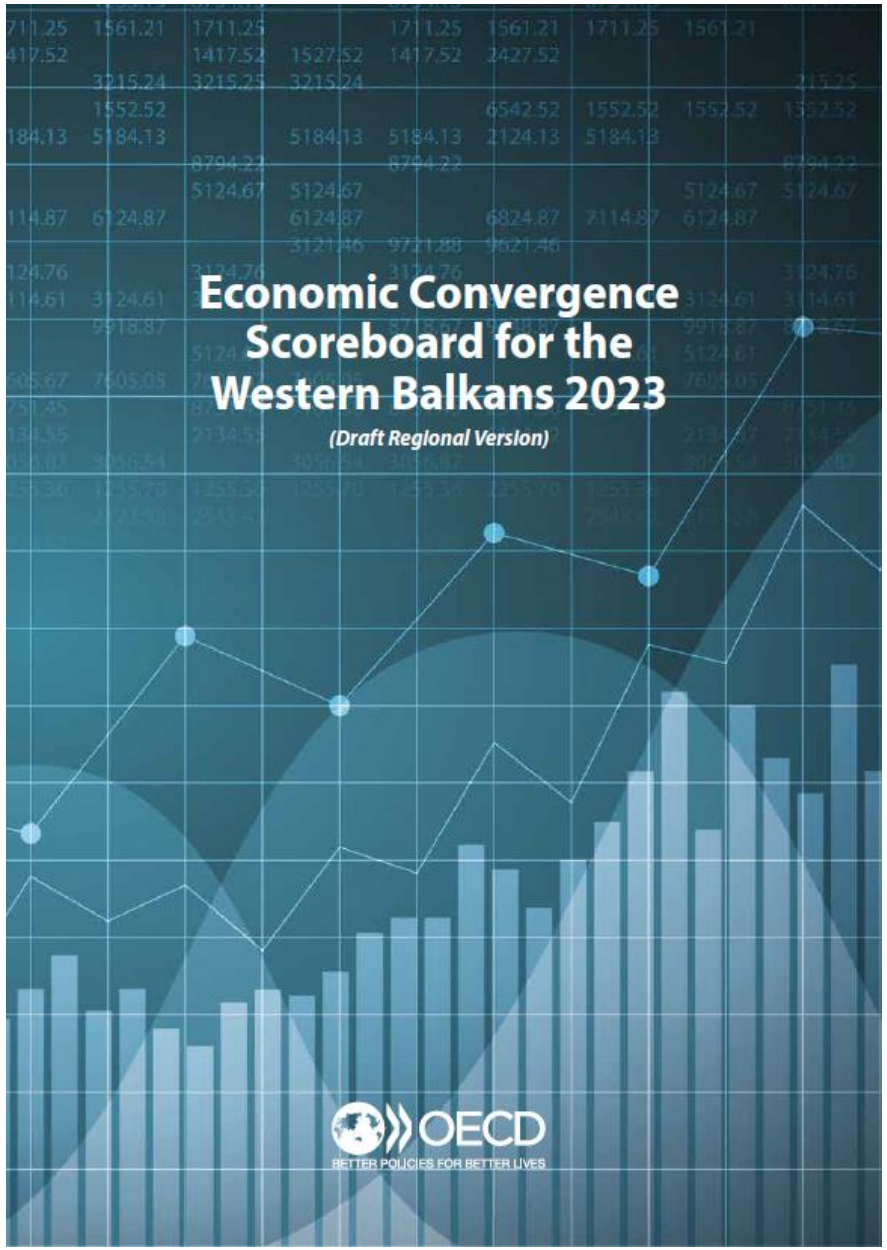
Western Balkans Competitiveness Outlook 2024

SKILLS POLICY IN NORTH MACEDONIA
KEY CHALLENGES & POLICY SOLUTIONS

Skopje, North Macedonia
10 October 2023

OECD South East Europe Regional Programme

Economic convergence of North Macedonia over five CO policy clusters



- New **OECD scoreboard** to assess **economic convergence of North Macedonia with EU and OECD standards**
- To be presented at the **Berlin Process Western Balkan Summit 2023** in Tirana
- Scoreboard highlights North Macedonia's convergence relative to **EU policy outcomes** and **OECD good practices across five clusters:**

