



# THE NATIONAL DEVELOPMENT STRATEGY

2024-2044

FINAL VERSION



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# 1 INTRODUCTION

**The National Development Strategy (NDS)** for the period 2024-2044 is a leading document that defines **the main development goals, strategic areas, and priorities for the accelerated, inclusive, balanced, gender-equal, and sustainable development of North Macedonia.**

Furthermore, as a strategic and developmental document, **the NDS identifies key challenges and national priorities, especially bearing in mind North Macedonia's aspirations to join the European Union (EU) by 2030 and the commitment to sustainable development outlined in the 2030 Agenda.** The NDS essentially incorporates the main goals defined in the adopted strategic documents, while also providing guidelines for future strategic documents and policies.

**The main idea of the NDS is to enable continuity in strategic planning and a consistent response to major challenges, regardless of political orientation.**

The NDS is a key strategic document that defines the vision for the development of North Macedonia, which is fundamentally based on three basic national development goals:

1. Strengthening the competitiveness of the economy through a functional and innovative ecosystem, improving the skills, knowledge, inclusion and resilience of citizens;
2. Governance models that are open, accountable, comprehensive and resilient, capable of preventing and appropriately responding, fostering prosperity for all groups in society;
3. Social inclusion, which entails improved social, health, and educational services aimed at providing benefits to individuals, businesses, and society as a whole.

The plan is to implement these national directions through six key strategic areas:



1. Sustainable, Innovative and Competitive Economy;
2. Sustainable Local and Regional Development that Ensures Cohesion;
3. Demographic Revitalization and Social and Cultural Development;
4. Secure, Safe and Resilient Society;
5. Rule of Law and Good Governance and
6. Green Transformation.

Each strategic area has its clearly defined mission that establishes its place, purpose, and value in the NDS, and provides guidance to all stakeholders. The strategic areas contain defined goals focused on key sectors where substantial progress is needed and goals that are supported by a series of systemic decisions. The NDS also defines the priorities for achieving each strategic goal, which encompass a range of activities, processes, and initiatives. The fundamental structure of the NDS is shown in Figure 1.

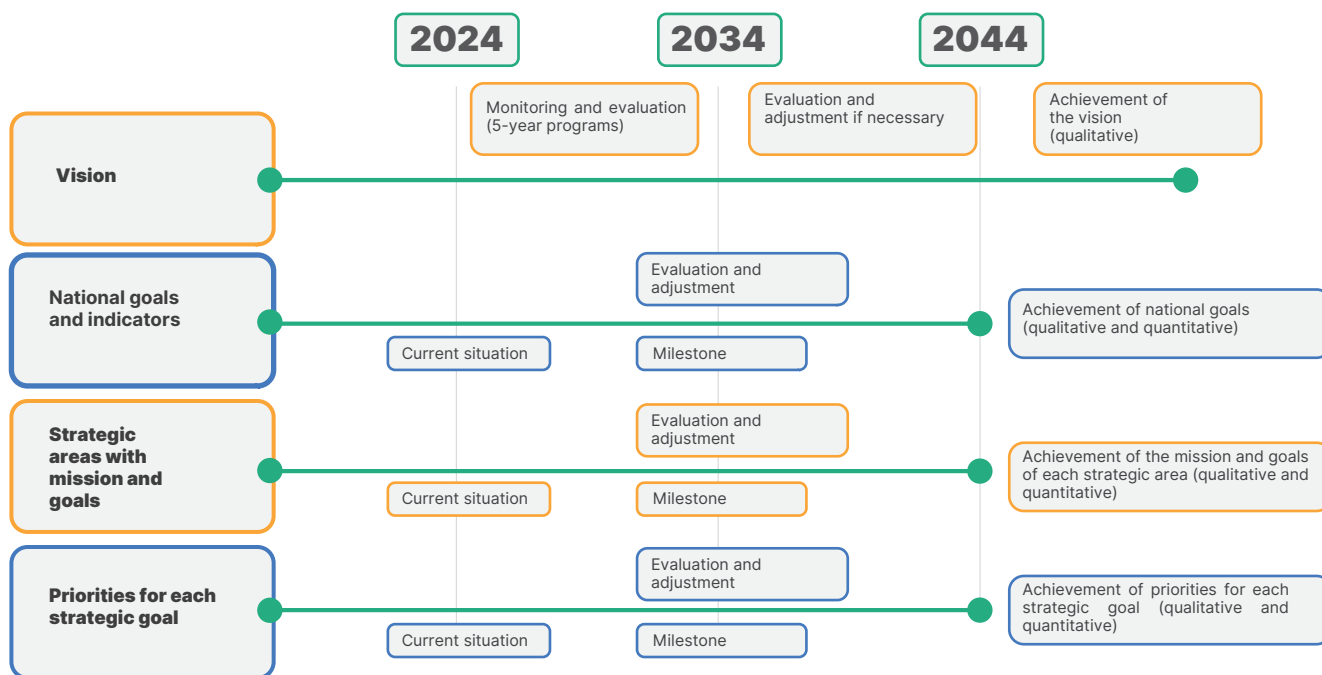
***Human capital and the digitalization of society are central elements and fundamental prerequisites for progress in each strategic area.***

What is particularly important is that the preparation of the NDS was based on several key principles:

- **Partnership and cooperation**, continuous inclusivity, and coordination to build consensus for the country's development path among all stakeholders in society in all stages of development;
- **Consistency and coherence** of created policies, goals, and results of hierarchically lower-level planning documents;
- **Long-term vision**, establishing the main long-term parameters to guide the country based on the model of strategic foresight for actively identifying future trends and challenges;
- **Systemic approach**, effective collaboration between institutions, and capacity-building with a greater focus on horizontal (multi-sectoral) strategies;
- **Embedded adaptability**, recognizing that transition, changes, and development require sustainable, flexible, and consistent efforts from all relevant stakeholders throughout the entire period;
- **Complementarity, integration, and coherence** of current and future processes and priorities in all segments of the country's development;
- **Sustainability** based on the three pillars of sustainable development (economic, social, and environmental components);
- **Alignment with the policies of the European Union**, implying that areas and goals should be aligned with the strategies, policies, and supranational legislation of the European Union;
- **Comprehensive and inclusive financing**, promoting innovative and diverse sources of funding to achieve the envisaged priorities;
- **Fiscal sustainability** of short, medium, and long-term policies;
- **Relevance, credibility, and evidence-based approaches**, meaning comprehensive and credible analysis of situations and key factors, movements, conditions, and circumstances in all areas of operation; and
- **Economy, efficiency, and effectiveness**, assuming that appropriate indicators of success are defined for all set goals and priorities.

These principles are considered to be key to the success of the implementation of the NDS itself. The NDS, along with the Development Framework MKD 2030, adopted by the President of the Republic of North Macedonia, are supplemented and form the basis for long-term economic, social, cultural, and institutional progress. Together, they constitute a comprehensive political and systemic framework aimed at guiding the country toward a new approach and continuously building consensus for development that transcends individual political agendas.

Figure 1: Structure of the National Development Strategy 2024-2044



## 1.1 THE PROCESS AND METHODOLOGY OF DEVELOPING THE NDS

The main goal of the NDS is to be a comprehensive strategic document that will enable a fundamental transformation of North Macedonia.

This transformation is of paramount importance for implementing essential national changes and for tracing the country's developmental trajectory. Achieving this goal is possible through the **participatory and innovative creation of public policies, which is one of the main principles in preparing the NDS**. The inclusive approach in developing such strategic documents is associated with and recognized through the involvement of citizens and institutions in developing the methodological framework and consultation process to determine key strategic directions and priorities. The methodology of the NDS is grounded in best comparative experiences, taking into account lessons learned from previous national strategic processes, while introducing innovative tools in the process of developing and implementing the Strategy. Its primary aim is to build a resilient, secure, and prosperous society that creates development opportunities.

Additionally, its inclusiveness is evident in the fact that the strategy was prepared in collaboration with domestic and international institutions and organizations, scientists, experts, and civil activists. Best practices and experiences from fast-growing economies are taken into account.

Also, the involvement of more than 14,000 citizens through thirty-five visionary workshops ("Dream Labs") throughout the country provided significantly valuable input into the preparation of the NDS. These workshops allowed participants to contribute to shaping the strategy based on different development perspectives. Furthermore, these workshops enabled participants to actively contribute to the creation of 24 thematic baselines covering various sectors. The key findings from these analyses were summarized in the report "National Development Strategy - Conditions and Challenges" by the Macedonian Academy of Sciences and Arts (MASA). This report presents the current state and identifies numerous challenges, weaknesses, and opportunities in the areas of human capital, environment, energy, infrastructure, digitization, social inclusion, governance, resilience, gender equality, and human rights.

The development process of the NDS was enhanced through the application of the so-called theory of change. This phase was divided into two parts. In the first phase, intensive discussions were organized and held among all stakeholders and expert groups to first understand the problems and then identify the country's challenges for the next two decades. This laid the foundation for achieving the short-term and long-term goals of the NDS. The discussions were grouped into six strategic areas: social balance and demography, green and digital economy, safety and resilience, competitive economy and entrepreneurship, governance and rule of law, as well as territorial development.

The second phase is characterized by the organization of 15 debates involving more than 200 domestic and foreign experts, where the challenges were discussed. What is particularly significant about this phase is that through these debates, definitions were reached for six strategic areas: 1) sustainable, innovative, and competitive economy; 2) sustainable local and regional development ensuring cohesion; 3) demographic revitalization and social and cultural development; 4) secure, safe, and resilient society; 5) rule of law and good governance; and 6) green transformation. For each area, a detailed analysis consisting of the challenges, causes, and effects characteristic of each area, along with proposed measures was conducted.

One of the most important advantages of this significant national document is the political consensus surrounding its preparation. For this purpose, throughout the preparation process, more than 50 MPs from the Assembly of the Republic of North Macedonia actively participated along with numerous other representatives of all political parties and stakeholders. Additionally, in order to take into account the views, reflections, and proposals of key institutions at central and local levels, workshops and roundtable discussions with over 250 representatives from ministries, agencies, regulatory bodies, and local self-government units, etc., were organized.

This approach facilitated a nuanced examination of the challenges through cause-and-effect analysis, which created a basis for identifying the critical developmental questions and priorities in the country. These insights were instrumental in shaping the goals of the NDS, defining the systemic changes whose implementation was necessary at national and local levels, as well as setting the goals, activities, and metrics for each specific strategic area of sustainable development. **Thanks to this approach, the NDS has become an accelerator for achieving the Sustainable Development Goals (SDGs), which are fully aligned with North Macedonia's aspirations for EU accession.**

The Government of the Republic of North Macedonia approved a comprehensive management and operational structure to support the NDS, with confidence that it will be implemented efficiently and effectively.

The Assembly of the Republic of North Macedonia adopted the National Development Strategy for the period 2024-2044 on 6.2.2024. The implementation of NDS 2024-2044 will be further detailed in a Program, which the Assembly of the Republic of North Macedonia is required to adopt within six months of the adoption of the Strategy.



## 2 TRENDS AND CHALLENGES FOR LONG-TERM DEVELOPMENT

The NDS was developed during a period of significant global, regional and national challenges and uncertainties that significantly impact long-term development foundations. This increases the importance of the NDS and strengthens its role as a comprehensive national framework that enables maximizing the available potential and successfully addressing current and future challenges. At its core, the NDS takes into account the fact that North Macedonia is a potential EU member state and that the country needs to successfully navigate the process of European integration while adapting to current and future global and European trends. The most significant challenges North Macedonia is facing are:



**1. Demographics** - A challenge most European countries face which has enormous social, economic, political, and cultural implications. The aging of the population (raising the average age threshold), decreased birth rates, declining participation and number of working-age population, increased concentration of population in urban areas, and particularly, emigration of young people and entire families, are important indicators of the deteriorating demographic picture of North Macedonia. Analyses conducted by the State Statistical Office (SSO) in 2023 show that three out of 10 citizens are expected to be over 65 years old by 2044. Unfavorable demographic changes pose a serious threat to the labor market and productivity, the pension insurance and social security system, housing and urban planning, and the overall ability of the economy to achieve sustainable economic development.





**2. Migration pressure** - Created as a result of global political instability and humanitarian crises, climate change, natural disasters, and economic factors. This challenge is primarily linked to potential waves of migrants and refugees to Europe through or towards North Macedonia. Internal migrations from rural to urban areas which create excessive population concentration and economic activity in larger cities are equally important. The migration challenge, particularly emigration of working-age citizens and the brain drain phenomenon, which continuously undermines the country's production and cultural potential, is exceptionally important. Successfully managing this challenge and promoting balanced local and regional development will be extremely significant in the next two decades.



**3. Climate change** - A multidimensional challenge with a significant impact on people's health, productivity, ecological balance, and macroeconomic stability. Natural disasters (floods, especially flash floods, prolonged drought periods, heatwaves, forest fires, and open fires, etc.) are just one aspect of the changes that necessitate mitigation and adaptation policies. A comprehensive societal response requires sustainable and resilient infrastructure, transformation of business models, sustainable agriculture, green transformation, as well as sustainable resource management.



**4. Education and health** - As fundamental attributes of human capital, are prerequisites for the economic and social prosperity of the country. Challenges related to the quality of the educational process at all levels (preschool, primary, secondary, and tertiary in terms of education / primary and secondary in terms of healthcare) determine labor market trends, the level of investments/economic prosperity, social and political stability, migrations, and democratic development. Challenges and trends in health are linked to the dangers of new pandemics, the ever-widening prevalence of chronic diseases, increased risks associated with mental health and well-being, obesity, substance abuse, and antibiotic resistance, as well as unequal access to healthcare. The shortage of medical personnel due to emigration is also a serious challenge.



**5. Energy security** - Linked to the high import dependency on energy sources. Solutions need to be sought in smart and long-term investments in sustainable, diversified, and economically viable energy sources. The rise of renewable energy sources, including hydrogen, as well as energy storage options and increasing energy efficiency, have the potential to significantly improve energy security and ensure a safe energy supply. However, these solutions also pose new challenges, particularly in the realm of cyber security.



**6. Food supply and food safety** - Food supply, especially in conditions of reduced agricultural production and geopolitical tensions, remains a long-term challenge. In conditions of environmental pollution, it is necessary to carefully monitor the food supply chain to ensure the provision of safe and nutritionally valuable food for the population. Food safety is a significant determinant of the competitive position of agricultural and food products in the domestic and foreign markets(1).



**7. Geopolitics** - Creates political and socio-economic insecurity, disrupts and redirects international trade and capital flows, imposes high budgetary costs for defense and security etc. Geopolitical changes can manifest in new waves of migration, economic challenges (e.g., price shocks, disruptions to global supply chains, increased costs for new loans), regional conflicts, additional political polarization, etc. Geopolitical shocks also contribute to opposing agendas regarding the future of the Western Balkans, which may delay or postpone the region's integration process into the EU.

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1 National Strategy on Agriculture and Rural Development for the period 2021-2027.



**8. Technological changes and digital transformation** - Currently, and in the next two decades, revolutionary technological changes primarily related to artificial intelligence (AI), remote working technologies, blockchain technologies and digital currencies, telemedicine, augmented and virtual reality, financial technology (fintech), quantum computers, and others are expected. Simultaneously, the hyper-connectivity of economies is expected to further reshape the labor market, international trade, and international finance and impose continuous changes in legal regulations.

**These challenges require policy adjustments, particularly in ensuring greater flexibility and resilience of the country.**

At the same time, **many of these challenges offer a vast array of advantages** for North Macedonia's positioning and its citizens in terms of skill gaps and global division, which will be one of the crucial factors for progress. In this regard, the country needs to rapidly leverage the potential of technological progress, which is inevitably linked to digital transformation. A key factor in addressing these challenges is mitigating the risks arising from, for example, climate change and geopolitical upheavals, which also increase vulnerability in terms of food provision and security, access to water and public health, resolving ecological hotspots, the use of digitalization, especially risks associated with asymmetric cyber threats, cybercrime, secure data storage, the security of IT systems, etc.

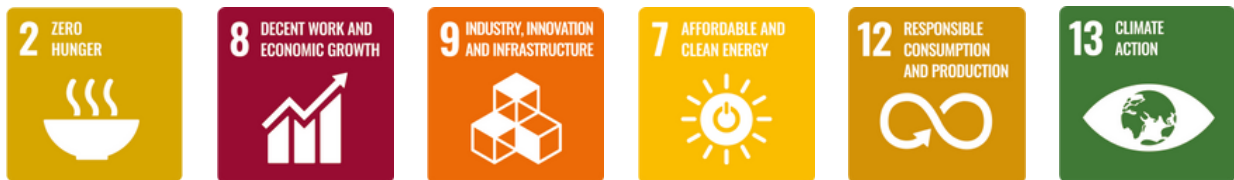
## 3 VISION

***People in North Macedonia have a high standard of living realized in an economy that is sustainable, competitive and provides equal opportunities for all. Institutions are efficient, accountable, responsible, innovative and open to civic participation. The communities we live in are green, safe, resilient to modern risks, infrastructurally connected and digitized. These conditions contribute to creating the foundation for prosperous young people and satisfied, happy, healthy, and actively aging individuals. Art and culture are the pillars of our society and contribute to improving collective well-being and the international perception of the country. Our country is an active and respected member of international organizations and regional initiatives, promoting values, norms, and processes whose result or intention is to improve the lives of all people.***

# 4 NATIONAL DEVELOPMENT GOALS AND KEY FACTORS

## 4.1 NATIONAL DEVELOPMENT GOALS

**Strengthening the competitiveness and development of the economy through a functional and innovative ecosystem, improving the skills, knowledge, inclusion and resilience of citizens**



	Current situation	Milestone 2034	Target 2044
European Innovation Scoreboard (as a percentage of the EU average)	46.3% (2023) Emerging innovator	75% Moderate innovator	110% Strong innovator
High-technology exports (% of total exports of industrial products)	4.18% (2020)	5%	7%
Human Capital Index	0.56 (2020)	0.7	0.8
Labor productivity	20.64\$ (2021)	30\$	40\$

**Governance models that are open, accountable, comprehensive and resilient, capable of preventing and appropriately responding, fostering prosperity for all groups in society**



	Current situation	Milestone 2034	Target 2044
Worldwide Governance Indicators (World Bank)	0.1 (2022)	0.7	1.5
Corruption Perception Index	-0.35 (2021)	0.06	0.72
Annual mean levels of fine particulate matter (e.g. PM2.5 and PM10) in cities (population weighted)	25.17 (2019) micrograms per cubic meter	18 micrograms per cubic meter	12 micrograms per cubic meter
People using safely managed drinking water services (% of population)	77 (2020)	83	90



**Social inclusion, which entails improved social, health, and educational services aimed at providing benefits to individuals, businesses, and society as a whole.**



	Current situation	Milestone 2034	Target 2044
Human Development Index	0.770 (2021)	0,850	0.910
Income Inequality Coefficient (Gini Index)	33.5% (2019)	30%	25%
Ratio of female to male labor force participation rate (in %)	66.2% (2022)	75%	85%





## 4.2 KEY FACTORS THAT ENABLE PROSPERITY

Creating a framework for sustainable development requires focusing on several key factors that take into account the economic, social, environmental, and cultural dimensions. These factors, which significantly shape the future of the citizens of North Macedonia, can also be called capabilities or capacities to execute or achieve a specific task or function. This implies that human potential should have a dynamic nature, to improve, change, and adapt according to needs. Hence, the key factors or national capabilities and capacities which are of paramount importance for achieving the goals defined in each of the key strategic areas, are:

**1. Maintaining macroeconomic stability** - Maintaining macroeconomic stability is a crucial prerequisite for ensuring sustainable growth rates and achieving the basic goals outlined in the National Development Strategy of North Macedonia. North Macedonia is a country that has maintained low single-digit inflation rates since the period after 1995, which is one of the important and recognizable characteristics of its macroeconomic framework. In the period from 2002 to 2021, the historical average inflation rate has been below 2%. However, after the crisis caused by the COVID-19 pandemic, the emergence of the energy crisis, and the rise in food prices, there has been a significant increase in inflationary pressure in the country. The latest developments, as well as the forecasts of the National Bank of the Republic of North Macedonia (NBRNM), indicate that inflation is gradually decreasing and that in the medium term, by 2025, it will return to the historical average of around 2%.

The value of the Macedonian denar is pegged to the euro, which enables the NBRNM to import the credibility of the monetary policy of the European Central Bank. Such an exchange rate regime serves the country well, as it allowed the denar to remain stable from 1998 to the present day. The stability of North Macedonia's financial system is directly conditioned by the stability of the banking system, which is its dominant segment. Today, North Macedonia's banking system is stable, with a significant participation of foreign capital in the total capital of banks, with excellent capitalization (capital adequacy), and with constant progress in the field of corporate governance. Until 2008, the state achieved low budget deficits and created a solid fiscal space. With the onset of the major recession of 2007-2009 and the expansionary fiscal policy in the years thereafter, budget deficits began to increase, leading to a significant increase in public debt. Public debt was only 33% of GDP in 2006, while in 2014 it reached 46% (Ministry of Finance).

Later, with the onset of the recession caused by the coronavirus pandemic (February 2020), there was additional tightening of the country's fiscal space. Fiscal and monetary policy and their good coordination play a significant role in maintaining a stable and favorable macroeconomic framework. In the medium and long term, North Macedonia will continue reforms in the fiscal sphere, focusing on increasing efficiency and effectiveness in collecting public expenditures at central and local levels; effectively dealing with the informal economy; optimizing the tax system while simultaneously increasing its fairness, including minimum wages, pensions, and social transfers aimed at protecting vulnerable categories of the population; introducing environmental taxes to support the green transition; rationalizing and redesigning the structure of public expenditures by cutting non-essential and unproductive costs and increasing capital expenditures; gradual fiscal consolidation, and so on. The constant fixed exchange rate regime, i.e., the pegging of the denar to the euro, ensures clear linkage and correlation between the growth of money supply in the domestic economy and the European Central Bank's monetary supply policy, maintaining high price stability. Good coordination of key macroeconomic policies is extraordinarily important for maintaining and strengthening macroeconomic stability. Continuing reforms in the fiscal sphere and strengthening fiscal policy discipline are necessary prerequisites for conducting effective monetary policy, given that fiscal policy plays a significant role in maintaining price stability. The successive shocks over the past 15 years (the Great Recession of 2007-2009, the pandemic crisis, and the energy crisis) have had consequences but did not threaten macroeconomic stability. Policymakers in North Macedonia gained significant experience in establishing and maintaining macroeconomic stability in the post-1995 period. Utilizing and upgrading the acquired experience in the future is a strong guarantee that policymakers will ensure continuity in creating a favorable, stable, and sustainable macroeconomic framework. Continuous development of human capital in line with demographic revitalization - the primary creative factor in a country's development. The quality and quantity of human capital are crucial for the development of each strategic area. Therefore, investing in human capital (education, healthcare, social security, safety, equal opportunities, etc.), taking into account its specifics and demographic trends, will enable this factor in a small and open economy with limited remaining resources/factors of development to become a major comparative advantage ensuring the country's long-term prosperity. Demographic revitalization is strongly linked to the possibility of continuous development of human capital, hence they are a focal point of many priorities in the NDS.



**2. Strong institutions focused on the needs of citizens** are the key factor in ensuring the prerequisites and implementation of initiatives, strategic ideas, and policies. This is one of the most frequently mentioned factors as a challenge/opportunity for the country's future accelerated development. This has also been confirmed in long-term simulations/projections within the framework of the NDS, where it is clearly indicated that policies in the domain of good governance and rule of law are a key factor that will "unlock" the country's potential for long-term prosperity. Efficient, transparent, accountable institutions that provide the necessary services to citizens in a timely fashion are the foundation for both the implementation of the NDS and the long-term well-being of North Macedonia.

**3. Territorial organization and functional decentralization.** The needs of citizens and the allocation of resources are best determined at the local and regional levels. The effective implementation of each policy and assessment of the feedback on its success are linked to local/regional needs and territorial specifics. Therefore, successful territorial organization and functional decentralization are prerequisites for creating vertical connectivity throughout the process of policy creation, implementation, and resource allocation, thereby laying the foundation for greater prosperity and well-being of citizens. Functional decentralization provides the necessary factors and resources for effective local action within the broader national development framework.

**4. Inclusion and social cohesion** - linked to societal well-being, increased productivity, and faster economic development. Providing comprehensive financial support, healthcare, and basic services to vulnerable and marginalized groups of citizens, including the elderly, persons with disabilities, those facing economic difficulties, promotes social inclusion, reduces disparities, and provides equal access to necessary support, establishing a system aimed at creating a social safety net that ensures equal access for all citizens. By improving the situation of those in need, poverty is reduced, and social cohesion is strengthened. By actively involving these groups, the country can harness the potential of its entire population. This strategy maximizes the potential of the workforce and contributes to improving social cohesion, fostering an active society where everyone, according to their abilities, can contribute to progress and prosperity.



**5. Adaptation to climate change and successfully addressing environmental issues** actually means ensuring long-term sustainability and resilience of the economy, protecting the well-being of its citizens, and fulfilling responsibilities as a stakeholder in global change. The country needs to strengthen its capacities for adaptation, upgrade infrastructure, and build capacities for creating preventive policies and efficiently implementing economic and social practices that enhance resilience to climate change. This necessitates strengthening public awareness, educating the population, and forging strong global partnerships. North Macedonia will need to improve environmental regulations and promote sustainable practices with concrete adaptation and mitigation strategies, taking into account all social groups in the process. Protecting and restoring ecosystems acting as natural buffers against climate impacts will become a high priority, and improved financial mechanisms supporting adaptation and mitigation measures will need to be developed.

**6. Political consensus on key strategic development directions** is the foundation for creating continuity in national development, especially when working on long-term development strategies. Without the involvement and broad consensus of political actors on key development directions, the implementation of strategic policies/measures becomes more challenging and faces limitations and challenges determined by political cycles and interests. Therefore, one of the key factors for the success of such long-term strategic documents is broad political consensus. To achieve this, specific mechanisms need to be put in place to ensure its continuity for key strategic directions, which are of national interest and whose implementation transcends one or more electoral cycles.

**7. Management and utilization of data, technology, and a high degree of digitization** are becoming extremely important in modern society. Access to quality, timely, and disaggregated data is essential for making coherent and relevant evidence-based policies. The state must invest in a digital strategy focusing on four key pillars: developing the workforce and top professionals from the digital sphere, building secure and environmentally friendly digital infrastructures, facilitating the digital transformation of businesses, and providing digital public services with a focus on users. Digitization as a process will require changes in administrative and managerial structures to create systems that enable data to be collected, managed, protected, and used for decision-making.

# 5 STRATEGIC AREAS

## 5.1 STRATEGIC AREA: SUSTAINABLE, INNOVATIVE AND COMPETITIVE ECONOMY

Innovation, productivity, and competitiveness are categories that are closely interconnected and have a significant influence on the dynamics and quality of economic growth. North Macedonia is faced with evident weaknesses in all three areas. According to the latest available data from the State Statistical Office (SSO)<sup>1</sup> for the period from 2018 to 2020, the share of innovative business entities in the total number of business entities was 48.2%. The sectors with the highest innovation rates include marketing and market research with innovative enterprises comprising 76.3%, followed by the electricity, gas, steam, and air conditioning supply sectors with innovative enterprises comprising 66.7%, and financial and insurance activities with innovative enterprises comprising 67.1%.

On the other hand, there are serious weaknesses, including setbacks in segments like research and development (R&D) expenditure, which amounted to 0.37% of GDP in 2020. Of particular concern is the marginal share of the business sector in R&D expenditure, accounting for only 25.7% of the total R&D expenditure. It is also concerning that, according to the same data from 2020, a small number of businesses, only 40.7% organize professional development training for their employees and the number of registered patents and other industrial property rights is also small.

This shows why the country remains an emerging innovator with a performance at 46.3% of the EU average. In fact, this indicator (the summary innovation index of 46.3%) falls below the average of countries included in the group of emerging innovators (70%)(<sup>3</sup>).

Innovation is an essential characteristic of entrepreneurship and entrepreneurial culture. Although North Macedonia has developed a relatively rich population of small and medium-sized enterprises (SMEs) from its independence to the present day, the average number of active SMEs per 1,000 inhabitants is 39, which is still below the average for a well-functioning market economy (the average is around 50 to 60 SMEs per 1,000 inhabitants) (<sup>4</sup>).

Additionally, the number of high-growth SMEs (highly innovative, competitive, and with good export performance) is very low, between 5% and 6%. Similarly, the so-called qualitative entrepreneurial processes, such as subcontracting, and institutions supporting businesses at various stages of their development (accelerators, business incubators, tech parks) are not well-represented.

<sup>2</sup> SSO (State Statistical Office – News Release: Innovative Business Entities (stat.gov.mk)

<sup>3</sup> SSO ((State Statistical Office – News Release: Innovative Business Entities (stat.gov.mk); European Innovation Scoreboard 2023 – Country profile North Macedonia

<sup>4</sup> Blue Ribbon Commission Report -Macedonia (Team Leaders Josef Brada and Taki Fiti) *Towards Dynamic and Sustainable Economic Growth – growth supportive policies*, United Nations Development Programme (UNDP), Skopje 2006

Furthermore, despite significant improvements in business access to financing for development, today, in comparison to the early transition years, innovative forms of business financing, such as informal venture capital (business angels), formal venture capital (official venture capital funds), leasing, etc., are lacking. According to the size of enterprises, the most innovative ones are large companies with over 250 employees, followed by medium-sized enterprises with 50 to 249 employees, while the least innovative ones are small enterprises with 10 to 49 employees. The relative share of innovative enterprises in the group of large enterprises is 61.5%, in the group of medium-sized enterprises, it's 51%, and in the group of small enterprises, it's 47%. In North Macedonia, 33.9% of employees are working in the medium-high and high technology sectors and the knowledge-intensive services sector, which is significantly lower than the EU-27 average, where this share is 46.3%. The country is facing challenges in the field of digitalization of the economy, which is a prerequisite for keeping pace with the so-called Industrial Revolution, which has the potential to fundamentally change the economy through technologies like Big Data, Cloud Computing, the internet, machine learning, and others. In 2023, 91.6% of businesses with 10 or more employees had access to broadband internet.

According to the size of enterprises, large enterprises had the highest percentage of orders received through computer networks at 35.4%, followed by medium-sized enterprises at 24.6%. In contrast, small enterprises had the lowest share of orders received through computer networks, accounting for only 12.5%. Digitalization and digital transformation are no longer limited to large companies; they have become essential for micro, small, and medium-sized enterprises. These two components are particularly important for the development and offer of innovative products and services not only in the domestic market but also regionally and internationally. Gender inequality is a typical characteristic of the labor market in North Macedonia and it is evident in the field of entrepreneurial activity. Namely, in 2021, only 19% of all employers in North Macedonia were women.

Similar gender statistics are observed among self-employed individuals, 78% of whom are men, while the rest, 22% are women. According to official statistics, only 2.6% of existing enterprises are managed by women. (5)

All indicators of productivity in the Macedonian economy, such as labor productivity measured as GDP per employee, productivity measured by the creation of value added per worker, and total factor productivity, explicitly show that it has been maintained at an exceptionally low level for a long time. The gap compared to the EU average is significant and varies between 2.5 to 4 times when measuring productivity based on value added per worker.

According to the World Bank's estimates, total factor productivity continuously declined, i.e., had a negative contribution to economic growth during the period from 1993 to 2017, except for the period from 2002 to 2008. The latest World Bank estimates from 2023 confirm that total factor productivity has remained low and negative throughout the period after 2011. The contribution of total factor productivity to driving growth remains small, indicating that labor and physical capital are the main drivers of GDP growth (6).

The contribution of total factor productivity to driving growth remains small, indicating that labor and physical capital are the main drivers of GDP growth (7).

Two other unfavorable trends related to the productivity of the Macedonian economy need to be highlighted. One points to the existence of unusually large *disparities between the most productive and the least productive firms in the country* (the most productive firms are almost seven times more productive than the least productive firms), in contrast to the situation in developed countries where these differences are much less pronounced. The other points to the widening gap between *productivity growth and wage growth*, the increase in wages and labor productivity in the real sector of the economy. Such conditions in the areas of innovation and productivity also result in low competitiveness of the Macedonian economy. According to the Global Competitiveness Report by the World Economic Forum, North Macedonia is ranked 82nd out of 141 countries, with a score of 57.3 (the score ranges from 0 to 100, with 100 being the best), which is the weakest result among the countries in the wider region included in the study (8).

The reasons for these conditions in the domains of innovation, productivity, and competitiveness are numerous; however, two groups of factors are particularly significant: the low quality of human capital and the country's poor innovation capacity.

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6 Ministry of Finance (2022). Economic Reform Program 2022 - 2024.

7 World Bank Group (2018)) FYR Macedonia Systematic Country Diagnostic: Seizing a Brighter Future for All, November 29; World Bank Group (2023) North Macedonia Systematic Country Diagnostic update – Navigating challenges, embracing opportunities / North Macedonia Systematic Country Diagnostic Update 2023

8 World Economic Forum (2019)

The value of the Human Capital Index (HCI)(9) for North Macedonia was 0.56 in 2020, which is at the global average level but lower than the average for Europe, Central Asia, and countries with high middle-income levels (0.63), and significantly lower than the EU average (0.74). The low productivity of human capital and high emigration rates, especially among the working-age population, have strong distorting effects on the labor market. Despite the improvement in the labor market conditions in the recent period, North Macedonia still faces numerous weaknesses in this area. According to the State Statistical Office (SSO) data from the 2021 census, in 2022, the labor force participation rate was only 55.8%, the employment rate was 47.2%, and the unemployment rate remained relatively high at 15.4% (especially among the youth), which is significantly higher than the EU average and regional countries (10).

Informal employment is still prevalent, with over 96,000 employees, or 12%, being informally employed, without pension and health insurance coverage in 2021 (11).

High emigration rates among the working-age population result in a mismatch between the labor supply and demand in the labor market. This is particularly true for professionals with higher education in certain areas (doctors, IT specialists, mechanical engineers, civil engineers, etc.) and for individuals with secondary vocational education (nurses, mechanical, construction, and electrical technicians, etc.) (12).

Emigration, especially intellectual emigration, is primarily of a permanent nature, and therefore, a system for actively integrating immigrants into the labor market to meet labor needs should be developed as a significant precondition for the development of individual economic sectors and the country's overall economic development.

The poor innovation capacity of the country is primarily due to the very low or negligible share of investments in Research and Development (R&D), weak competitive pressure in the economy, and the absence of a well-thought-out and structured innovation policy, including the surroundings/environment (innovative ecosystem) that supports or provides conditions and opportunities for building an entrepreneurial or innovation culture. Additionally, the high prevalence of the informal economy in North Macedonia (33% of GDP, as opposed to 15% in developed countries) (13), has a strong negative effect on the business climate and, more broadly, on the country's development potential. (14).

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9 See a more detailed methodological explanation of the HCI: <https://www.worldbank.org/en/publication/human-capital#Index>

10 Active Population in the Republic of North Macedonia 1) Results from the Labour Force Survey from 2022, SSO 2023, <https://www.stat.gov.mk/PrikaziSoopstenie.aspx?id=98&rbr=14266>

11 SSO database on informally employed by economic status and sectors of activities, [https://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat\\_\\_PazarNaTrud\\_\\_TrimesecniARS/098\\_PazTrud\\_NefVRab\\_Sektori\\_kvartalno\\_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef](https://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat__PazarNaTrud__TrimesecniARS/098_PazTrud_NefVRab_Sektori_kvartalno_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef)

12 IOM (2021). Migration in North Macedonia: A Country Profile 2021.

13 REDUCING THE INFORMAL ECONOMY IS A KEY COMPONENT OF THE TAX REFORMS AND THE ECONOMIC GROWTH - Ministry of Finance (finance.gov.mk)

14 In the Strategy for the Formalization of the Informal Economy in the Republic of North Macedonia 2023-2027, according to the latest calculations of the degree of the informal economy in North Macedonia using the Electricity Consumption Method, economic activities within the informal economy accounted for approximately 24.7% of GDP in 2021. Source: Trpeski et al. (2022), What Determines Informal Economy and Informal Employment – the case of North Macedonia, Shaping Post-COVID World – Challenges for Economic Theory and Policy.



The described conditions in the domains of innovation, productivity, and competitiveness have significant implications for the country's trade exchange, especially concerning the structure of the Macedonian exports and imports. There are several key characteristics that describe the state of international trade in North Macedonia. First, the total export and import of goods between 2015 and 2022 show a consistent growth trend - from 9.8 billion euros in 2015 to 20.4 billion euros in 2022, representing an increase of over 100% (the openness index of the Macedonian economy exceeds 160%).

Additionally, the import growth dynamics is greater than that of export, resulting in a deepening trade deficit for North Macedonia from 1.7 billion euros in 2015 to 3.8 billion euros in 2022 (source: NBRNM 2023). Second, the structure of external trade in products, for both imports and exports, is low in diversification. Regarding exports, the top 25 exporters contribute 66% to the country's total exports. The structure of imports by products is somewhat more diversified - the top ten imported products in 2020 accounted for about 30% of total imports. Third, since 2008, foreign companies located in industrial-development zones have made a significant contribution to increasing the country's exports and improving its structure in the sense of establishing a bigger presence of export products with added value.

The share of domestic companies in the production of spare parts, components, and other inputs for the needs of foreign companies remains negligible, resulting in missed opportunities for their involvement in regional and global value chains.

Fourth, despite the mentioned progress, sales of innovative products from North Macedonia represent only 22.6% relative to the EU average, while sales, i.e., exports of knowledge-based services, again relative to the EU average, represent 55.1%.

Fifth, North Macedonia has a positive balance of transactions in services (lohn, transport, tourism, financial, intellectual, computer-information services), contributing to the reduction of the current account deficit in the Balance of Payments (sources: NBRNM 2023, SSO 2023, EIS 2023, Economic Chamber of North Macedonia).

Sixth, about 78% of North Macedonia's exports are directed towards the EU, with approximately 11% going to CEFTA countries. When it comes to the import, the EU (46%) and CEFTA (11%) also dominate.

The risks of deep and severe recessions are real, as seen in the major recession between 2007 and 2009 and the crisis caused by the COVID-19 pandemic, as well as the recent price and energy crisis. Since 2008, North Macedonia has doubled its public debt in less than six years, and with the onset of the COVID-19 pandemic, it further increased to 60% of GDP. Such fiscal space limits the possibilities of fiscal, and consequently monetary intervention policies to cope with crises in the event of new severe recessions in the future. Certain changes have been implemented through the improvement of regulatory laws, introduction of fiscal rules, and taking certain steps towards fiscal consolidation. However, fiscal risks remain relevant, and their management is of paramount importance for achieving the long-term development goals set out in the country's National Development Strategy.

### 5.1.1 MISSION

***In 2044, the Macedonian economy will be innovative, efficient, competitive, green, and highly integrated into international trade and finance, with a developed entrepreneurial culture capable of creating sustainable economic development. An acceptable balance will be achieved in the three components of development (economic growth, social inclusion, and the environmental component) and new productive and well-paying jobs in companies that follow technological advancements and produce goods and services with high added value will be created, recognizing that men and women should equally participate in all processes and at all levels.***

### 5.1.2 GOALS

To achieve the mission, the following goals have been outlined:

1. Economy based on Knowledge, Innovation and Digitalization;
2. Highly Integrated Economy in International Trade and Finance and
3. Labor Force Meeting Current and Future Labor Market Needs

*GOAL - Economy based on Knowledge, Innovation and Digitalization*

In the upcoming period, one of the goals will be to build an economy based on knowledge and innovation by developing an economic system where the production of goods and services relies more on knowledge-intensive activities that significantly contribute to the promotion of technological innovations. North Macedonia will have a green, digitalized, and innovative economy based on knowledge, in which innovations will dominate as an essential characteristic of entrepreneurship and entrepreneurial culture.

All of this will ensure an increase in the contribution of total factor productivity, as well as its most significant subcomponents (technological progress and the educational structure and knowledge of the labor force) in driving growth and development in all parts of the country. In addition, innovation policy and smart specialization highlight the advantages of sustainable growth in sectors with high development potential, such as agriculture and the food industry, electro-mechanical and metal industries, tourism and ICT by supporting the digitalization of the economy and society, smart construction designs, sustainable materials, including the concept of a circular economy and recognizing the importance of gender differences. Support for an energy sector based on eco-friendly solutions, renewable sources, and energy efficiency is necessary to drive green transition. To accelerate the country's economic development and ensure its long-term sustainability, the focus will be on the development of sectors with broad development potential.