1. Business environment
2. Skills
3. Connectivity & infrastructure
4. Greening
5. Digitalisation

Economic convergence of North Macedonia in the skills cluster

0 1/3 2/3 1

".." denotes complete data unavailability

Policy outcomes	Performance relative to the EU			Change	OECD good policy practices, standards, and tools	Performance relative to the OECD			Change
	2008-2012	2013-2017	2018-2022	2008-12 to 2018-22		2016-2017	2018-2019	2020-2022	2016-17 to 2020-22
Skills									
Employment rate (% of the 15-64 population)	0.71	0.78	0.82	+0.11	CO Employment Policy	0.50	0.46	0.66	+0.16
NEET rate (% of the 15-24 population)	0.44	0.47	0.51	+0.07					
Output per hour worked (2017 PPP $ GDP)	0.45	0.43	0.40	-0.05					
PISA average score	..	0.76	0.83	+0.07	CO Education Policy	0.54	0.56	0.58	+0.04
Lifelong learning (% pop. 25-64)	..	0.11	0.09	-0.02					
Tertiary education achievement (% pop. 25-34)	..	0.40	0.65	+0.25	CO Science, Technology, and Innovation Policy	0.38	0.42	0.48	+0.10
R&D expenditure (%GDP)	0.12	0.21	0.16	+0.04					

Convergence with OECD good practice:

- Overall, **North Macedonia's policies increasingly align with OECD good practices** in all policy dimensions of the skills cluster
- However, while **advancements** are promising, they **remain modest**; as of 2021, none of the three examined policy areas had achieved more than 66% convergence with OECD standards
- Within skills cluster, North Macedonia's **progress** towards OECD standards has been **strongest in employment policy**

Convergence of policy outcomes:

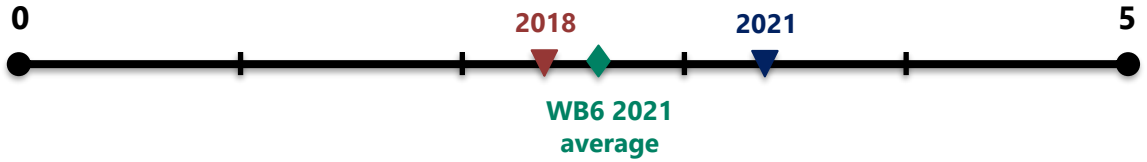
- **Number of people attaining tertiary education** demonstrates **highest degree of convergence**, rising from 40% to 65% of EU average (2013-2022); however, **participation rates** in **lifelong learning activities** still **significantly lower** than EU levels
- North Macedonia's **low spending on research and development** remains persistent challenge to foster skills for innovation → in 2020, **R&D expenditure** was only 0.37% of national GDP which is markedly **below EU average** (2.32%)

North Macedonia's **Competitiveness Outlook performance since 2018**

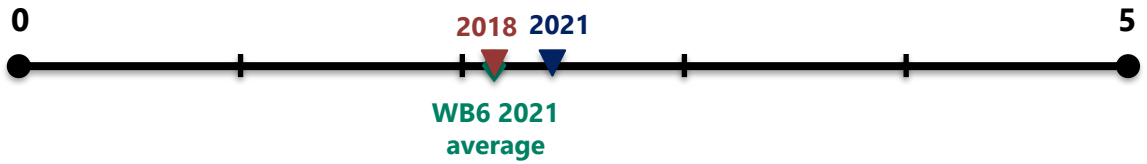
- North Macedonia has **improved** its performance in **all policy dimensions related to skills policy**
- In 2021, North Macedonia achieved its **highest average scores** – next to trade, investment, tax and energy policy – in the **employment policy** dimension, where it **outperforms** the **WB6 average**
- In **education policy**, North Macedonia scored slightly **below the WB6 average**