### *Priorities*

#### **1. MODEL OF ECONOMIC GROWTH BASED ON SMART SPECIALIZATION AND GREEN TRANSFORMATION**

Transitioning from a model of growth based on a high share of labor and physical capital to growth based on a higher share of total factor productivity (technological progress in the broadest sense, including digitalization and green transformation) with a focus on sectors integral to smart specialization. Significant potential for improvement in the conditions in this area lies in the priority sectors identified in the Smart Specialization Strategy: vertical and horizontal sectoral priorities. Vertical sectoral priorities include smart agriculture and food with high added value; information and communication technologies; electro-mechanical industry (4.0); and sustainable materials and smart buildings, while horizontal sectoral priorities include energy of the future and tourism.

#### **2. RESEARCH, DEVELOPMENT AND INNOVATION RESULTS AS THE BASIS FOR ACCELERATED AND GREEN ECONOMIC GROWTH**

Continuous growth in public investments in research and development, encouraging the business sector to increase investments in research and development, innovations with a major focus on the development of green innovations.

### **3. ESTABLISHED COOPERATION BETWEEN THE SCIENTIFIC RESEARCH SECTOR AND BUSINESS**

Strengthening collaboration between the business sector and the scientific research sector in the country, as well as scientific research cores within companies, including the use of digital platforms and solutions.

### **4. ECOSYSTEM THAT SUPPORTS ENTREPRENEURSHIP AND START-UPS**

Developing entrepreneurial knowledge and skills, promoting entrepreneurial culture, supporting female entrepreneurship, encouraging green innovations, intensifying collaboration with the diaspora, and improving access of firms to funding for development (loans from domestic and foreign sources to support innovative activities of firms, loans for green growth, venture capital, attracting capital from the diaspora, etc.), strengthening and expanding the existing innovation infrastructure to support entrepreneurship (start-up centers, accelerators, incubators, hubs, tech parks, etc.), recognizing the specificity of the challenges and opportunities faced by women in the field of entrepreneurship.

#### *GOAL - Highly Integrated Economy in International Trade and Finance*

Increasing innovation, productivity, and strengthening domestic economic competitiveness are key factors for enhancing competitiveness and achieving high integration of the country into key areas of international trade and international finance, including the export of goods and services with a high degree of finalization, foreign direct investments, and technology transfer. Particular attention will be given to attracting foreign direct investments from high-tech corporations and establishing cooperation with domestic companies with the aim of involving them in global value chains with high value added.

#### *Priorities*

### **1. REGULATORY CERTAINTY THAT CREATES HIGHLY COMPETITIVE PRESSURE IN THE DOMESTIC MARKET**

Qualitatively improving key segments of the business climate, focusing on preventing corruption, the informal economy, and unfair competition, fair regulation of businesses (economic and social), a just tax system, well-structured policy for attracting foreign direct investments (FDIs), etc., to create a favorable business climate and promote and strengthen healthy competition in the domestic market. Facilitating trade, removing non-tariff barriers, digitizing trade processes, and strengthening trade integration. Addressing challenges disproportionately affecting women, as well as biases embedded in business regulations.

## **2. HIGH INFLOW OF FDIS IN LINE WITH SMART SPECIALIZATION AND GREEN TRANSFORMATION OF THE COUNTRY**

Creating structured policies for attracting FDIs aligned with the processes of smart specialization and the green transformation of the country, which will bring about changes such as resource reallocation from technologically less developed sectors to technologically advanced sectors.

Nearshoring as a process can have a significant impact on creating favorable conditions for investment, diversifying the economy, stimulating technological development, fostering economic growth, and improving the quality of the workforce in the country. This process of approximation can be optimally utilized by creating favorable trade and economic conditions for companies, developing attractive business sectors, improving educational programs and skill development programs, promoting innovation and research activities, enhancing the quality of services and products, investing in infrastructure (transportation, communications, and tech parks), etc.

With the right strategy and investments, North Macedonia can significantly leverage the opportunities offered by the nearshoring process to improve its economy and development.

## **3. DOMESTIC COMPANIES INVOLVED IN REGIONAL AND GLOBAL VALUE CHAINS**

Creating incentive policies and providing assistance to domestic firms that have the potential to collaborate with foreign companies inside and outside industrial zones based on subcontracting, joint organization of training, knowledge and skill enhancement for employees with foreign companies, facilitating the entry of domestic innovative firms into TIDZs (Technological Industrial Development Zones), and more.

## **4. ACCESS TO COMPETITIVE AND DIVERSIFIED FINANCIAL SERVICES AND CAPITAL**

Reshaping and diversifying the financial system to better meet the needs of companies at different stages of their life cycle. Modernizing dominated by traditional loans, with green funds (products), loans to support green growth and digitization, increasing the accessibility and utilization of financing sources from European funds, developing various forms of venture capital that will predominantly be reflected in the creation of small innovative knowledge-based start-up and scale-up companies, and the like. At the same time, it is necessary to recognize the specific financial needs and challenges women face in business.



## **5. EXPORT STRUCTURE OF THE COUNTRY WITH A REPRESENTATION OF GOODS WITH A HIGH DEGREE OF FINALIZATION AND KNOWLEDGE-INTENSIVE SERVICES**

Supporting domestic innovative companies producing goods and services with higher value added through innovation policy measures, enabling domestic companies to actively participate in the production of goods and services for foreign investors to support the ongoing process of improving the country's export structure and better treatment of domestic ICT companies. Support for companies with export potential through risk reduction and assistance in standardization, branding, and networking.

## **6. HIGH LEVEL OF FORMALIZATION OF THE ECONOMY**

Increasing the capacity and efficiency of the tax administration to detect informal businesses and reduce evasion as one of the conditions for increasing the country's fiscal capacity without additional fiscal burdens. Improving regulation in all segments, especially in the labor market, while following new trends created by and enabling the digitization process, can also help formalize economic flows. Embedded measures in policies to encourage and expedite the formalization process.

### *GOAL - Labor Force Meeting Current and Future Labor Market Needs*

Education needs to align with the labor market needs, especially with the skills and competencies companies currently demand, and future skills and competencies should be actively identified. In this direction, the most important thing is to establish effective cooperation, communication, and coordination among the relevant stakeholders in the labor market, including the business sector and education. The continuous and rapid changes in the labor market necessitate the need for professional development planning. Therefore, special attention will be given to the development of a system of continuous and lifelong learning, as it is a crucial condition for increasing productivity and employability.

At the same time, there will be an emphasis on the career guidance of young individuals, pupils, students, with the aim of facilitating their further education and helping them find well-paid job opportunities more quickly. Notably, progress has been made in vocational education and training, introducing dual education and work-based learning. Combined with career guidance and counseling, the role of the new Regional Centers for Vocational Education and Training should further incentivize students to pursue vocational education while also creating flexible and rapid options for requalification and upskilling. To increase labor force participation and employment rates, the inactivity of the working-age population will be reduced, systems for attracting talent (brain gain) will be implemented, legal immigration will actively be incorporated into the labor market, and gender equality in opportunities and outcomes will also be ensured.

### **1. CROSS-CURRICULAR SUBJECTS AND CONTENT RELATED TO INNOVATIONS AND ENTREPRENEURSHIP**

Enriching the curricula and content that teach entrepreneurial and innovative skills, competencies and culture in primary, secondary, and higher education, and establishing entrepreneurial centers (accelerators, hubs, tech parks) at universities.

### **2. MANDATORY INTERNSHIPS IN SECONDARY AND HIGHER EDUCATION:**

Mandatory practical training in secondary education to be implemented both in schools and within firms, with an emphasis on improving its quality. This improvement involves involving the business sector in the development of curricula and clearly expressing their needs for the types of vocation or trade, as well as providing incentives to firms that organize practical training and appropriate compensation for the interns. Improving the quality of mandatory internships at universities, which are a mere formality, through enhanced oversight by the faculties and providing financial incentives to firms willing to employ outstanding students upon the completion of their internships.

### **3. CAREER DEVELOPMENT FOR PUPILS AND STUDENTS**

By providing career guidance and counseling services, the country can help young people make choices that align with their interests and gain skills and knowledge required in the labor market.



#### **4. FORMAL AND INFORMAL EDUCATION IN LINE WITH TECHNOLOGICAL AND MARKET TRENDS**

Identifying the gap between labor force supply and demand regarding knowledge, skills, job profiles, and aligning education and training programs with technological changes and trends, as well as current and future labor market demands.

In this regard, it is particularly important to develop functional systems for validating informal and non-formal learning, preparation and promotion of tracer and/or foresight analyses regarding labor market supply and demand, flexible and fast modules for adult education, continuous strengthening and investment in regional centers for vocational education and training, sustainable lifelong learning concept, feasible post-secondary education concept, unobstructed transition and mobility in the learning system, and partnerships for employment at the local level.

#### **5. ESTABLISHED LABOR FORCE MOBILITY WITH A FOCUS ON BRAIN GAIN:**

Creating conditions for making the process of young and highly educated individuals leaving the country reversible and ensuring their return.

Establishing cooperation with the scientific diaspora to secure support from expatriates for the country's economic development through their investments and connecting with renowned companies and scientific research centers.

#### **6. REGULATED LEGAL IMMIGRATION TO ADDRESS LABOR MARKET SHORTAGES**

By formulating a comprehensive policy framework, the country can effectively manage and harness the potential of external migration and ensure its seamless integration into the labor market and society.

#### **7. INCREASED PARTICIPATION OF WOMEN AND VULNERABLE GROUPS IN THE COUNTRY'S ECONOMIC PROCESSES**

Creating conditions and incentive measures to boost the labor force participation rate, with a particular focus on activating women and vulnerable groups. Rural development and diversification of rural economic activities and promotion of local action groups. Supportive regulation and environment for the inclusion of persons with disabilities in economic activities.





## 8. INVESTMENT IN TALENTED PUPILS AND STUDENTS

Adopting scholarship programs to support talented pupils and students from various fields in line with national priorities. Grants for research and innovation to encourage students to participate in research and development projects.

Promoting collaboration between the academic community and industry/business to generate research results that contribute to practical solutions for societal challenges. Developing internship programs, implementing mentorship initiatives, establishing incubators and accelerators to foster entrepreneurial skills among students, and organizing exchanges with international institutions to provide students with perspectives from the global experience.

*The role of the digitization process and new technologies in creating a sustainable, innovative, and competitive economy*

*The development of a sustainable economy and society, which is resilient, inclusive, and competitive, depends on data and technology. They enable the creation of new business models, products, and services that increase productivity, innovation, and competitiveness in all sectors of the economy. As the country strives to establish an economy based on knowledge, innovation, and environmental protection, the potential of research conducted using artificial intelligence and big data analytics comes to the forefront. Digital trading platforms that transcend geographical boundaries provide free access to global markets, allowing even small and medium enterprises to become more competitive. The transparency and efficiency of blockchain technology not only simplify transactions but also increase trust in global trade. In the domain of economic policies, predictive policy modeling and robust e-governance platforms pave the way towards sustainability.*

*The conception of a digital educational system aligned with the future needs of the labor market and society as a whole lies at the core of the vision for a sustainable economy and society.*

By 2044, our country will transition into an environment where businesses will primarily operate in the digital domain, and economies will be interconnected within complex virtual networks.

## **5.2 STRATEGIC AREA: SUSTAINABLE LOCAL AND REGIONAL DEVELOPMENT THAT ENSURES COHESION**

Sustainable local and regional development is one of the key strategic areas that can be used to encourage and ensure greater cohesion in the country and strengthen connectivity with neighboring states. Seen in the context of its location in Southeast Europe, North Macedonia is at the crossroads of two critical European corridors: Corridor 10 (North-South) and Corridor 8 (East-West). While Corridor 10 has seen significant progress in both the road and the rail segment, Corridor 8 lags behind in both respects, with the rail sector facing particular challenges as it has yet to cover the entire territory of the country.

Energy corridors present challenges, but also opportunities for a more optimal energy connection in the common regional energy market. On the other hand, the network of water supply channels for irrigation of agricultural lands represents a special problem for rural and compact agricultural regions that lack this significant resource for rural development.

The tourism infrastructure should be strengthened, with special regard to the lakes (Ohrid, Prespa and Dojran) and the beautiful mountain ranges, as well as the potential for winter tourism in the field of sports and recreation. Three and more decades ago, some of these winter centers (Popova Shapka, Molika, Mavrovo...), were much more developed and attracted many more sports tourists from the wider region - not only of South-Eastern Europe, but also Central Europe. North Macedonia has a relatively well-established transport infrastructure, but with a high level of depreciation that urgently requires high-quality reconstruction.

The country ranks 81st globally in terms of road and highway length per capita (7.2 meters per capita). It is also ranked 50th in terms of railway network length per capita. Per capita, North Macedonia has 2.7 times fewer cars compared to EU citizens, and unfortunately, they are much older on average, indicating that citizens do not have enough money for cars and rely on different means of transportation. The country faces a huge challenge in maintaining traffic safety, as the number of yearly victims of road accidents did not decrease and remained almost unchanged from 2007 to 2021. Although North Macedonia uses freshwater, which as a percentage of renewable freshwater resources is three percentage points more than the EU (8.39%), the inefficiency of the water supply network exacerbates the problem, with a staggering loss of 62% in 2020.

Besides this, non-compliance with legal obligations leads to a significant rate of water pollution of 75%, primarily in areas in close proximity to urbanized and industrial regions, as well as zones with concentrated agricultural activities.

ICT infrastructure is well-developed with a solid degree of penetration throughout the country's territory. Despite the developed infrastructure, the growth potential of the ICT sector is still untapped. The use of ICT infrastructure remains modest with 15% use of high-speed broadband internet and only 1.2% of ultra-fast broadband networks.

The country is also lagging behind in the use of broadband internet with a speed of at least 100 Mbps, with only 2%, compared to 34% in the EU.

North Macedonia is a relatively small country divided into eight planning regions, among which there are significant territorial and socio-economic differences. As the country aligns with the integration processes, different circumstances/needs for the formation of other territorial units that do not coincide with the division of planning regions arise. This is particularly notable in the case of "protected zones", including national parks and natural treasures designated for protection by UNESCO (such as Lake Ohrid). The disparities in development between the existing planning regions are evident. According to the Regional Development Index, the gap between the most developed region (Skopje) and the least developed region (the Northeast) is two to one. What is even more worrying is that this disparity is not static, but reveals a constant trend of deepening differences within and between regions, despite joint efforts to reduce regional divisions. Additionally, there are significant differences in the level of development within regions, or among municipalities. Consequently, these conditions encourage an increased propensity for internal migration, not only from rural areas to the capital but also from smaller towns to the primary urban center. Particularly, villages and rural settlements do not provide a satisfactory level of quality of life, which is one of the main reasons why young people are leaving in large numbers. These conditions are also the result of insufficiently successful economic, fiscal and social policies, which have failed to address regional challenges related to inadequate infrastructure, low-quality public services (healthcare and education), limited opportunities for employment, and differences in the quality of life encompassing culture, arts, and sports.

To address these differences and create appropriate policies and measures, the Ministries of Finance and Local Self-Government are preparing a Municipal Development Index, which will provide a solid basis for identifying key points and bottlenecks in the development of local self-governments and indirectly among regions.

The provisions of the Council of Europe's European Charter on Local Self-Government have been almost entirely transposed in the 2002 Law on Local Self-Government. Based on this Law, a symmetrical transfer of competences was carried out to all municipalities, regardless of their typology, and through the process of decentralization, a number of institutions were transferred along with their employees, such as primary and secondary schools, kindergartens, several elderly care homes and parts of the network of cultural institutions. In order to effectively address the disparities in human and financial capacities between municipalities, the Law on Inter-Municipal Cooperation and the Law on Balanced Regional Development were adopted. However, almost two decades since the beginning of the decentralization process, local governments are still facing numerous challenges.

Rural municipalities have incomes (per capita) about 20% below the national average, while the City of Skopje and its municipalities have about 35% of the national average. The fiscal autonomy of local self-governments is still significantly limited considering that local tax revenues make up about 25% of total revenues, with significant differences between different municipalities. Local revenues amount to only about 5-6% of GDP and about 15-17% of the total revenues of the central budget, funds, and local revenues. The capital transfers they receive do not enable rapid development and maintenance of local infrastructure. A large number of local self-governments face a lack of qualified personnel, and in this direction, the differences in the quality of local services provided to citizens are significant.

Hence, the existing models of fiscal decentralization do not provide a balance between the legally defined competences and the sources for their financing. Despite two decades of determination for a faster, more just and efficient decentralization, the current situation still places North Macedonia among the most centralized countries in EU. That is why more dynamic changes in the system are required, both in terms of governance and in reinforcing and financing the local authorities with a special reference to the criteria for determining and dividing the block grants from the central government.

Addressing these multifaceted challenges requires a comprehensive, long-term strategy that requires significant resources. Effective policies and measures aligned with EU standards, practices and criteria are essential, along with the involvement of functional institutions and instruments. In addition, encouraging greater cooperation between institutions at the central and local level is a starting point in efforts to first halt worsening trends and then gradually work towards progressive changes. The inspiration from the multicentered model of regional development in Slovenia which ensures equitable quality of life in different regions as well as between urban and rural areas, could serve as a leading paradigm for North Macedonia.



### 5.3.1 MISSION

***All citizens of the Republic of North Macedonia, regardless of their place of residence, have equal access to opportunities for a high quality of life. Partnership and collaboration with local communities result in strengthened infrastructure and services that foster economic growth and social progress, as well as addressing potential gender disparities.***

***Considering the approach of systemic change upon which the NDS is based, this strategic area should be taken into account in combination with all others.***

### 5.3.2 GOALS

To achieve the mission, the following goals have been outlined:

1. Reduced Disparities between and among Planning Regions;
2. Capital Infrastructure in Function of a Better Life;
3. Functional and Fiscally Sustainable Municipalities.

*Goal: Reduced Disparities between and among Planning Regions*

Bridging the gap between urban and rural areas, as well as between different regions in North Macedonia. By promoting targeted investments, formulating policies and infrastructure development, North Macedonia strives to create an environment in which every citizen can enjoy a decent quality of life, regardless of where they live, taking into account the specific needs and experiences of men and women in different geographical locations. Through this strategic goal, internal migration (from village to city) will be reduced and social cohesion will be improved, which will contribute to greater national stability and sustainable growth. The reduction of regional and inter-municipal disparities is an instrument for utilizing the full potential of the human capital and resources of North Macedonia, pursued through a gender-responsive approach that promotes equal access to opportunities for women and men to contribute to a more equal, inclusive, and competitive society. This strategic goal also promotes a more even distribution of economic activities, preventing excessive concentration in large urban centers and thereby mitigating social and environmental challenges. North Macedonia's focus on reducing disparities between and among regions not only contributes to a fairer and more inclusive society, but also positions the nation for greater resilience and competitiveness on the global stage.

## ***Priorities***

### **1. POLYCENTRIC SPATIAL DEVELOPMENT AND A HIGH DEGREE OF INTERNAL AND EXTERNAL TERRITORIAL COHESION**

Encouraging balanced and sustainable development in the entire territory of North Macedonia by reducing the disparities between and within the planning regions and harmonizing policies with the principles of territorial cohesion, similar to the approach of the European Union and with a gender-sensitive and inclusive perspective. In addition, synchronizing local and regional efforts with external territorial cohesion (cross-border) initiatives ensures a coordinated approach that promotes balanced growth, connection, and economic development. This will contribute to improving the social and environmental well-being of the various regions, contributing to a more harmonious and inclusive regional development that takes into account the specifics and advantages of each region.

### **2. SETTLEMENTS WITH DEVELOPED INFRASTRUCTURE AND DYNAMIC SOCIO-ECONOMIC AND CULTURAL LIFE**

Fostering modern and well-connected cities and rural areas with robust infrastructure, including transport and utilities, to support economic growth and quality of life, while respecting the specific needs and roles of men and women in rural areas. Rural areas will be empowered through targeted initiatives and investments, and by strategically aligning development efforts with local resources and opportunities, food security, environmental sustainability, and economic prosperity in rural areas will be improved. This approach enables the promotion of rural regional development and contributes to the overall agricultural and economic resilience of the country.

### **3. QUALITY AND INCLUSIVE PUBLIC SERVICES**

Emphasis on quality in the provision of services such as healthcare, education, social welfare, child protection, and infrastructure, while ensuring conditions while ensuring that marginalized and vulnerable communities are not left out. Integrating digital solutions will improve the efficiency and effectiveness of service delivery, bridging geographic gaps and ensuring that even hard-to-reach communities benefit from quality healthcare, social welfare and child protection services, as well as conditions for business development. This approach encourages inclusivity and reflects forward-thinking on public welfare.