Education Policy

Employment Policy



Science, Technology and Innovation



Skills cluster – **Key progress and remaining challenges since CO2021**

Education Policy

Progress

- **Improvements** in **higher educational attainment**
- **Better student performance** in PISA (from 2015-2018)
- **Strengthened focus on secondary education** (**concept** for secondary education of adults; **new draft law** on secondary education)
- Efforts to **improve** the **VET system** (planned **new law** on VET; regional **VET centres**)

Challenges

- **Decreasing public spending** on education and training
- **Lack of regular national assessments** at key levels of education
- **Limited progress** on **adjusting VET legal framework** to labour market needs
- **Low participation rates** in **adult learning** (2.6% in 2020)

Skills cluster – **Key progress and remaining challenges since CO2021**

Employment Policy

Progress

- Efforts to **formalise** the **informal economy**
- Reinforcement of **Youth Guarantee**
- Improved collaboration for continuous training (**"Learn smart, work professionally"** campaign)
- Measures towards **reducing gender inequalities**
- Increased focus on **digital skills**

Challenges

- **No clear progress** in improving effectiveness of **labour inspectorates**
- Limited counselling activities of **public employment services**
- Issues of data availability for **employment indicators**
- No specific framework to identify **skills mismatch**

Skills cluster – **Key progress and remaining challenges since CO2021**

STI Policy

Progress

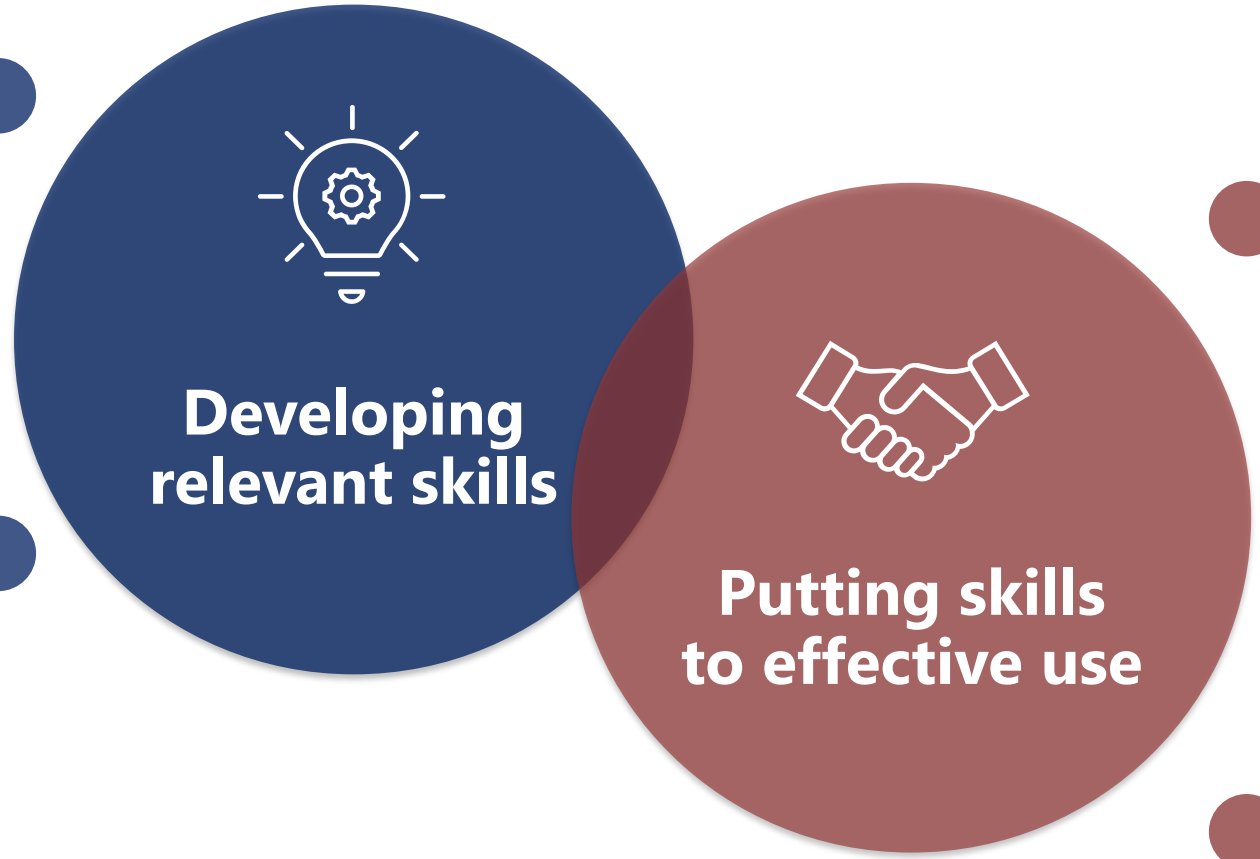
- **Progress in** development of **Smart Specialisation Strategy (S3)**
- Establishment of **National Council for Higher Education and Scientific Research Activities** (in 2021)
- Adoption of **National Roadmap for Research Infrastructure** (in 2022)
- **National Open Science Cloud Initiative** (in 2021)