### *Goal: Capital Infrastructure in Function of a Better Life*

This strategic priority covers a wide range of initiatives, including the development and modernization of transport networks, energy and ICT infrastructure, agricultural and tourism infrastructure, health facilities, educational institutions and communal services. By prioritizing these investments, North Macedonia strives to create a more efficient, accessible and inclusive environment, thereby reducing socio-economic disparities and enabling its residents to lead healthier, more prosperous lives. In addition, the development of capital infrastructure is aligned with the wider goals of North Macedonia, i.e. strengthening its competitiveness and global position. Improved connectivity, facilitated by state-of-the-art infrastructure, makes it easier for businesses to access markets and for individuals to enjoy essential services.

### *Priorities*

#### **1. BUILT AND MAINTAINED EUROPEAN INFRASTRUCTURE CORRIDORS, SAFE AND MODERN ROAD AND RAIL NETWORK**

By actively participating in the expansion and modernization of key transport corridors, North Macedonia will strengthen its position as a vital crossroads in the heart of the Western Balkans. These efforts are key to fostering economic growth, trade, and regional cooperation while improving mobility for its citizens. Parallel to this, special focus will be given to advancing and maintaining both the national and local infrastructure while ensuring accessible and quality public transportation.

#### **2. DIGITIZED AND FUNCTIONAL SPATIAL AND URBAN PLANNING**

By aligning its institutional infrastructure and communal infrastructure with European standards North Macedonia aims to efficiently manage its urban and spatial development, ensuring that projects are designed inclusively and with a focus on sustainability while fully considering the needs of citizens and the gender perspective.

#### **3. SUSTAINABLE SYSTEM OF LONG-TERM FINANCING AND BUILDING A RESILIENT CAPITAL INFRASTRUCTURE**

Having this system will enable long-term/sustainable prioritization and planning of the necessary finances for key capital projects, the effectiveness of budget allocations (value for money) will be maximized and resources will be channeled into projects that are of paramount importance to economic development, public welfare, and social progress, taking into account the different impacts they have on women and men.



### *Goal: Functional and Fiscally Sustainable Municipalities*

This strategic goal places a strong emphasis on strengthening municipalities to deliver essential services, improve local governance, and improve the overall quality of life for their residents, taking into consideration the gender perspective. By strengthening the fiscal sustainability of municipalities, North Macedonia aims to foster an environment where local governments can independently finance their operations, invest in critical infrastructure, and meet the needs of their communities, which will ultimately foster socio-economic development throughout the country. In this regard, it is particularly important to take into account demographic movements at the local and regional levels, which, according to the latest census in 2021, indicated significant downward trends that could further influence both administrative arrangements and service delivery at the local level. It is especially important for functionality to place a stronger focus on good governance at the municipal level and strengthening the rule of law at the local level, as well as establishing anti-corruption practices.

### *Priorities*

#### **1. LOCAL SELF-GOVERNMENT UNITS EFFECTIVELY EXERCISE THEIR COMPETENCIES**

Encouraging decentralized governance, improving the delivery of local public services, and promoting community development will lead to more responsible and efficient local governance, creating a solid foundation for participatory democracy, satisfied citizens, and sustainable local and regional growth. Establishing sustainable systems of good governance and creating local self-government units resistant to corruption will further contribute to more efficient service delivery and accelerated socio-economic development.

The execution of responsibilities will be aligned with the demographic structure and the needs of the population. For the effective execution of responsibilities, municipalities will have the opportunity for broad cooperation, which will further enable the efficient utilization of local resources.





## **2. FISCALLY AUTONOMOUS LOCAL SELF-GOVERNMENT UNITS WITH THEIR OWN STRONG INCOME SOURCES**

Ensuring a higher degree of fiscal autonomy (legal and functional) in order to strengthen the fiscal capacities of the municipalities, alongside strengthening their management capacities, and with timely and efficient provision of available local services to citizens.

In addition, to ensure long-term economic stability and the ability to meet the needs of citizens, it is necessary to create a system for increasing their own revenue and enhancement of inter-municipal collaboration for more intensive, inclusive, and gender-balanced local development. Alternative and innovative sources of financing will be utilized to fund municipal development. At the same time, monitoring and control over the functioning and fiscal sustainability of local self-governments will be strengthened, stimulating good governance practices within municipalities.

## **3. FISCAL TRANSFERS BASED ON THE PERFORMANCE AND NEEDS OF LOCAL SELF-GOVERNMENTS**

A system of fiscal transfers that will take into account the specifics/differences and needs of local governments, while ensuring an increase in their performance. The system of capital transfers is of particular importance, as it will be needed to strengthen the financial independence and the capacity of municipalities to invest in critical areas such as infrastructure, utilities, education, and healthcare.

## **4. GENDER-RESPONSIVE APPROACH TO MANAGEMENT AND BUDGETING IN LOCAL SELF-GOVERNMENTS**

By implementing gender-responsive practices in management, opportunities will be provided to determine the needs arising from gender gaps at the local level, while enabling the creation of appropriate policies. Gender budgeting will ensure that public finances are used in ways that actively consider and address the unique needs and perspectives of women and men. This approach aims to advance social equality and encourage a more inclusive and representative system of local governance, which will ultimately contribute to a more progressive society.



*The role of the digitization process and new technologies in creating sustainable local and regional development that ensures cohesion*

*The NDS highlights the fact that data and technologies are crucial drivers for achieving local and regional development ensuring cohesion in different geographical areas and communities. With the help of sophisticated data analysis, individual local and regional strengths and challenges across the country can be identified, enabling targeted interventions to develop underdeveloped areas without hindering the growth of developed areas. Digital platforms play a key role in sharing best practices, strengthening collaboration, and mobilizing resources across regions. Their task is to equip all local communities with the necessary tools and knowledge to prosper. With the emergence of digital technologies, the definition of infrastructure expands. Smart cities integrated with IoT devices can optimize traffic flow, improve the efficiency of public transportation, manage water supply and waste more effectively, and even monitor environmental conditions in real time. Digital finance and blockchain technology can change the process of fiscal decentralization. Digitalization in every sense is not just an engine but also a game-changer. It seems to have the ability to transform the fabric of local and regional areas in North Macedonia.*

#### **5.4 STRATEGIC AREA: DEMOGRAPHIC REVITALIZATION AND SOCIAL AND CULTURAL DEVELOPMENT**

North Macedonia faces significant challenges with regard to population, including population displacement, aging, and concentration in one part of the country. According to the 2021 census, the nation's aging is confirmed by data showing a decrease in the share of the young population and an increase in the share of the elderly in the total population. The share of the population aged 0 to 14 years is 17.0%, those aged 15 to 64 years constitute 65.9%, while the share of the elderly population aged 65 and above is 17.2%. From 2005 to 2021, internal migrations in North Macedonia were directed from rural areas to major cities, especially to the city of Skopje. Of the 19 municipalities with a positive migration balance, 10 are in the Skopje planning region. Such trends contribute to a high concentration of the population and economic activity in the Skopje planning region. According to the latest population census, 205 settlements are vacant, and 218 have fewer than 10 residents.



Addressing the economic well-being and social inclusion of citizens in the Republic of North Macedonia presents a multifaceted challenge. Despite progress in reducing long-term unemployment, with the rate decreasing from 26% in 2010 to 12.8% in 2023, (age 15-74)(15), this figure remains significantly higher than the EU average of 2.5%. This indicates that despite improvements, there is much work to be done to align North Macedonia with European labor market standards. Additionally, a concern arises from the high percentage of socially vulnerable individuals, with a high poverty rate of 21.8% in 2020. Before social transfers, 42.1% of the population is at the poverty threshold. North Macedonia has approximately 50% more socially vulnerable people, placing the country in a challenging position, with only Albania, Montenegro, and Bulgaria facing similar or worse situations in the region.

An overview of the data reveals concerning statistics for the population aged 15 to 29, where a significant portion is neither employed nor engaged in education or training. North Macedonia ranks among the countries with the highest rate in this regard, reflecting potential challenges in the employment and education of young people. In the labor market, sectoral differences are evident, with the majority of employees concentrated in sectors such as wholesale and retail trade, agriculture, industry, and public administration.

However, it is worth noting that the number of employees in these sectors does not always correspond to their contribution to the economy. There is a gender pay gap in North Macedonia, with women earning less than men for the same job. Additionally, women disproportionately engage in unpaid care work within the family, limiting their professional development. In 2021, the highest number of unpaid family workers were rural women, totaling 18,634. Furthermore, 59% of women aged 20 to 64 are inactive in the labor market due to household obligations, compared to 2.3% of men. (16)

An analysis of the Macedonian healthcare system paints a mixed picture. On the positive side, the country has made significant progress in providing healthcare coverage to its citizens, with approximately 90% of the population being covered by the social health insurance scheme, ensuring that the majority of citizens have financial protection when accessing healthcare services. However, high private payments, or the so-called “out-of-pocket” payments made by insured individuals in Macedonia, accounting for 41% compared to the EU average of 15%, present a concerning financial situation. Such disparities indicate that a significant portion of the population bears a heavy financial burden when seeking medical care, which potentially leads to unequal access and financial burdens, as well as public health deterioration.



15 SSO press release on the Active Population in the Third Quarter of 2023, the unemployment rate (age 15-74) is 12.8%, whereas the unemployment rate (age 15-64) is 12.9%. Source SSO [https://www.stat.gov.mk/pdf/2023/2.1.23.36\\_mk.pdf](https://www.stat.gov.mk/pdf/2023/2.1.23.36_mk.pdf)  
16 Statistical office data, available at: <https://www.stat.gov.mk/PrikaziSooopstenie.aspx?rbtxt=24>

The fact that the average life expectancy in North Macedonia is approximately 76 years, which is 5.5 years shorter than the EU average, highlights the need for comprehensive health interventions, disease prevention strategies, and improved healthcare services to enhance the overall well-being of the population. Despite the fact that coverage is high, there are shortcomings in the quality and efficiency of healthcare delivery. Although significant progress has been made in reducing the neonatal mortality rate, with a drastic decrease from 10.17 per 1000 live births in 2016 to 4.2 in 2020 and 3 in 2021, the persistently high infant and child mortality rates are particularly concerning. Despite some improvement in recent years, data indicates that child mortality in North Macedonia remains higher than the EU average, with a neonatal mortality rate of 3.2 per 1000 live births and an under-5 mortality rate of 3.8 per 1000 live births, according to the State Statistical Office in 2022.

These data clearly indicate significant disparities in healthcare outcomes for the youngest members of the population. Education in North Macedonia has certain positive aspects but also significant areas of concern. The percentage of children aged 3 to 5 years participating in preschool education is extremely low, nearly three times below the EU average – according to UNESCO, the enrollment rate for children aged 0-6 is 27%, while according to the World Bank, the enrollment rate for children aged 3-6 is 46%. In contrast, North Macedonia can boast a relatively high percentage of students completing compulsory education (90%), although it falls slightly below the EU average. However, the results of the latest international PISA study from 2022 are concerning, showing an alarmingly high percentage of 15-year-olds, almost 55%, with minimal levels of literacy in reading, mathematics, and science. Such indicators rank the country at the top of the "shameful" rankings, both in the region and in the EU, necessitating urgent improvement. Additionally, the country shows a low rate of early school leaving compared to the EU, indicating that most individuals aged 18 to 24 are engaged in some form of education or training. Furthermore, there is a significant portion of the population aged 25 to 34 with higher education, which places North Macedonia among the countries with better outcomes in the region. In the field of science and research, there are concerning figures, with a significantly low percentage of individuals engaged in research and development activities, along with the low, inadequate percentage of funds allocated for research and development, which falls significantly behind EU averages.



In the domain of culture, the fundamental principles upon which future cultural policies should be based are those that should encourage free creativity based on autonomy and freedom of expression and creation, which, in turn, lead to greater democratization and sustainable social development for individuals and groups in society. In this way, an active and dynamic culture will develop as part of European cultural values (the Bled Declaration and the Davos Declaration).

The specifics of our culture are best reflected through all forms of cultural heritage, and the challenges for its preservation are numerous and specific, requiring a substantial approach and changes in the way institutions and individuals in this area are organized. Analyzing the culture sector from the aspect of employment, it should be emphasized that it accounts for only 0.5% of total employment in our country, which is below the EU average of 3.8%. Employees in culture are predominantly in public institutions, but the rest - those employed in cultural and creative industries - are engaged in micro and small self-employment-based enterprises. Artists, cultural, and creative professionals mostly have project-based careers.

From the state budget, 1.23% was allocated for the culture sector in 2021, which is at the level of the European average. However, the previous approach to cultural heritage and culture, in general, needs to be changed towards creating conditions for them to be treated as factors that can contribute to the development of the state. This can best be achieved by developing cultural and creative industries (CCI), creating an open space for those who are creative, and enabling them to collaborate and connect through internal collaboration platforms, as well as external platforms with other sectors. In this way, conditions will be created for CCIs to contribute to the economic development of the country. Encouraging investments, subsidies, tax incentives, and developing public-private partnerships, as systemic measures to support cultural and creative industries, will have significant economic effects. Thus, culture, multiculturalism, and cultural heritage will serve tourism and economic development.

Tourism in North Macedonia faces a significant challenge, although its contribution to GDP is almost at the EU level. In 2019, half of the total overnight stays were concentrated in the Southwest Planning Region, followed by Skopje with 21%, and the Southeast with 17%. This disparity reveals an opportunity to promote tourism in other regions. One of the challenges is the low bed utilization rate, which is significantly lower than the EU average (50%), while positive trends are also noted, such as the continuous growth in the number of foreign tourists, mostly in 2019 when 1.58 million overnight stays were recorded. By leveraging the experiences of individual regions, tourism has the potential to stimulate economic growth, agriculture, food production, and the development of rural tourism.



### 5.3.1 Mission

***Fostering demographic revitalization and social development in North Macedonia, creating a sustainable environment where all individuals and communities can thrive. To achieve this goal, the implementation of an approach that promotes coordinated governance, proactive planning, and innovative strategies to address demographic changes and social challenges is necessary. Our primary focus is on enhancing societal development and demographic stability through collaboration with all relevant sectors essential for the well-being of our society by identifying the specific needs and challenges faced by women and men. Central to our mission is the principle of effectively sharing information and cross-sectoral collaboration, as it gives the assurance that our policies on empowerment and inclusion of all individuals, promotion of cultural identity, and building social resilience are prioritized. The main idea is to create a society that is demographically balanced, economically prosperous, integrated into international flows, and socially cohesive, ensuring security and stability for our nation for generations to come.***

### 5.3.2 Goals

To achieve the mission, the following goals have been outlined:

1. Balanced and Sustainable Demographic Movements;
2. Healthy and Happy People;
3. Inclusive and Efficient Social Protection and Social Security System;
4. Society Based on Knowledge, Critical Thinking and Values;
5. Recognizable Cultural Identity and Values.

#### *Goal: Balanced and Sustainable Demographic Movements*

In North Macedonia, it is necessary to create policies that will retain young people and working-age individuals in the country, policies that provide support to families to increase the birth rate, as well as specific measures to retain people in a particular place of residence, ensuring solid living conditions and opportunities for personal and professional development.



Furthermore, policies are needed to preserve rural areas that have been built and developed and to retain the local population. On the other hand, policies that facilitate the return and/or cooperation with the diaspora and the integration of migrants are necessary, in accordance with the opportunities. This population management strategy aims to maintain a balance between demographic stability and sustainable growth, strengthen the nation's workforce, promote diversity, and protect its social fabric, with a special focus on gender disparities and gender-specific barriers.

### *Priorities*

#### **1. BALANCE BETWEEN FAMILY AND PROFESSIONAL RESPONSIBILITIES**

By firmly guaranteeing workers' rights and providing mechanisms to support families and parents, North Macedonia can promote population growth, alleviate financial burdens associated with child-rearing, and enable individuals to balance their professional and family lives, improving accessibility and housing conditions.

#### **2. ESTABLISHED INSTITUTIONAL COOPERATION AND COORDINATION WITH THE DIASPORA AND PROMOTION OF RETURNEE REINTEGRATION**

Connecting with the diaspora to leverage their knowledge, expertise, and resources in order to enhance the country's presence in global markets, and facilitate knowledge transfer, investments, and cultural exchange that is inclusive and responsive to gender-specific needs and contributions.

#### **3. DEMOGRAPHICALLY REVITALIZED RURAL ENVIRONMENTS**

A multi-layered approach is needed, starting with rural infrastructure development, strengthening services, promoting agribusiness development, and diversifying the rural economy by supporting small and medium-sized enterprises and developing rural tourism. Additionally, the promotion of sustainable agriculture and ecological practices can pull younger generations back to rural life while preserving cultural traditions and heritage. At the same time, it is necessary to recognize and address the specific challenges and opportunities young women and girls face.



#### **4. ACCESSIBLE AND QUALITY HOUSING**

It is necessary to implement policies and incentives that encourage the construction of affordable housing, including subsidies, tax incentives, and streamlined regulations to reduce the financial burden on potential homeowners, taking into account the different challenges and opportunities men and women face. This should also include the development of social housing programs for individuals and families with low incomes. Addressing issues related to energy efficiency and sustainability in housing can reduce long-term housing costs and contribute to improving living conditions.

#### **5. SYSTEMIC MANAGEMENT OF INTERNAL AND EXTERNAL MIGRATION FLOWS**

By collecting and analyzing data, the country can understand migration trends better, identify key drivers, and proactively respond to internal and external migration challenges, as well as manage challenges related to child migrants.

#### *Goal: Healthy and Happy People*

An efficient and sustainable healthcare system in North Macedonia is crucial to ensure the well-being of its citizens. By improving the accessibility and quality of healthcare services that recognize the specific health needs of men and women, the country can guarantee that its citizens receive the necessary healthcare when requested. A sustainable healthcare system promotes economic stability by reducing the financial burden on both the state and citizens.

#### *Priorities*

##### **1. CITIZENS PRACTICING A HEALTHY LIFESTYLE**

By focusing on preventive measures, such as education on nutrition and the importance of an active lifestyle, the country can combat increased obesity rates and related health issues. These efforts can lead to a healthier and more active population, reducing the burden on the healthcare system. Additionally, implementing comprehensive substance abuse prevention programs and raising awareness of the negative consequences of addiction can significantly reduce the social and health consequences of cigarette, drug, and alcohol use.





## **2. CITIZENS FOCUSED ON PREVENTIVE HEALTHCARE FOR ALL RISK FACTORS**

By identifying these risk factors through public health initiatives, gender-responsive health education, and early intervention, the country can significantly reduce the number of people suffering from diseases such as diabetes, cardiovascular conditions, and cancer. This approach not only improves the well-being of citizens but also eases the burden on the healthcare system, resulting in reduced healthcare costs and an improved overall quality of life.

## **3. CITIZENS WITH A GOOD MENTAL WELL-BEING**

By focusing on emotional and mental health, North Macedonia will create a supportive and inclusive environment that allows its citizens to lead fulfilling lives, promoting a society where mental well-being is recognized and celebrated as a fundamental aspect of overall health and happiness. Implementation of comprehensive and gender-responsive health policies increased mental health awareness, and accessible services are necessary. Furthermore, a culture of work-life balance is embraced, encouraging flexible work arrangements and promoting techniques to reduce workplace stress, as well as protecting children's mental health, among other things, through prevention and punishment of peer violence.

## **4. PUBLIC HEALTHCARE SYSTEM THAT ANTICIPATES AND ADDRESSES CURRENT AND FUTURE HEALTH AND FINANCIAL CHALLENGES**

Adequate financing is needed to ensure that healthcare institutions are well-equipped and well-managed, medical personnel are well-compensated, and basic services are easily accessible. Furthermore, every citizen should have access to high-quality healthcare, regardless of their gender and economic status. The strategic nurturing of a qualified health workforce will ensure that citizens have access to quality medical care. After the global COVID-19 pandemic, the need to build healthcare systems that anticipate and cope with risks became evident.

Comprehensive (public and private) healthcare with advanced technologies and functional information systems is crucial for improving the efficiency, effectiveness, and accessibility of the healthcare system in North Macedonia. This digital transformation can lead to better patient outcomes, informed decision-making, and enhanced healthcare experiences.



## *Goal: Inclusive and Efficient Social Protection and Social Security System*

The implementation of measures for social protection, employment programs, and educational initiatives that improve the conditions of those in need is necessary. This reduces poverty and strengthens social cohesion. It implies providing comprehensive financial support, healthcare, and basic services for vulnerable and marginalized individuals, including the elderly, people with disabilities, and those facing economic difficulties, while being mindful of possible gender inequalities among these populations.

By promoting social inclusion and reducing disparities, a system aimed at establishing a safety net that provides equal access to assistance for all citizens in times of need will be created. Furthermore, system efficiency is optimized by streamlining administrative processes and expanding service coverage, ensuring that individuals can easily access the necessary support, contributing to a fair and stable society..

### *Priorities*

#### **1. PROACTIVE PREVENTION OF SOCIAL RISKS**

Implementation of targeted policies and gender-responsive initiatives addressing issues such as poverty, unemployment, and health disparities before they become significant problems. Focusing on early intervention and prevention reduces the negative impact of these risks on citizens and creates a more stable and secure social environment. This contributes to increased social well-being and overall resilience of the people in North Macedonia

#### **2. FAIR SOCIAL PROTECTION SYSTEM WITH APPROPRIATE TARGETING OF VULNERABLE GROUPS OF CITIZENS**

A structured approach to identifying and assisting vulnerable groups that will enable them to realize their full potential, ensuring the allocation of support where it is most needed, while also considering the diverse situations faced by individuals based on their gender.



### **3. WELL-DEVELOPED PUBLIC SOCIAL SERVICES EQUALLY ACCESSIBLE TO ALL**

Investments in healthcare, education, social protection, and other essential services, with an emphasis on infrastructure expansion, quality improvement, and reduction of disparities. Development of palliative care programs focusing on pain management and symptom control, with a gender-inclusive approach that recognises the diverse needs of female and male patients. Raising public awareness and training healthcare workers in this area to provide comprehensive care needed by the older population to alleviate suffering and preserve their dignity. Promoting new forms of social and health services for older persons to ensure the preservation of their rights, dignity and well-being.

### **4. SOCIAL TRANSFERS ALIGNED WITH THE STANDARD OF LIVING**

Financial aid and benefits proportionate to the economic reality of citizens through adjustments and improvements in social protection programs to bridge the gap between changes in the cost of living and monthly income levels, enabling individuals and families to maintain their well-being and economic security, with a recognition of potential gender-specific challenges. By aligning social transfers with the standard of living, poverty, inequality, and financial hardships are reduced, and an acceptable standard of living is ensured.

### **5. INTEGRATED AND ACTIVATED VULNERABLE CATEGORIES IN SOCIETY IN ACCORDANCE WITH INDIVIDUAL ABILITIES**

By implementing policies that promote the inclusion and active participation of these groups, the nation can harness the potential of its entire population. This strategy strengthens the labour force and contributes to the improvement of social cohesion, by overcoming gender barriers that disrupt the equal active participation of women and men, inclusion of disabilities, and thereby encouraging a more active society where everyone has the opportunity to contribute to progress and prosperity.

### **6. FINANCIALLY STABLE AND SUSTAINABLE PILLARS OF PENSION INSURANCE**

Ensuring the long-term financial security of the population with the right to a pension through careful management of pension funds and contributions, pension benefits adjustment in accordance with economic reality, and the implementation of policies guaranteeing the solvency of the pension system. Ensuring the financial sustainability of pension insurance provides a secure income source for retired persons, reduces the risk of poverty in old age, and ensures the sustainability of the system for future generations.



## **7. PRESERVATION OF THE PURCHASING POWER OF PENSION INCOME**

Ensuring that retired persons can maintain their standard of living and meet their financial needs by implementing policies and adjustments that keep pension benefits in line with the cost of living and inflation, preventing the erosion of the real income of retired persons.

## **8. IMPLEMENTED ACTIVE AGING CONCEPT**

Developing active aging programs to encourage and empower older citizens to lead active and engaged lives, whereby the country can leverage their extensive experience, wisdom, and skills for the benefit of society. In this way, the quality of life for older people will significantly improve, enabling intergenerational harmony and a harmonious community.

## **9. FUNCTIONAL SYSTEM OF PREVENTION AND PROTECTION FROM VIOLENCE AGAINST WOMEN AND GENDER-BASED VIOLENCE**

Strengthening the systems for prevention and reporting of gender-based violence. Increasing trust in existing systems and services and strengthening institutional capacity to accurately assess the risk of violence and take appropriate measures to protect victims. Ensuring accessible services for women with disabilities and effectively protecting victims of gender-based violence.

*Goal: Society Based on Knowledge, Critical Thinking and Values*

A society rooted in knowledge, critical thinking, and values, promoting education and culture, a gender responsive society that promotes ethical and moral principles. This goal includes advancing education and encouraging a holistic approach to learning that fosters knowledge and development of critical thinking skills while instilling ethical and moral values. By cultivating a society based on these foundations, the country aims to encourage its citizens to make informed decisions, engage in constructive dialogues, and contribute to the well-being and progress of the nation, ultimately creating an enlightened, critical, educated and responsive society.



## **1. MANDATORY PRESCHOOL EDUCATION**

Access to early childhood education for all children aged three to five is provided gradually, by adopting policies and regulations that require participation in preschool programs, emphasizing the significance of early learning, socialization, and skill development, taking into account gender-specific factors affecting equal opportunities and outcomes for boys and girls. Mandatory preschool education ensures that all children have a strong educational foundation, reduces disparities in access to early learning, and improves overall preparedness for school, ultimately contributing to improved academic performance and social development in later years.

## **2. LEARNING OUTCOMES IN FORMAL EDUCATION ALIGNED WITH INTERNATIONAL STANDARDS**

Students who meet global knowledge and skill benchmarks. Fundamental reforms in all levels of the formal education system, promoting creativity, incorporating gender-sensitive factors to ensure equal access to quality education for girls and boys and ensure that the learning environment supports their diverse needs and interests. The aspect of inclusiveness in all levels of education is particularly important. This includes revising curricula, supporting career development and strengthening the capacities of teaching staff, wide use of modern teaching methods, implementation of modern assessment and evaluation methods/criteria with the ultimate goal of meeting international best practices and standards. Alignment improves the competitiveness of students on a global level and strengthens the positions of our educational system in terms of its international integration, as well as global competitiveness. For the successful realization of this priority, investments in the improvement of the quality of the educational process are necessary - the improvement of the curriculum, teaching, professional and managerial staff, as well as the implementation of clear long-term policies in the educational process at different levels. It is particularly important to establish sustainable and efficient financing of the educational process at all levels in order to effectively implement the priority.



### **3. INTERNATIONALLY RECOGNIZED AND COMPETITIVE HIGHER EDUCATION AND SCIENTIFIC INSTITUTIONS**

Streamlining the hypertrophied network of higher education institutions, introducing strict accreditation and reaccreditation criteria, self-evaluation, and encouraging the interest of higher education and scientific institutions for external accreditation

### **4. RECOGNITION OF INFORMAL EDUCATION IN THE SKILLS SYSTEM**

Knowledge and competencies acquired outside educational institutions should be valued and recognized. This includes establishing mechanisms for assessment, certification, and integration of skills acquired through life experiences and work, ensuring that these skills are counted and recognized within the national qualifications framework. Recognition improves employment opportunities, career advancement, and lifelong learning opportunities, fostering a qualified and adaptable labour force that contributes to economic growth and individual development.

### **5. EDUCATIONAL SYSTEM FOSTERING AND DEVELOPING DEMOCRATIC VALUES IN SOCIETY**

Establishing a strong foundation of values, equipping the youth with the skills and thinking necessary for personal growth, active participation in society, and contributions to the overall progress of the population, through an approach that addresses the different experiences and needs of girls and boys. This approach is essential in shaping future generations, embodying the principles of integrity, social responsibility, and commitment to sustainable development.

*Goal: Recognizable Cultural Identity and Values*

By preserving and nurturing the national cultural heritage, the traditions, the Macedonian historical identity and the multi-ethnic character of the country, a basis is created for building a strong belonging to the country and a sense of unity and a shared history. Cultural heritage and the creative industries strengthen the social fabric and enhances national pride and cohesion, giving life to a vibrant and distinct identity. At the same time, it is necessary to recognize the contribution of women and men in the cultural heritage in order to guarantee a complete representation of the national history and tradition. Cultural wealth and creative industries strengthen the social fabric and strengthen the national pride of individual ethnic backgrounds, but also ensure their strong cohesion, shaping a vibrant and distinct identity that interweaves and promotes the multicultural and multi-ethnic characteristics of the state. Furthermore, by enriching the offer in the country's tourism sector, it will encourage visitors to explore its picturesque history, traditions, and natural beauty, while fostering greater cultural exchange and economic opportunities.

### **1. WELL-DEVELOPED CULTURAL AND CREATIVE INDUSTRIES**

Entrepreneurs in the cultural sector and creative industries, including female entrepreneurship, will be strengthened, at the same time showcasing cultural heritage to a global audience. This fortifies the creative sector, fostering innovation, creating jobs, and preserving cultural heritage.

### **2. CULTURE, MULTICULTURALISM, AND CULTURAL HERITAGE IN SUPPORT OF TOURISM**

Culture and cultural heritage play a significant role in tourism, offering North Macedonia the opportunity to showcase its rich history and traditions to the world, with an approach that recognizes the different talents and contributions of women and men in culture and tradition. By preserving and promoting its cultural heritage, the country can attract tourists and generate economic benefits for local communities. An energetic cultural tourism sector can help boost the economy, create jobs, and, at the same time, preserve the cultural identity of our people.

### **3. RISK-RESILIENT CULTURAL HERITAGE**

Implementation of strategies for protecting historical sites, artifacts, and traditions, ensuring their resilience against challenges such as natural and man-made disasters, urbanization, and cultural changes. This contributes to the preservation of our country's rich history.

*The role of the digitization process and new technologies in demographic revitalization, social and cultural development*

*For young people, health and prosperity are closely tied to the utilization of digital tools. Online educational platforms and courses designed to enhance digital skills aim to equip younger generations with the necessary abilities to navigate in a highly digitized world. Likewise, mental health apps and digital wellness platforms that use artificial intelligence (AI) can provide crucial support and enable a holistic approach to wellness. The integration of data analytics with advanced medical technologies facilitates predictive care, identifying potential health risks before they escalate into chronic issues. This approach not only enhances overall health outcomes for the population but also optimizes the allocation of health resources.*

*Digital databases streamline the identification and provision of timely and appropriate support for vulnerable groups in society. Culture and cultural heritage give new meaning to life in the digital age through tourism and creative industries.*

*Digital solutions represent a direct approach to dealing with the demographic challenge of maintaining the number of the population in North Macedonia. Data-based findings can provide more information for policy decisions on internal and external migration, and online platforms can actively engage the Macedonian diaspora and enable a two-way flow of knowledge and resources.*



## 5.5 STRATEGIC AREA: RULE OF LAW AND GOOD GOVERNANCE

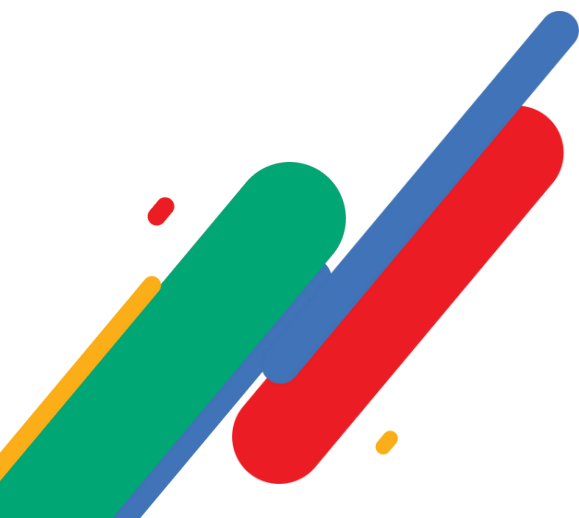
The Republic of Macedonia was granted the status of candidate country for EU membership in December 2005. The EU membership criteria were defined at the Copenhagen European Summit in 1993 and further supplemented at the Madrid Summit in 1995. These criteria encompass stability of institutions guaranteeing democracy, the rule of law, respect for human rights, and the protection of minorities; a functioning market economy and the ability to cope with competitive pressure and market forces within the EU; the ability to take on the obligations of membership, including the capacity to effectively implement the rules, standards and policies that make up the body of EU laws (the "acquis"), and adherence to the aims of political, economic and monetary union. To begin accession negotiations, the first criterion needs to be met, which gives legitimacy to the entire negotiation process.

These are the common values of member states that define the fundamental postulates of modern society: pluralism, non-discrimination, tolerance, justice, solidarity, and gender equality. Emphasizing the value aspect of the fundamentals and goals of the EU has manifold implications for the necessary reforms through which the transition of the Republic of North Macedonia (RNM) is being realized. Values centered on human dignity, freedoms, and rights, democracy, and the Rechtsstaat, don't have a formally legal, but a substantive character as guiding ideas. The "reason of state," the functions of the state, and the political, economic, and legal system should be based on these. The national analyses and international reports show that the establishment of democratic institutions and relationships has been slowed down by the high level of politization and a populist orientation of the executive branch, imposed over the other branches. In contrast, the principle of the rule of law as a complex principle encompassing good (proper) legislation, consistent adherence to the principle of constitutionality and legality, integrity, independence, and accountability of the institutions that apply the law, as well as creating a climate of adherence to laws by legal entities . The European Commission (EC) progress reports on the EU integration process, that mainly focus on the rule of law, often repeat the observation that in the RNM, laws that correspond to European standards have been adopted, but their effective enforcement is largely lacking. Closely related to the principle of the rule of law is the establishment of an independent and impartial judiciary as a central institution that guarantees its consistent enforcement. Hence, progress in judicial reforms throughout the transition system is a true measure of the progress of the RNM in the EU integration process.



The rule of law and good governance are of crucial importance for the overall long-term development of the Republic of North Macedonia. These categories are established as the basis of the political, economic, and legal system provided for in Cluster One of the negotiations for the EU integration of the Republic - Fundamentals (Chapters 23 and 24), which opens and finalizes the negotiation process. The rule of law and good governance are fundamental values provided for in the Treaty on European Union that must be fully adopted. Moreover, democracy, economic growth, and prosperity can only be achieved in a society where the rule of law is highly respected. Furthermore, the establishment of these principles in the Macedonian political, economic, and legal system and the enhancement of the capacities of the state, public institutions, and other segments of society in terms of their functionality according to the Copenhagen political criteria are the main prerequisites for the successful implementation of the strategic determinations contained in the NDS in all strategic areas.

According to relevant international reports and assessments, the Republic of North Macedonia is currently facing serious challenges in terms of weak adherence to the rule of law, limited efforts to combat corruption and organized crime, the capture of public institutions by political parties through extreme politicization, and the dominance of the "spoils" system in appointing public office holders, as well as an extremely dysfunctional public administration. According to the latest measurements summarized in the Rule of Law Index (2023), the country ranks 67th out of 142 countries, retaining the same score of 0.53 index points as in the classifications from previous years (2020, 2021, and 2022). According to the criterion Constraints on government powers, the country is ranked 97th with a score of 0.47, 75th in terms of the Absence of corruption with an index of 0.45, 70th in terms of Open government with a score of 0.50, and 56th in terms of Fundamental rights with a score of 0.60. Regarding the criterion of Order and security, North Macedonia is ranked 43rd with a score of 0.80, 94th in terms of Regulatory enforcement with a score of 0.46, 75th in terms of Civil justice with an index of 0.52, and 72nd in terms of Criminal justice with a score of 0.44 points.



Similar stagnant trends are also observed by the World Bank (The Worldwide Governance Indicators, which monitor governance indicators in over 200 countries), according to which North Macedonia has shown only modest progress in the last 5 years, measured by the Control of Corruption Index. Specifically, the country fluctuated from 40.95 in 2018 to 34.76 in 2020 and then to 43.87 in 2022. Systemic corruption is a persistent problem in all countries in the Western Balkans, which are ranked low according to Transparency International's Corruption Perceptions Index (CPI 2022). In the fight against corruption, RNM has moved up one position since 2021 and now ranks 85th out of 180 countries with a score of 40 points.

Corruption also exhibits a gender dimension, as research indicates that women face corruption in four areas, including: access to basic services, markets, and loans, participating in politics, and situations where women's rights are violated, such as in instances of human trafficking, sexual coercion, negligence, or mismanagement. According to a public opinion survey conducted by UN Women, corruption permeates both the private and public sectors.

While men and women are generally perceived to be equally susceptible to corruption, approximately one-third of respondents from the private sector and one-quarter from the public sector believe that men are more corrupt than women. Furthermore, the absence of gender-sensitive mechanisms for reporting corruption exacerbates the trend of underreporting and significantly diminishes guarantees of anonymity and discretion, trust in the state system, confidence in a fair trial, job security, and income stability. Reports and functional analyses, as well as public opinion surveys, show that citizens have low confidence in public institutions, especially in the judiciary. According to the latest public opinion measurements, confidence in the judiciary has plummeted to an alarming level. The main critical remarks about the implemented reforms relate to the failure of ensuring the effective and efficient enforcement of legislation, which is mainly aligned with international conventions and European standards for various areas. This means that the entire legal system is dysfunctional and poses a significant obstacle to the overall development of society. The institutions responsible for preventing corruption face difficulties, and the public administration is inadequately structured and often has weak professional capacities, so citizens' needs are not addressed in an effective and timely manner.

North Macedonia has achieved some level of preparedness, meaning it is moderately prepared to enforce EU law and European standards in the field of the rule of law, covered by Cluster One (Fundamentals, Chapters 23 and 24). Progress has been made in strengthening the independence of the judiciary, achieving multiple goals of the 2015-2022 Strategy for Reform of the Judicial Sector, and more effective functioning of the public prosecution, continuing with the implementation of recommendations from the Venice Commission and the Senior Experts' Group on Systemic Rule of Law Issues. The goals of the strategy have not been achieved to a large extent due to the incomplete implementation of the principle of financial independence of the judiciary and the public prosecution, in relation to the budget obligation to allocate 0.8% of GDP for the judiciary, as only 0.3% has been realized. Due to poor planning of the required and vacant judicial positions, it is estimated that the Macedonian judiciary lacks more than 150 judges, and only in 2022 their number has decreased by 44 and now we have 449 judges.



Therefore, the courts cannot cope with the influx of new cases, resulting in a total of 700,000 active court cases in 2023. Among these, over 109,000 have carried over from the previous year due to remaining unresolved. The Public Prosecution continuously faces a labour shortage, an insufficient number of public prosecutors and public prosecution officials. Despite its extensive legal competences and workload, in recent years, it has experienced a staff turnover for various reasons, so from the planned number of public prosecutors, which should total 262, as of the end of 2022, only 174 public prosecutor positions have been filled, i.e. the public prosecution fulfils its duties with 88 fewer public prosecutors than planned. The inadequacy of the public prosecution is also influenced by the lack of necessary auxiliary staff, such as investigators and officials. Out of the total planned 1,126 positions in the public prosecution service, only 385 job positions have been filled. The situation with these two institutions, which are of crucial importance for the rule of law, reflects the neglect of the role of law enforcement agencies in general, such as inspection services at the local and state levels. Their capacities fall far below the minimum tolerance for the effective enforcement of laws and oversight of public institutions and citizens in their enforcement. A new Strategy for the Development of the Judiciary 2023-2027 is being prepared, aimed at overcoming the discrepancies between the laws in this area and their effective enforcement, as well as further strengthening the role of the judiciary in protecting human freedoms and rights and common values through consistent application of the constitutional principle of the separation of powers and ensuring the independence and autonomy, efficiency and effectiveness, quality, transparency, and accountability of institutions in the judiciary. One of the key areas of strategic development planning for the Republic of North Macedonia by 2044 is the reform and development of public institutions. The existence of a relatively large number of public institutions and public enterprises, in addition to the state authorities, is the result of extensive efforts for establishing a network as part of a one-way and insufficiently coordinated process of creating new institutions, without periodic review and abolition of existing ones.

As a result of this trend, there is a constant increase in the number of employees in the public sector. According to the data available to the Ministry of Information Society and Administration, the situation regarding public bodies is as follows: in 2016, there were 1,291 active institutions, while in 2022 their number increased, i.e. 1,354 institutions were active. Unlike the reforms in the judicial system, the public administration reform is progressing with an even slower dynamic, as a result of which its state is far from the Copenhagen political criteria for the existence of stable institutions guaranteeing democracy, the rule of law, human rights, and the protection of minorities.