Challenges

- **Public research system** remains **underfunded**, GERD at around 0.4% of GDP
- **Weak business-academia links;** no collaborative grant schemes in place
- **Limited progress** on establishment of **Science and Technology Parks (STPs)**

Competitiveness Outlook 2024 **Skills cluster**

The skills cluster looks at the various policies and factors that determine the **availability of a qualified and skilled workforce** and the **effective use of peoples' skills in the labour market**.



Developing relevant skills

Building strong foundational skills

What are the main obstacles that prevent the education system from further improving student learning outcomes?

What are the key obstacles to introducing regular standardised testing on a national scale?

Select priorities

Developing skills for the twin transition

How can students' digital skills development be further accelerated?

Are there specific policies promoting the development of green skills* in schools? Is it considered a priority?

How can policies better prepare the workforce to participate in the twin transition?

Expanding the skills pool

Have plans to attract skilled migrants to the labour market produced results?

How successful is the government's engagement with diaspora communities to tap their skills and knowledge?

* Green skills refer to the knowledge, abilities, values and attitudes needed to live in, develop and support a sustainable and resource-efficient society (e.g., specific skills to modify products, services or operations due to climate change adjustments, requirements or regulations)

Putting skills to effective use

Easing the school-to-work transition

How can mechanisms be improved to ease the transition from education to work?

What are the main obstacles for the VET and Higher Education sectors to better align curricula with labour market needs?

Matching skills with labour market needs

How can adult learning and work-based learning programmes be improved, and participation increased?

What are the main deficiencies of current forecasting tools to analyse and anticipate skills mismatches and shortages?

Select priorities

Putting skills to effective use

Select priorities

Activating unused skills

How effective are government policies/services in helping people find suitable employment?

How can women's participation in the labour force be further increased?

Have policies supporting vulnerable groups succeeded in helping them overcome employment obstacles?

Leveraging skills for innovation

How can policies improve the attractiveness of the research sector to draw and retain highly-skilled individuals?

What are the main obstacles in the development and expansion of the research and innovation infrastructure?

What are the key challenges in implementing policy initiatives related to promoting business-academia collaboration?

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Thank you for your attention!

For further information please contact:

Mr. Umur GOKCE
Economic Advisor at the OECD South East Europe Division
e-mail: umur.gokce@oecd.org

Mr. Martin KOHTZE
Project Manager of the SEE Competitiveness Outlook
OECD South East Europe Division
e-mail: martin.kohtze@oecd.org

Mr. Ali-Fuad TURGUT
Project Manager of the SEE Competitiveness Outlook
OECD South East Europe Division
e-mail: alifuad.turgut@oecd.org

Ms. Alexandra PROKSCHY
Policy Analyst at the OECD South East Europe Division
OECD South East Europe Division
e-mail: alexandra.prokschy@oecd.org

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