*In the entire system of public administration, which includes all public institutions at the level of local self-government or at the level of central government, the principles making up the content of the principles of good governance are not consistently applied:*

- **rule of law**, fairness, legality, and impartiality in decision-making; **strategic leadership and accountability**, which imply **effectiveness** in achieving performance results;
- **efficiency and effectiveness**, which involve the best use of available resources;
- **integrity and ethics**, which include independent, professional conduct, integrity in achieving goals, acting in accordance with high moral and ethical principles in the interest of citizens, prioritizing the public good over individual interests, and applying effective measures to prevent and combat all forms of corruption and conflicts of interest;
- **sound financial management**, which necessitates careful financial management, including contract and credit arrangements, assessment of funds, revenues, and reserves, as well as the use of special revenues;
- **openness and transparency** in decision-making that are adopted and implemented in accordance with the rules and regulations, public access to all non-classified information (according to precise criteria established by law);
- **accountability** which necessitates a secure control system in the execution of functions, ensuring quality in the work of the institutions, making decisions that can be published, explained and sanctioned;
- **accessibility and participation**, with greater involvement and collaboration in the decision-making processes with all relevant actors;
- **inclusiveness**, where services for citizens are available to all without discrimination;
- **innovation, creativity, and openness** to change;
- **continuous learning and excellence** in work as the basis for action;
- **partnerships and networking** with universities, the business community, the civil sector, and all relevant factors from all spheres of social life;
- **equality and fair treatment**, as well as respect for individual differences;
- **fair representation** based on competence and expertise;
- **social responsibility**, which necessitates an ethical framework that encourages every individual or institution to act in the best interest of society as a whole.

Despite these principles being outlined in the strategic documents for public administration reform (2023-2030 Strategy), the reform process is not proceeding along the path set by the principle of good governance; on the contrary, practices such as employing individuals based on political party affiliations, familial connections, filling positions with candidates lacking suitable qualifications, making promotions based on subjective criteria, inefficiency in work processes, and a high prevalence of corruption persist. The main reason for these conditions is the dominance of the "spoils" system through which the staff of political parties, i.e., people who are supporters of the ruling party or parties, are employed and appointed to the highest positions in public administration. Such a method of recruiting public servants suppresses the requirements for efficiency, impartiality, accountability, integrity and lack of corruption.

The main challenges for good governance concerning citizens from a gender perspective identified in the Implementation Plan (CLIP) for North Macedonia, which is derived from the Gender Action Plan III of the European Union (EU), are:

- **Widespread violence against women:** The country grapples with a significant prevalence of violence targeting women.
- **Low reporting rate of violence:** Recent research by the OSCE indicates that only 2% of instances of violence against women are reported, highlighting a lack of trust in existing systems and services. This makes it challenging to accurately assess the true extent of the problem..
- **Inadequate services for victims:** The absence of quality services meeting the standards outlined in the Istanbul Convention poses a significant challenge. There is a need for accessible services, particularly tailored to women with disabilities, to effectively safeguard victims of gender-based violence.
- **Police capacity:** Law enforcement agencies, such as the police, should improve their capacity to accurately assess the risk of violence and take appropriate measures to protect victims.
- **Legal framework and implementation:** Although progress has been made with the adoption of the Law on Prevention and Protection from Violence against Women and Domestic Violence, additional steps are needed. For effective implementation, legal harmonization (e.g. Criminal Code), development of related by-laws and operational procedures is necessary
- **Gender Norms and Property Ownership:** Traditional gender norms continue to influence property ownership practices, favoring male heirs often leading to property being registered in husbands' names. This practice discriminates against women in property ownership. Gender-disaggregated data reveal a notable disparity in property ownership, with a majority of owners being men, underscoring gender inequality in the exercise of property rights..

The delayed process also has consequences for decentralization and strengthening the position of local self-government institutions, where as such, the plans for decentralization and regional development remain without significant financing and effects. In addition to fiscal decentralization being stalled, the process of deregulation and functional decentralization, as well as creating capable management for governance, which is necessary for the integration into the European Administrative Space, are stagnating.

A particular weakness of the existing system is the lack of an effective judicial review of the legality of acts of public administration, carried out by the administrative judiciary, whose procedure is not aligned with the standards of a fair trial defined by the European Convention on Human Rights (Article 6). The rule of law in the Republic of North Macedonia cannot be established without a substantial public administration reform, which should include clear, phased measures and activities to establish an appropriate legal framework, necessary human resources, modernization and digitization of public services, as well as tools for civic participation in decision-making, control of the work of institutions, and judicial protection of their rights before an independent court.

The influence over the judiciary, public prosecution, and public administration of political (partisan) influences and influences of other lobby groups has had a direct impact on the appearance of endemic corruption, or systemic corruption that permeates all spheres and all levels of society. Regarding the fight against corruption, the European Commission, in its Progress Report on North Macedonia in 2022, assessed that the country has achieved some level of preparation, namely, that it is moderately prepared in terms of prevention and prosecuting,

Some progress has been made as the country continued to consolidate its track record on investigating, prosecuting and trying several corruption cases, including those at a high level. In line with the EU's recommendations, the State Commission for the Prevention of Corruption (SCPC) has been proactively providing policy guidance to public institutions on preventing corruption and it opened several cases, including against high-level officials, despite the lack of human and financial resources. However, the authorities responsible for processing cases of corruption and conflicts of interest are making insufficient efforts to fully implement the conclusions of the SCPC reports. Consequently, the implementation of the National Strategy for Prevention of Corruption and Conflict of Interest (2021-2025) and the related action plan is progressing slowly.

In 2022, the State Audit Office (SAO) prepared 223 audit reports, identifying 1242 situations and issuing 775 recommendations. The concerning aspect is that nearly half of the reports express unfavorable or reserved opinions (75 reserved opinions and 35 unfavorable opinions). It is noteworthy that despite the comprehensive audit reports provided by the SAO, which include specific findings and recommendations aimed at enhancing the rule of law and improving the governance of various public institutions, they are largely not fully implemented by the competent institutions. Additionally, these reports often remain unaddressed, and there is a lack of substantive debate about them in parliamentary committees or bodies.

The legal framework for the protection of fundamental rights largely complies with European standards, but numerous challenges in the enforcement of existing legislation remain. The Ombudsman remains the central body for the promotion and enforcement of human rights, a central body which gradually strengthens its role but often encounters inadequate responses from the state authorities to whom it addresses its reports and recommendations. Measures and activities of the line ministries to protect certain categories have been strengthened, including victims of gender-based violence, persons with disabilities, children. The promotion of gender equality, as well as the condemnation of hate speech, hate crimes, discrimination, and intolerance towards lesbian, gay, bisexual, transgender, intersex, and queer (LGBTQIA+) individuals have been improved.

As regards the protection of minorities, the authorities continued to implement the national strategy "One Society for All and Interculturalism." In the context of refugees, victims of human trafficking, and the right to asylum, state institutions align their policies, measures, and activities with EU positions. In the area of fundamental rights, there are still several sensitive issues, with a significant concern being the passive attitude of institutions, even obstructing the work of the Commission for the Prevention and Protection against Discrimination, which has limited budget resources and insufficient administrative staff.

In civil justice, which is also a significant area of rule of law, the EU has noted that North Macedonia did not make any significant improvements in the procedures for enforcing property rights, which remain lengthy and expensive for citizens due to the lack of a central institution and the lack of coordination between institutions dealing with these rights. Namely, more than 6,000 denationalization cases are still open and represent the largest part of the complaints filed with the Ombudsman's Office, even though this process was officially declared closed in 2013. Significant progress is also needed in the field of weak environmental protection, given the strong vulnerability to natural hazards and the brutal threat to human rights to a healthy and clean environment.

#### 5.5.1 MISSION

***North Macedonia will be developed as a multicultural and gender inclusive community based on the rule of law and good governance, serving as the strongest guarantee for respecting the citizens' right to happiness and a better quality of life. By 2044, as an EU member, the country should enable the flow of all basic freedoms and rights for Macedonian citizens, as EU citizens, within the single realm of freedom, security, and justice. All its branches of power – legislative, executive, and judicial – should perform their functions in accordance with European values and standards, with a highly effective, accountable, transparent, and fully digitized judiciary, alongside a strong, highly professional, and depoliticized public administration, with citizens that are genuine participants in the political decision-making process, and at the same time vulnerable groups are protected at all levels; with significant participation from the business community, civil society, and political parties in shaping public policies through the ongoing enhancement of democratic relations and dialogue at all levels and with responsible holders of public functions and providers of public services. The country will create an environment in which conditions can be established for greater social justice and security for all citizens, akin to that found in economically more developed states with functional democracies.***



## 5.5.2 GOALS

To achieve the mission, the following goals have been outlined:

1. Rule of Law and Consistent Application of the Principle of Separation of Powers and Effective Parliamentary Oversight;
2. Transparent, Accountable and Efficient Public Sector;
3. Strong Civil Society and Free and Independent Media;
4. Zero Corruption, Legal Certainty, and Impartial Justice;
5. Effective Protection of Fundamental Human Freedoms and Rights, and Protection of Communities.

*Goal: Rule of Law and Consistent Application of the Principle of Separation of Powers and Effective Parliamentary Oversight*

The principle of the rule of law and the respect for natural human freedoms and rights complement the demand for a new approach to politics and parties as its protagonists. First, the state must strive to accelerate the EU integration process and start EU membership negotiations. The primary focus of all state actors should be directed towards the perspective of EU membership, considering the strong support from citizens. To achieve this priority goal, it is imperative to consistently apply the principle of separation of powers and establish a robust institutional framework for the rule of law. The realization of this postulate is a necessary condition for establishing balance, mutual coordination, and oversight of the legislative, executive, and judicial branches, as a crucial prerequisite for the rule of law, through which the state of supremacy of the executive branch and its influence over the other two authorities will be overcome. In addition to constitutional and legal constraints on the executive branch, this objective can be achieved through a fundamental reform of the judiciary and public administration.

*Priorities*

### **1. ACCELERATION OF THE EU INTEGRATION PROCESS**

Over the past six years, North Macedonia has made significant progress in restoring and advancing democracy and democratic processes, warranting its inclusion in the European Union at the earliest opportunity. Consequently, activities aimed at intensifying processes to advance the country's European trajectory, including steps and decisions ensuring ongoing European integration and eventual full EU membership as per the established Negotiating Framework, are of paramount importance. Halting the European integration process contradicts the wishes of the majority of citizens. Failure to fulfil obligations outlined in the negotiation framework will impede all economic and social development processes necessary for aligning Macedonian society with European standards of living.



## **2. CONSISTENT APPLICATION OF THE PRINCIPLE OF THE SEPARATION OF POWERS AND THE ESTABLISHMENT OF EFFICIENT, NON-PARTISAN INSTITUTIONS**

The continued development of North Macedonia hinges upon intensifying efforts to establish efficient and non-partisan institutions, which in the long term should lead the process of overcoming the crisis, unfreezing the Euro-Atlantic integrations and developing a society based on the liberal principles of a democratic legal state. Achieving this necessitates a return to the fundamentals of pluralism and the catalysts of democratic progress, including individual freedom, democratic individualism, natural human rights, gender equality, and the principles of a democratic legal state as their advocate and guardian.

## **3. POLITICAL PARTIES AS PROMOTERS OF DEMOCRATIC PROCESSES AND DEMOCRATIC DIALOGUE**

The prolonged political crisis in the republic violated the constitutional principles of the separation of powers, the constitutional limitations of the executive power and the political supremacy of the Assembly over the Government. The capture of society and state institutions by the parties winning parliamentary elections and asserting absolute power constitutes a significant infringement upon the freedom of political association and the fundamental human right to democracy and the rule of law. Escaping such a predicament necessitates political parties acting as primary proponents of democratic ideals. They must recognize the unique opportunity to propel the country forward and fulfill citizens' desire for full EU membership.

## **4. INDEPENDENT COURTS, AUTONOMOUS AND EFFECTIVE PROSECUTION OFFICES, AND OTHER JUSTICE INSTITUTIONS**

The principle of the rule of law is intricately tied to the establishment of an autonomous and independent judiciary, which serves as the central institution guaranteeing its consistent application. The court and its judges play pivotal roles in upholding the rule of law. Within the framework of the principle of separation of powers, they are tasked with ensuring adherence to and enforcement of the law, among other responsibilities. They must also exert effective oversight over the executive branch and state administration concerning legal pronouncements and the protection of human freedoms and rights. Consequently, the advancement of judicial reforms across the transition system serves as a genuine gauge of North Macedonia's progress in the European integration process.



## *Goal: Transparent, Accountable and Efficient Public Sector*

Efficient realization of citizens' rights and freedoms through increased accountability of institutions is one of the fundamental prerequisites for strengthening transparency in the public sector and state authorities, including organizations accountable to citizens, with all subsequent implications of civilian oversight over the performance of public functions, accountability, and responsibility. The public sector must acknowledge and address the distinct needs and experiences of women and men in efforts to enhance transparency and accountability. Additionally, transparency has a positive influence on the economic development of the state by contributing to greater rationality in decision-making, as well as its Euro-Atlantic aspirations. It complements the public administration reform and the transformation of public institutions into services for citizens. Achieving this objective assumes an electoral system that allows the broadest and freest expression of the citizens' will in constituting legislative authority and sound constitutional and legal guarantees, constraints, and responsibilities of institutions in all three branches of power. By accomplishing this objective, confidence in the public sector will be restored among the citizens of the Republic of North Macedonia.

### *Priorities*

#### **1. TRANSPARENT AND DEMOCRATIC PROCEDURE FOR MAKING LEGITIMATE LAWS AND OTHER DECISIONS**

The legislative authority guarantees the adoption of laws in a transparent and democratic procedure regulated by the Rules of Procedure of the Assembly of the Republic of North Macedonia. That procedure implies the legitimacy of laws and other decisions, which should be clear, published and accessible to everyone, stable and with predictable consequences, and their application should be non-selective and guarantee equal protection of freedoms and rights, legal certainty and equality before the law.

#### **2. CONSISTENT AND CONTINUOUS IMPLEMENTATION OF THE LAWS ADOPTED AND COMPLIANCE WITH THE AGREED OBLIGATIONS**

Implementation and enforcement of measures for overseeing the application of laws, an established mechanism and system for monitoring the consistent and continuous application of laws, as well as adherence to obligations arising from international and national agreements through enhanced inter-institutional cooperation and trust.

#### **3. SELECTION AND APPOINTMENT OF PUBLIC OFFICIALS ON THE BASIS OF THE MERIT SYSTEM**

Implementation of the principle of selection, appointment, employment and advancement in public administration according to the system of qualifications, knowledge and merits. The knowledge and merit system should be the foundation for creating a strong and efficient public administration and effective, transparent and accountable public officials.

#### **4. STRENGTHENED TRANSPARENCY AND ACCOUNTABILITY IN THE PERFORMANCE OF PUBLIC FUNCTIONS**

Trust in the Government, including ministries and other bodies of state administration, as well as institutions of executive power, has been cultivated. An environment characterized by transparency, accountability, responsibility, and trust has been fostered in anticipation of the process of integration into the European Union.

#### **5. JUDICIAL CONTROL OVER THE LEGALITY OF PUBLIC ADMINISTRATION ACTS**

Enhanced judicial oversight of the constitutionality of laws and the legality of regulations issued by public authorities. A streamlined and optimized public sector and a stable legal framework established, so that it is not possible to constantly establish new administrative bodies beyond those outlined in the system regulations with special/material laws.

#### **6. DIGITIZATION OF PUBLIC SERVICES AND OFFICES AND FREE ACCESS TO INFORMATION ABOUT THEIR FUNCTIONING TO CITIZENS**

Digitization as a priority implies high modernization of the country through the use of information technologies in the public and private sectors, **accessible and adapted to the specific opportunities and needs of men and women**. Digital tools, on the other hand, serve as a means for modernizing the economy and enhancing its integration into the global economy, they are also useful for the transition to a knowledge-based society in terms of management, as well as for the creation of innovative industries that produce high added value. North Macedonia must expedite its digital transformation, promote the digital economy and education, enhance digital literacy, and fully digitize public services. This will ensure that citizens have free access to information regarding the functioning of public services.

#### **7. PUBLIC ADMINISTRATION ORIENTED TOWARDS ACHIEVING RESULTS**

Good governance of public institutions is intricately linked to the performance of the administration, that is, the existence of an efficient, effective, quality, transparent and responsible public administration that offers citizens predictability and quality public services. It also implies more political, as opposed to bureaucratic, elements. Fair competition among political parties vying for power is essential, alongside the presence of democratic institutions, effective and true separation of power, but also horizontal and vertical hierarchy of responsibilities, as well as a higher quality of policies, is accomplished through a democratized and results-oriented policy-making process.

## **8. POLICIES CREATED WITH PARTICIPATION OF CIVIC ORGANIZATIONS, CITIZENS AND OTHER STAKEHOLDERS**

This priority area enables citizens to actively participate in decision-making processes, providing all interested parties with the opportunity to influence the development of policies and laws that impact them. Secondly, it encompasses the right of civil control over the exercise of power and prevention of its abuses, through active engagement of civil society organizations, citizens, and stakeholders in decision-making processes at all levels. This involves creating conditions for a broad base of informed citizens while also seeking their input when formulating policies and decisions. The positive trend of strengthened coordination and networking of civil society in cooperation with the Government, especially in the area of reforms in the justice sector, is notable.

### *Goal 3: Strong Civil Society and Free and Independent Media*

A robust civil society and independent media are crucial pillars for fostering a democratic, functional, and prosperous society. A national framework should be created that will enable and encourage the functioning of an active civil sector as a key stakeholder in the planning and implementation of changes at all levels. Creating an environment where the media can freely express their perspectives, devoid of political and business pressures, and uphold high standards of ethics, responsibility, and impartiality.

#### *Priorities*

### **1. STRONG CIVIL SECTOR AS THE BASIS FOR A ACCOUNTABLE, TRANSPARENT AND DEMOCRATIC SOCIETY**

Continuous strengthening of the civil sector, serving as the foundation and safeguard for long-term development and the formulation of policies aligned with citizens' needs. It is essential to ensure ongoing and sustainable financial and non-financial support to the civil sector, facilitating its formal and informal engagement in all reform processes of the state at all levels. Establishing an environment conducive to genuine partnership between the civil sector, public sector, and business community will underpin the creation of transparent, accountable, and sustainable changes on the long term.



## **2. MEDIA FREEDOM FOR OBJECTIVE INFORMING**

The right to freedom of expression stands as one of the fundamental pillars of democratic societies and a key prerequisite for their advancement. In democratic systems, every individual is entitled to express their opinions, communicate, receive and disseminate information and ideas, and this right should be upheld without hindrance. Media outlets play a crucial role in continuously monitoring and evaluating government activities, facilitating thorough discussions of pertinent issues within the public. It is imperative that the media operate independently of political and business influences, maintaining high standards of ethics, responsibility, and impartiality. Achieving this necessitates a modern legal framework that safeguards the right to expression and protects media workers, independent media regulation, ensuring the financial sustainability of media outlets, professional development opportunities for journalists and media workers, adherence to ethical standards, and, above all, political commitment to upholding these principles.

*Goal 4: Zero Corruption, Legal Certainty, and Impartial Justice*

Organized crime, corruption, and new forms of crime such as economic, environmental, or cybercrime, which are increasingly penetrating all spheres of society, represent the most significant threats to human freedoms and rights. The most effective way to combat these phenomena is the consistent application of universal standards of good governance. Therefore, it is essential to ensure the legitimacy of laws, which should be clear, published, and accessible to everyone, stable and with predictable consequences. Laws and legal mechanisms need to promote gender equality and prevent discrimination or bias in legal procedures or outcomes. Their application should be non-selective and guarantee equal protection of freedoms and rights, legal certainty, and equality before the law. The state must provide free access to the courts, fair and effective enforcement of laws for all citizens, and quick and accessible justice and legal protection applied by competent, ethically integral, and independent individuals and institutions who are well-organized and prepared to respond to citizens' demands.

Priorities

### **1. IMPLEMENTATION OF UNIVERSAL GOOD GOVERNANCE STANDARDS**

Application of universal standards formulated in international conventions related to the abuse of power, crime, and corruption, or explicitly outlined as political criteria that every EU membership candidate country must meet ("Copenhagen criteria").



## **2. EFFECTIVE FIGHT AGAINST CORRUPTION, ORGANIZED CRIME, AND ABUSES OF POWER AT ALL LEVELS**

Increasing efficiency in the fight against organized crime and corruption through continuous monitoring of corruption, organized crime and abuses of power. It is crucial to monitor the evolution of crime and corruption, analyze their modus operandi, profile perpetrators, and understand their motivations. This priority will be achieved through reviewing established practices, identifying systemic issues, providing recommendations and findings to all relevant stakeholders for further action, and addressing deficiencies in the administration of justice.

## **3. INDEPENDENT, FUNCTIONAL, AND WELL-COORDINATED STATE INSTITUTIONS**

A guarantee for fulfilling the functions of state institutions is consistent adherence to the principles of legality, transparency, professionalism, accountability and responsibility. Inter-institutional coordination and cooperation are one of the important prerequisites for functional institutions.

### **Goal 5: Effective Protection of Fundamental Human Freedoms and Rights, and Protection of Communities**

In legislative terms, the Republic of North Macedonia fulfills its international obligations regarding the respect and protection of human freedoms and rights by ratifying international conventions on human rights. The challenge is the respect and protection of human rights and gender equality in practice. This particularly applies to the protection of marginalized groups, whose rights are exposed to frequent violations without adequate and effective protection, and in the domain of their protection, the recommendations of the national and international institutions that monitor the implementation of human rights are inappropriately applied. Regarding effective protection of environmental rights as part of constitutionally guaranteed fundamental freedoms and rights, the Republic of North Macedonia, should be a society that formulates policies, legal provisions, and decisions in the field of environment in order to address global climate changes and environmental challenges, recognizing this problem not only at the central but also at the local level. This goal means strengthening the instruments for protecting human rights before the courts and the public administration, including the Constitutional Court, through constitutional reform and reform of substantive and procedural laws, as well as strengthening the social function of the authorities and organizations tasked with caring for and protecting vulnerable groups. Strengthening environmental justice necessitates the establishment of a new constitutional and legal framework aligned with the concept of a green economy and justice and solidarity for future generations.

### **1. A STATE WHERE EQUALITY, NON-DISCRIMINATION, AND JUSTICE PREVAIL**

Promoting fundamental rights, non-discrimination, and equal opportunities for all are key to a successful integration process. In this sense, the state should provide effective protection of the rights and freedoms of members of marginalized communities, especially the elderly, the long-term unemployed, persons with disabilities, racial and ethnic minorities, persons who have served a prison sentence, the impoverished, homeless individuals, immigrants, and others. The principles of non-discrimination imply that any individual should have equal access to the data covered by this strategy. According to the principle of non-discrimination, the bodies and organizations included in this strategy should provide access to data for both people from vulnerable categories and persons with disabilities, based on the principle of equality, impartiality and objectivity, the principle of service orientation of public bodies and the principle of providing active assistance to the party.

### **2. MULTICULTURALISM, MUTUAL RESPECT FOR ETHNIC, RELIGIOUS, AND OTHER COMMUNITIES, AND CONSTITUTIONAL PATRIOTISM**

The state has a responsibility to uphold and promote the collective rights of national, ethnic, religious, and other communities. This entails nurturing and developing national culture, language, traditions, and faith. Cultural policies should be designed to address the preservation of the country's rich cultural heritage, promote diverse, dynamic, social, and cultural identities, and simultaneously encourage broader cultural development among citizens.

### **3. PROTECTION OF MINORITY COMMUNITIES, THE IMPOVERISHED, MIGRANTS, AND REFUGEES**

Building a society with inclusive development is intrinsically tied to respecting human rights in its broadest sense and safeguarding against all forms of discrimination. Social cohesion is the essential element of a successful society and often serves as an indicator that a country is a desirable place to live and work. The state endeavors to uphold and promote the rights of non-majority community members, primarily through ensuring their rights in areas such as employment, education, culture, and other domains regulated by law. By realizing this priority, the implementation of the rights of the communities will be improved, the monitoring of the degree of their realization will be facilitated and the supervision over the realization of these rights by the institutions at the central and local level will be ensured. Furthermore, the development of integration policies for migrants and refugees should encompass state policies and measures facilitating their integration into the educational process and other social activities. This approach aims to enable this affected group to become responsible participants in the economic, social, and political life of the country, while fully respecting cultural and social differences, as well as upholding human rights and human dignity.

#### **4. HUMANE PRISON SYSTEM AND RESOCIALIZATION AND REINTEGRATION OF FORMERLY SENTENCED PERSONS**

This priority area guarantees the improvement of the position and upholding of the rights of sentenced persons, including women, while also improving conditions within correctional facilities, treatment of sentenced persons, and their living and working conditions. It underscores the importance of treating individuals humanely, with the utmost respect for their dignity and personal autonomy, while safeguarding their physical and mental well-being, taking into account the goals of separate sanctions, ultimately contributing to the successful resocialization and reintegration of individuals into society following their sentence completion. North Macedonia ought to prioritize the well-being of juvenile offenders, at-risk children, and those in conflict with the law by instituting mandatory educational programs and initiatives that foster positive character development and personality growth. Additionally, providing training opportunities for resocialization and reintegration into society is crucial.

#### **5. EFFECTIVE PROTECTION OF THE RIGHT TO A HEALTHY ENVIRONMENT**

The priority for higher protection of a healthy environment is significant in the context of several sustainable development goals - ensuring access to clean water for drinking and sanitation, promoting clean energy, fostering sustainable production and consumption practices, addressing climate change, and preserving soil integrity. Hence, the continuous provision of a safe, clean and sustainable living environment is needed. Environmental threats can have particularly severe consequences on the realization of the rights of the most vulnerable groups, including children, adults, people with disabilities, women, and individuals with chronic diseases. Additionally, those who are directly exposed to environmental risks, such as farmers, fishermen, construction workers, and others impacted by the drastic weather effects of climate change, are also at risk of experiencing adverse impacts on their rights. Advancements in this area will positively impact the country's contribution to achieving the global agenda for sustainable development.

#### **6. ACCESS TO JUSTICE**

North Macedonia can and should employ various instruments to ensure access to justice for marginalized individuals, which include: legal protections (recognition of legal, business, and procedural capacities), efforts to strengthen legal awareness and information dissemination, provision of free legal aid, guaranteeing fair judicial and administrative procedures, ensuring effective enforcement, and enhancing the role of parliament, ombudsman, and civil society in advocating for marginalized groups.





## *The role of the digitization process and new technologies for the rule of law and good governance*

Digitization strengthens the rule of law and good governance, offering significant opportunities to enhance efficiency, effectiveness, transparency, accountability and responsibility, which are crucial for the flourishing of a democratic society. Technology plays a vital role in enhancing parliamentary oversight by providing digital platforms that enable real-time monitoring and seamless communication among government bodies. Digital tools are indispensable in North Macedonia's efforts to achieve a transparent, accountable, and efficient public sector. E-government initiatives modernize citizens' interactions with the state, making services more accessible and streamlining processes. Open data platforms not only provide access to public sector data for all citizens but also ensure that the data is presented in an understandable format, thereby enhancing government accountability. Digital advancements provide a significant advantage in the pursuit of legal certainty and impartial justice. Online legal services and digital courts enhance access to justice and expedite legal proceedings. North Macedonia's dedication to upholding fundamental human freedoms, rights, and community protection takes on renewed significance in the digital era.

### **5.6 STRATEGIC AREA: SECURE, SAFE AND RESILIENT SOCIETY**

The hazard profile of North Macedonia is characterized by the impact of a range of natural and human-made hazards and is dominated by floods, earthquakes, extreme temperatures, storms, landslides, droughts, epidemics and technical–technological incidents. Floods occur most frequently and with the greatest intensity and magnitude; weather-related events are on the rise; are increasing in both frequency and severity, posing significant consequences for nature and biodiversity, while earthquakes have the potential to cause the greatest impact in terms of loss of life and long-term damage and loss. This trend is expected to continue at an increased pace, taking into account: the increase in average temperature, projected impacts of climate change and extreme events, deteriorating environmental conditions, and extensive urbanization, etc.

*As per the Global Facility for Disaster Reduction and Recovery, the annual average population affected by flooding in North Macedonia is about 70,000 and the annual affected GDP is 500 million USD (3.68% of 2022 GDP.(17)). The analyses also show that the annual average population affected by earthquakes in North Macedonia is around 40,000 and the annual average affected GDP is around \$200 million (1.47% of GDP for 2022)(18). According to the World Health Organization (WHO), the country has a medium to high risk of earthquakes, the most devastating of which in recent times was the earthquake in Skopje in 1963, when more than 1000 people died and 80% of the city was destroyed. The potential hazards associated with the state's chemical capabilities must be effectively managed.*

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17 The News release of the SSO for Active population in the third quarter of 2023, the rate of unemployment (15-74) is 102,134

18 Global Forum for Disaster Reduction and Recovery, North Macedonia section, 2017. <https://tinyurl.com/47pdmfa>

From 1999 to 2021, on an annual basis, an average area of 8,837 ha was affected by forest fires with an average damage of approximately 7.8 million EUR.<sup>(19)</sup> Frequent and severe droughts in southern and eastern Macedonia worsen rural socio-economic conditions. For instance, a prolonged drought in 1993 caused extensive crop damage and led to a 7.6% national income loss. *Over the past two decades, there have been 14 disasters of this nature resulting in 79 human casualties. Approximately 1.3 million inhabitants were affected, with eight of these disasters causing damages totaling half a billion US dollars. The highest number of human casualties occurred during the torrential floods in Skopje in August 2016, claiming 22 lives. Forest fires in July 2007 impacted nearly half of the country's population, while the floods in 1995 resulted in the highest damage amounting to 245 million US dollars.*

*The country struggles to cope with hydrological events, like droughts and floods, due to limited financial resources, outdated technical capacities, insufficient (inadequate) institutional support, and legal frameworks. The Ministry of Health acknowledges the need to enhance emergency healthcare capacities, making North Macedonia a priority in the WHO Health Emergencies Program for the European Region. (21) One in four (23%) women report having experienced living in a situation of active armed conflict for at least a week during their lifetime, although not all of them can be categorized as directly affected by conflict. This is more prevalent among Albanian-speaking women, where 50% report having lived through an active armed conflict (compared to 13% of Macedonian-speaking women). Among those who experienced a period of conflict for at least one week, the majority (82%) reported having at least one conflict-related experience as asked in the survey. The most commonly reported experiences include hearing gunshots or the sound of bombing (66%), living in a location where armed personnel were stationed or moving in large numbers for at least a week (54%), directly witnessing fighting (48%), unable to find work because of the conflict (30%) or having to leave their home (27%). (22)*

*The World Bank's assessment<sup>[1]</sup> indicates that North Macedonia's emergency preparedness and response system is fairly functional but faces significant challenges. The main issue is the presence of multiple actors with overlapping roles and unclear responsibilities. To enhance efficiency, the system should shift from a reactive, ad hoc approach to a more organized, consistent, and integrated one, guided by a long-term strategic vision. The diagnostic report identifies gaps and suggests prioritizing fundamental aspects such as floods and wildfires. It also acknowledges emerging challenges like climate change, migration, pandemics, and tourism, recommending improvements in equipment, capacity building, and technology.*

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19 Ministry of Environment and Spatial Planning. 4th National Climate Change Communication 2023. p. 233. Available at: <https://shorturl.at/fpyBF>

20 WMO. 2012. Strengthening Multi-Hazard Early Warning Systems and Risk Assessment in the Western Balkans and Turkey: Assessment of Capacities, Gaps and Needs. Geneva.

21 WHO, Investing for safe and healthy North Macedonia, Health Emergencies Programme at the country level

22 [https://www.osce.org/files/f/documents/3/5/419264\\_1.pdf](https://www.osce.org/files/f/documents/3/5/419264_1.pdf)

23 Diagnostic Report Emergency Preparedness and Response Assessment, 2021 International Bank for Reconstruction and Development / The World Bank

During recent years, the resilience fabrics of the Macedonian society and communities have been affected by a series of new and emerging risks and threats i.e., the migrants and refugee crisis since 2015, air pollution in Skopje and other bigger cities across the country or the COVID-19 pandemic crisis. The pandemic toll until September 2023 is 348.411 confirmed cases, and 9,941 deaths (0.54% of the total resident population as per the Census 2021 (24) and cumulative output losses for 2020 and 2021 are estimated at 3.7 billion USD (25) (27.29% of the 2021 GDP). However, all of these risks contribute to the weakening of the overall resilience texture of the country, as well as spending its finite resources. In addition, the effects of air pollution are of increased magnitude i.e. in 2017, 13.7% of deaths in Skopje were related to air pollution.(26)

North Macedonia, like other nations, faces cyberattack vulnerability, targeting critical sectors like infrastructure, government, education, and businesses, causing service disruptions and economic harm. An example of this would be the DDoS[9] (Distributed Denial of Service) attacks to the State Electoral Commission site during the July 2020 elections, email threats for placing bombing devices in 76 educational and 42 other institutions in 2023 and ransomware attacks to governmental institutions (Health Insurance Fund in 2023). Additionally, the Council of Europe's anti-money laundering body, MONEYVAL, urged North Macedonia to bolster measures against money laundering, terrorism financing, and proliferation funding, particularly in investigations and prosecutions (27).

According to the Organized Crime Index, North Macedonia has a score of 5.32, ranking it 74th out of 193 countries assessed globally, or 11th out of 44 countries in Europe. In terms of resilience, North Macedonia has a score of 5.21, placing it 76th out of 193 countries globally and 32nd out of 44 countries in Europe.(28) According to state data, there has been a significant decrease of 28.2% in violent deaths in North Macedonia. (29) Last year, the number of individuals who lost their lives in this manner was 486, accounting for 2.2% of the total number of deaths.

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24 <https://popis2021.stat.gov.mk/>

25 Social and Economic Evaluation of the COVID-19 impact in North Macedonia. UNDP. June 2020. p. 8.

26 <https://tinyurl.com/y48dbjba>

27 <https://www.coe.int/da/web/portal/-/moneyval-calls-on-north-macedonia-to-improve-investigation-and-prosecution-for-combating-money-laundering-and-financing-of-terrorism>

28 [https://ocindex.net/country/north\\_macedonia](https://ocindex.net/country/north_macedonia)

29 [https://www.stat.gov.mk/PrikaziSooopstienie\\_en.aspx?rbrtxt=12](https://www.stat.gov.mk/PrikaziSooopstienie_en.aspx?rbrtxt=12)

North Macedonia aligns with the Sendai Framework for Disaster Risk Reduction 2015 - 2030, which emphasizes mobility as a potential risk, especially concerning people and their surroundings. Managing the refugee and migrant crisis since 2015 highlighted the need for integrating these issues into disaster risk management within the National Crisis Management System. As a result, the National Risk Assessment now includes refugees and migrants as a risk element, assessing their impact on the country's security. (31)

Disability inclusion in disaster risk management is insufficiently integrated into existing systems. Persons with disabilities are often overlooked and treated as part of a broader vulnerable population. Consequently, they aren't considered in climate and disaster risk reduction efforts and lack fair access to policy-making, decision-making, and resilience-building activities. The current disaster risk reduction approach remains primarily reactive rather than proactive, focusing more on response than prevention and mitigation. The Convention on the Rights of Persons with Disabilities 2023 - 2030 and related policies aren't adequately recognized as a foundation for developing inclusive policies, regulations, practices, and actions to enhance the resilience of persons with disabilities. (32)

North Macedonia is a party to the United Nations Framework Convention on Climate Change (UNFCCC), ratified the Kyoto Protocol and has associated itself with the Copenhagen Accord (2009). Concerning the Paris Agreement (2015), the country has submitted its intended Nationally Determined Contributions for Climate Change, as well as the Enhanced Nationally Determined Contribution. (33) North Macedonia, a non-Annex I UNFCCC country, must align with EU Climate and Energy Policy due to its candidate status. This dual commitment also adheres to the Energy Community Treaty. The country strives to incorporate both UNFCCC and EU requirements into its national climate change reports. Additionally, North Macedonia is working on a National Adaptation Plan (NAP) using nexus approaches in various sectors, including water, food, energy, health, biodiversity, tourism, forestry, disaster risk reduction, loss and damage, and infrastructure. (34)

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30 <https://www.undrr.org/publication/sendai-framework-disaster-risk-reduction-2015-2030>

31 "The Refugee and Migrant Crisis in Macedonia associated with Disaster Risk Management", Vasko Popovski, Stevko Stefanoski (published in International Peer Reviewed Journal "Security Dialogues no. 16, August 2017, page 151-159, ISSN 1857-7172, eISSN 1857-8055),

32 [1] Vasko Popovski. Policies for Disability-Inclusive Disaster Risk Reduction in the Context of the Republic of North Macedonia. UNDP. 2023. p. iii. Available at: <https://tinyurl.com/mrytw34> d

33 <https://tinyurl.com/3fbsfcre>

34 United Nations in North Macedonia, Government of the Republic of North Macedonia. Sustainable Development Goals. Voluntary National Review North Macedonia. 2020. p.76. <https://tinyurl.com/zu5pskrz>

To address some of the above-mentioned issues the country has developed its defence and security strategy through the Defence Strategy and Long-term Capability Plan for 2019-2028. However, other crucial areas such as counter-terrorism, combating violent extremism, addressing money laundering and terrorist financing, arms control, cybersecurity, and police development strategies remain outdated. On the other side, the country still has not adopted a National DRR Strategy which should outline the strategic framework for building the resilience of the society and communities in the period until 2030. North Macedonia adopted a comprehensive Strategy on Climate Action (35) that is consistent with the EU 2030 framework. It regularly prepares ri the documents under the UNFCCC and in line with the Paris Agreement i.e. the Fourth National Communication (36), the Third Biannual Report on Climate Change (37), and the Enhanced National Determined Contribution (38).

However, North Macedonia's legal framework on climate change is not fully aligned with the EU acquis. RNM finds itself on a key migration route in the Balkans and grapples with challenges tied to refugees and migrants. This includes overcrowded camps, resource strain, and logistical hurdles in managing the influx of refugees and migrants, among others, and combating organized crime, migrant smuggling and human trafficking as well as protecting vulnerable categories of migrants and victims of human trafficking. In the future, the extent of migration in North Macedonia will heavily depend on global and regional socio-economic and political-security conditions. Collaboration among regional governments with international bodies and neighboring nations to address these issues is crucial.

The imported energy dependence risks energy security, causing supply disruptions. On the other hand 24% (2020) of the population cannot heat the home due to the poverty rate, which is more than three times the EU rate (7%).



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35 <https://tinyurl.com/ykdr3fz8>  
36 <https://tinyurl.com/yc3kzt35>  
37 <https://tinyurl.com/5n6sa27f>  
38 <https://tinyurl.com/y9fwtmav>

To enhance disaster prevention, security, preparedness, response, and resilient recovery, the Crisis Management Center has implemented a comprehensive ICT system encompassing various applications and databases supporting risk management across all phases of the disaster risk reduction cycle. Although the state has made progress in approving legislative acts in the area of security, further efforts are required to fortify security measures and resilience. Given that limited financial and human resources for preparedness and response may limit the state's ability to invest in security infrastructure, it is imperative to furnish up-to-date technology and provide adequate staff training to facilitate a more comprehensive, interconnected approach across sectors.

North Macedonia's international politics center around two key aspirations. The country made significant progress in its international partnerships. Becoming a NATO member in March 2020 provides security and access to humanitarian aid and scientific collaboration via the NATO Science for Peace and Security Program. The country applied for EU membership in March 2004, becoming a candidate in 2005. In March 2020, accession negotiations began, and in July 2022, North Macedonia held its first intergovernmental conference with the EU. On the other hand prolonged process for EU negotiations can be considered as a risk that coupled with the ongoing situation, hazards and other risks can transform in further complex situations. North Macedonia's involvement in regional organizations like the Western Balkans Six is crucial. It promotes stability, economic cooperation, and diplomacy, strengthening cultural bonds, facilitating foreign aid access, and enhancing security partnerships. The Berlin Process, a vital regional platform, focuses on infrastructure, business, science, and youth exchange (mobility), but also on the harmonization of policies yielding tangible results through agreements like the Regional Roaming Agreement, benefiting the region's people [20]. The Open Balkans initiative has also accelerated part of the integration processes at the regional level, through the harmonization of standards and procedures that facilitate the common and single market of people, products and services. This initiative has notably aided in addressing challenges stemming from concurrent crises (Covid pandemic, energy price fluctuations, and food shortages). North Macedonia is a member of various international organizations, including the United Nations (UN), the Organization for Security and Cooperation in Europe (OSCE), and the Council of Europe.

The country has been a member of the EU's Civil Protection Mechanism since February 2012. EU's Civil Protection Mechanism mobilized aid. The EU Civil Protection Mechanism has been instrumental in providing aid for numerous catastrophic events, including the floods in 2015, the flash floods in Tetovo and Skopje in 2015 and 2016, and the devastating fires in August 2021. These instances underscore the importance of international cooperation and reflect EU values, including environmental stewardship.

As a NATO member, RNM utilized the Alliance's Crisis Management System during the pandemic, benefiting from NATO's expertise in organizing military aid and sourcing medical equipment from member countries. Membership in NATO also extends advantages to institutions, enabling participation in decision-making processes and capacity-building efforts within the Alliance. This includes entities like the Ministry of Defence and the Army, which hold equal standing with the other 30 member states. Moreover, the business community enjoys various benefits, and actively promoting these advantages encourages companies to engage in the expansive NATO market, one of the largest in the world.

### 2.6.1 MISSION

***Our mission is to create a safe, secure and resilient society that enables all individuals and businesses to thrive. We employ dynamic strategies that promote interlinked and coordinated governance addressing risk and threats both domestically and internationally. Our primary focus is on enhancing resilience through the coordinated efforts of all relevant sectors crucial for national security and building resilience. Effective information sharing is of paramount importance, both within the national security framework and in correlation to key decision-makers. Our policy's central objective is to prioritize human security, bolster state and societal resilience, promote social development, safeguard national and cultural identity, and reinforce security and stability for all at a local level, with a particular focus on the specific challenges and vulnerabilities faced by women and men. To achieve these goals, we adopt an integrated state approach, incorporating international engagement as required, to effectively anticipate and address contemporary and emerging risks and threats.***

### 2.6.2 GOALS

To achieve the mission, the following goals have been outlined:

1. A Society that is Resistant to Crises and Disasters;
2. Climate-Resilient Communities;
3. Integral Security is the Key to Solutions to Security and Foreign Policy Challenges.



## *Goal: A Society that is Resistant to Crises and Disasters*

Our focus is to cultivate a society that not only withstands stresses and shocks from crises and disasters but also excels in preventive and proactive risk management and resilience-building. We aim to achieve this by recognizing systemic risks and leveraging lessons learned and experience to enhance system preventive measures and responses. To do so, we will conduct thorough and comprehensive risk assessments across various sectors and national and local levels, developing strategically intertwined risk-informed strategies, policies and actions, whereby the gender perspective and disability are included and are an integral part of the disaster risk reduction approach, strengthening coordination and fostering collaboration among agencies and organizations that participate in risk reduction, and ensuring the inclusion of everyone in society, with the aim of improving capacities for prevention, preparedness, response, and recovery.

### Priorities

#### **1. TRANSFORMED DISASTER RISK MANAGEMENT SYSTEM FOCUSED ON PREVENTION**

Further decentralization of the disaster risk reduction competencies, in order for the parts of the system (e.g. local governments) to focus on proactive measures rather than solely reacting after a disaster has transpired. The key is to build resilience, first of all through prevention and mitigation of the consequences of existing and anticipation of potential risks, as well as preparedness and timely, efficient and effective response to disasters and resilient recovery. The essence is in the disaster risk management, not in the disaster management. The crux lies in disaster risk management rather than mere disaster management. This includes a systematic and comprehensive assessment of risks and hazards, prevention and mitigation measures, preparedness, effective and efficient response and resilient recovery from disasters and crises, building a culture of resilience, responsibility review, necessary legislative and regulatory changes, and effective coordination with national and international partners. A gender-sensitive approach and inclusive consideration of disability at every stage are imperative, acknowledging diverse vulnerabilities and capabilities. It's essential to actively engage women, as well as vulnerable and marginalized groups, in policies and measures for prevention, preparedness, response, and recovery.

#### **2. FUNCTIONAL MULTI-HAZARD EARLY WARNING SYSTEM**

To transform the existing early warning system by increased risk understanding, better monitoring and forecasting, timely and accurate warning and alerting for the whole population and guidance to the public, emergency responders, and relevant stakeholders on behaviors and procedures to respond to various hazards, addressing the specific needs of the population in risk communication that will be gender sensitive and include disability. This system incorporates various technologies, data sources, and communication channels to mitigate the impact of disasters and save lives by enabling preparedness and response actions. Accordingly, impact-based forecasting will be the main foundation of this system and related processes.



### **3. PLANNING PREVENTION AND RISK REDUCTION**

Prioritize risk and hazard assessments and include them in prevention and risk reduction planning within development and sector strategies, policies and plans at all levels. This approach will focus on enhancing the resilience of society, communities, and systems. For instance, policies, measures, and tools will be implemented to bolster the resilience of critical infrastructure and systems.

### **4. INTEGRATED AND ADEQUATE FUNDING FOR RESILIENCE**

Comprehensive, gender-responsive budget allocation that accounts for disabilities and is sufficient for security and resilience-building that covers prevention and mitigation, building infrastructure resilience, disaster preparedness, response and recovery, social safety nets, international collaboration, capacities of the entities at the national and local level and financing according to the estimated risks and hazards. By ensuring integrated and adequate funding for prevention, and resilience, a secure and resilient society must be built. Engagement of the private sector is crucial for achieving sustainable and resilient development and in that sense fostering partnerships and building the resilience of the companies and industries is essential.

### **5. SCIENTIFIC AND TECHNOLOGICAL INNOVATION FOR DISASTER AND CLIMATE RESILIENCE**

Prioritise expansion and the importance of leveraging innovation to address complex and interconnected challenges through a multidisciplinary gender-sensitive approach, that includes disability, combining scientific advancements, technology deployment, and effective governance to enhance resilience in the face of adversity. Achieved innovation development and existing ICT solutions in CMC and other stakeholders are an excellent basis for advancing the digitalization and innovation agenda while leaving no one behind.

### **6. RESILIENT INFRASTRUCTURE AND SERVICES – NATIONAL AND REGIONAL LEVEL**

Mainstreaming of resilience-building policies and practices for critical infrastructure facilities, assets, services and resources. Design, preparation, building, reconstruction, and operation of prevention infrastructure and infrastructure and services needed for resilience - with immediate reevaluation of currently designed infrastructure to meet resilience standards, as well as to ensure accessibility by all.

## Goal: Climate-Resilient Communities

Developing climate change adaptation is a multi-faceted effort requiring a comprehensive approach to ensure environmental sustainability, social equity, and effectiveness. A multi-dimensional climate adaptation will be delivered by assessing and mapping regions and areas most vulnerable to climate change and recognizing necessary solutions. This approach to the implementation of climate adaptation measures to ensure the ability of areas in adaptation needs to develop their resilience. Such an approach in the implementation of climate change adaptation measures will increase the ability of communities to develop their resilience. Particular attention needs to be paid to gender mainstreaming the integration of social groups and the inclusion of disabilities to ensure quality, as well as sustainable solutions, which integrate an approach that recognizes the specific vulnerabilities and needs of different groups in society. Effective coordination across various levels is needed, including international, national, regional, and local level, to ensure effective climate change adaptation mechanisms. Public education regarding preparedness and security measures is also fundamental because it equips individuals and communities with the knowledge and tools necessary to protect themselves and their communities.

### Priorities

#### **1. ASSESSMENT, MAPPING AND PLANNING OF CLIMATE ADAPTATION**

Identify and map regions most vulnerable to climate change (climate vulnerability assessments) and prepare strategies for adaptation with stakeholder engagement. Inventory of resources, both financial and non-financial, that can be allocated towards adaptation measures and assuring inclusive decision-making. This should result in space and risk-based adaptation options based on risk assessment and stakeholder input.

#### **2. PREPAREDNESS AND RESPONSE TO CLIMATE RISKS**

Assessing regional and local climate change adaptation measures that require development of prevention and response capacities, development of training programs for officials focusing on key skills, and regular capacity building with information sharing and exercises at all levels. Encouraging the sharing of best practices and running adaptation, preparedness and response campaigns. Integrating climate change preparedness education into curricula and creating emergency information communication platforms that address the specific needs of the population, especially vulnerable groups of citizens and promote inclusive and gender-sensitive communication.

### **3. CLIMATE-RESILIENT LOCAL AND REGIONAL INFRASTRUCTURE AND SERVICES**

Assuring gender-responsive financial mechanisms that prioritize and design, prepare, build and reconstruct climate-resilient infrastructure, as well as functioning of climate-resilient infrastructure and services on regional and local levels. with the immediate revaluation of currently designed infrastructure to meet resilience standards. In addition, revaluation of existing designed infrastructure to meet resilience standards. Establishing a framework and review of the compliance of capital investment and infrastructure for climate change adaptation.

Goal: Integral Security is the Key to Solutions to Security and Foreign Policy Challenges

The concept of integral security is the key in achieving systemic solutions to security challenges, defining security development and tracing the perspectives of society at the regional and international level in the field of security, defense and foreign policy. Through its construction, we are preparing for the so-called overall or complete security from all forms of armed and unarmed threats and the realization of complete and comprehensive security at all levels and segments of life. The concept of integral security of North Macedonia will enable an adequate response to new and broader potential security threats, above all economic development, environmental destruction, human rights violations and migration movements.

Priorities

#### **1. MODERN CONCEPT FOR THE CREATION OF THE SECURITY POLICY**

Through the adoption of a special law on integral security, that recognizes and addresses gender-specific security needs and risks, to implement a new security and defence system, keeping the segment of connection with collective defence through NATO and cooperation with the EU. Creating a model of an integrated security and defence system that has a single point of convergence for national security policies, a point that ensures coordination between the various security and intelligence services. The expansion of the concept of security in North Macedonia enables prevention, early warning and dealing with new and broader potential security threats, primarily economic development, environmental destruction, human rights violations and migration movements.



## **2. OVERSIGHT FUNCTION OF THE ASSEMBLY OVER THE CREATION AND IMPLEMENTATION OF THE SECURITY, DEFENSE AND FOREIGN POLICY**

The Parliament, as the legislative authority, should more vigorously exercise its primary role in security and security policy. Parliamentary systems are characterized by their parliamentary oversight function, thus there is a need to strengthen its oversight role in the security system. Additionally, there is a necessity for the establishment of a Scientific Institute for Security Policy, focused on conducting both fundamental and applied (action) research on various security issues to facilitate solutions and promote security integration processes.

## **3. GENERAL STAFF OF THE ARMY, PART OF THE MINISTRY OF DEFENSE**

Integration of the General Staff of the Army into the defence system within the Ministry of Defence of the Republic of North Macedonia, and the promotion of an inclusive environment that promotes gender equality in the Army, retaining exclusively the competence for military matters of action in accordance with the legal regulations, the Constitution and the defined missions.

## **4. NATO'S RELIABLE AND EQUAL ALLY**

The Republic of North Macedonia through a comprehensive foreign policy will continue to create and provide opportunities for timely adaptation to new circumstances and international positioning as a valuable, reliable and equal ally of NATO, a strong strategic alliance with the United States, so that it can defend and promote its values and interests, and to guarantee inclusive diplomatic strategies and policies that promote gender equality and are committed to the values and interests of diverse societies at the international level. EU partnership remains a top foreign policy priority. Continuing effective multilateralism and cooperation. Promoting the economic interests of the state through economic diplomacy and developing action plans from the Green Agenda.

The role of the digitization process and new technologies in creating a safe and resilient society

In today's globally interconnected environment, the susceptibility to various crises is evident, ranging from health pandemics to cyber vulnerabilities. However, the NDS emphasizes that it is possible to use real-time data analytics in combination with an established digital framework to build a society that will be able to face these challenges. North Macedonia aims to identify and address potential threats in advance by developing advanced early warning systems that utilize artificial intelligence and machine learning. Thanks to this proactive approach, responses will not merely be reactive but strategic crisis mitigation measures. Today, security transcends physical boundaries and extends into the digital domain. North Macedonia takes this into account and emphasizes the importance of comprehensive security as a fundamental element.

It proposes seamless digital communication between intelligence sectors, law enforcement agencies and policy makers to ensure a coordinated response to multi-dimensional threats. With digitalization as a roadmap, we create an environment - a future where resilience is understood, reliability is ubiquitous, and we can deal with challenges in an appropriate way.



## 5.7 STRATEGIC AREA: GREEN TRANSFORMATION

The Republic of North Macedonia is facing the problem of establishing a balance between economic growth, energy consumption and environmental protection. Energy consumption per capita is significantly lower compared to the EU. In 2020, the country had a primary energy consumption of just 1.2 toe/capita, more than twice lower than the EU's 2.8 toe/capita. The situation is similar with the final energy consumption of 0.9 toe/capita, half of the 2 toe/capita of the EU. Furthermore, North Macedonia's final household energy consumption was 248 ktoe, more than twice lower than the EU's 555 ktoe, highlighting the nation's degree of energy poverty. Despite its low per capita energy consumption, North Macedonia fell short of its 2020 target for the share of renewables in gross final consumption, reaching approximately 19%, well below the target of 23%. In contrast, the EU exceeded its target, achieving 22% in the same year. Namely, North Macedonia's productivity per unit of consumed energy is almost three times lower than the EU, with the country producing only 3.3 euros for every 1 kgoe consumed, while the EU generates 8.8 euros with the same amount of energy. This is also influenced by the high degree of informal economy. In addition, a significant part of the population, about 24% in 2020, faced energy poverty, which deprived them of the ability to heat their homes, a figure that is more than three times higher than the EU percentage, which is 7%. At the same time, energy poverty contributes to the country struggling with high levels of exposure to PM2.5, which leads to the loss of twice as many years of life (1632 years of life lost per year) compared to the EU where 762 years are lost. The main reason is the widespread use of firewood for heating homes, which, although considered a renewable source of energy, nevertheless imposes the need to transition to more efficient technologies such as heat pumps.

While these figures of lower energy consumption contribute to lower greenhouse gas emissions per capita, North Macedonia faces an urgent need to simultaneously boost economic growth. To achieve a balanced and sustainable future, North Macedonia must focus not only on reducing energy poverty but also on improving its economic productivity, while maintaining low energy consumption. Although the country has a forest coverage similar to the EU average, which is approximately 40%, it lags significantly in terms of protected areas, with only 12.5%, which is less than half of the EU average (25.9%). This discrepancy between forests and protected areas highlights the need for a strategic focus on the conservation of biodiversity and natural habitats.

In addition, North Macedonia faces the urgent need to address shortcomings in waste management, with a waste recycling rate of only 0.7%, which is in stark contrast to the EU's much higher rate of 48%. There is also a significant shortage of treatment plants, as well as a lack of standardized landfills for municipal waste. Urgent action is needed in order to mitigate these issues, including establishing landfills that meet international standards and making efforts to reduce the waste sent to landfills, primarily by increasing recycling rates. At the same time, the construction of wastewater treatment plants is crucial for addressing this environmental concern and paving the way to a more sustainable future.

Degradation of aquatic ecosystems is on the rise as a result of the combined impact of pressures related to development, such as demographic changes, urbanization, agriculture, industrialization, as well as and global changes, including climate change.

Water pollution is a major problem in the country, especially in (parts of) water bodies in contact with urbanized and industrial areas, as well as areas with concentrated and intensive agricultural production. The available annual water resources per capita amount to about 3,074 m<sup>3</sup>/year which is close to the limit of available water resources necessary for sustainable development. In addition, the use of freshwater as a percentage of renewable freshwater resources is 11.29% and is about 3 pp higher than the EU-27 average (8.39%). The percentage of water pollution is high - an entire 75% have unregulated discharges (not purified) of water. However, despite the importance of water, it seems the institutional and wider societal response is insufficiently keeping up with the growing complexity of the challenges.

The identified vulnerable groups facing energy poverty, who use wood as household heating, include single mothers living in households with children under 18, single fathers living in households with children under 18, women over 65, individuals with monthly incomes under 12,000 denars, single women who are divorced or widowed, single men living alone, men over 65 years of age with monthly incomes under 12,000 denars, divorced or widowed men living alone. Conversely, women bear a higher share of the unemployment rate and poverty compared to men, which correlates with their (financial) purchasing power and behavioral patterns. Studies on gender and climate change suggest that women exhibit more concern about climate change issues and are more willing to adopt new behavioral practices contributing to emission reduction. However, they are less involved in decision-making positions and have limited control over family budgets due to cultural norms and dependence on family income." (39).

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39 <https://api.klimatskipromeni.mk/data/rest/file/download/07015e39ea890385d9fb9786be635fa574f1313f56f64879be43002c9a8f6b7c.pdf>

### 5.7.1 MISSION

**North Macedonia's strategic mission is to reinforce its efforts towards a green transformation and to position itself as a regional leader in sustainable development and care for the environment while implementing the transition to a low-carbon economy and ensuring growth. The fundamental primary goal is to significantly reduce greenhouse gas emissions, improve air quality and improve energy efficiency, thereby promoting a healthier living environment for citizens, and mainstreaming gender in environmental policies and programs. At the same time, we need to rebuild the waste management system by increasing recycling rates and establishing standardized landfills, thereby reducing our environmental footprint. The protection of nature and biodiversity is essential for improving the environment.**

### 5.7.2 GOALS

To achieve the mission, the following goals have been outlined:

1. Climate-Neutral Society with a Low Percentage of Energy Poverty;
2. Clean and Healthy Environment.

Goal: Climate-Neutral Society with a Low Percentage of Energy Poverty

Our mission is to achieve climate neutrality, that is, to minimize greenhouse gas emissions, while simultaneously reducing the number of the population suffering from energy poverty. Clean energy produced from renewable sources is necessary, as well as an increase in energy efficiency, which will reduce the final energy consumed per capita, and will increase the productivity per unit of consumed energy, implementing gender-sensitive policies that ensure women's active participation and equal benefit from clean energy projects. Moreover, transitioning to cleaner and more sustainable energy sources is essential, with due consideration given to ensuring that vulnerable populations have access to basic heating and electricity services throughout this transition.



### **1. ENERGY EFFICIENCY IS THE FIRST CHOICE OF CITIZENS AND COMPANIES**

This principle is of particular importance and priority for North Macedonia because energy efficiency is an important domestic resource. First, it helps reduce energy consumption and costs. This is to the benefit of individuals, businesses, and the entire country as a whole, as it will lead to reduced costs for installing new energy production facilities. Involving women in the planning and implementation of energy efficiency measures can improve the effectiveness and inclusiveness of these initiatives, as women often play key roles in managing energy use, such as cooking, heating, and housework. Additionally, energy efficiency contributes to mitigating climate change by producing less energy from fossil fuels. Finally, prioritizing energy efficiency fosters a healthier and more resilient society, as it reduces air pollution leading to improved public health.

### **2. ELECTRIFIED AND DIGITALIZED RAILWAYS AND A HIGH PERCENTAGE OF CLEAN ENERGY VEHICLES**

Modernizing transport infrastructure through the electrification of rail networks and the use of environmentally friendly vehicles, especially those powered by electricity or hydrogen and other clean fuels, will contribute to reduced carbon emissions and improved air quality in the future, given that electric energy will be produced from renewable sources. Prioritizing vehicles powered by clean fuels, particularly in public transport, underscores the country's commitment to promoting innovative, ecological transport solutions that can lead to a more sustainable and technologically advanced future.

### **3. AN INDUSTRY WITH HIGHLY-DEVELOPED CLEAN TECHNOLOGIES**

Incorporating state-of-the-art technologies into industrial processes (Industry 4.0 and beyond), in order to improve efficiency, sustainability and innovation, which in turn contributes to enhancing productivity, reducing energy consumption and increasing environmental responsibility. New technologies should be perceived both as a challenge and an opportunity for development. By investing in research and development of such technologies in the country, economic competitiveness and job creation in the clean energy sector are encouraged, ensuring that women have equal access to training, employment and entrepreneurship opportunities in the transition to highly developed clean technologies.



#### **4. JUST TRANSITION FROM POWER PLANTS THAT USE FOSSIL FUELS**

A successfully executed transition process entails the gradual closure of coal-fired power plants, followed by the establishment of new renewable energy facilities, including those utilizing hydrogen. Green hydrogen is currently seen as an energy source that will help integrate energy produced from renewable sources. In parallel, this process aims to prioritize social, gender and economic inclusion by ensuring the well-being of vulnerable communities and workers in the affected regions. Maintaining stability throughout the transition, with particular emphasis on addressing income inequality, is imperative. Through this priority, the country aims to reduce carbon emissions and the impact on the environment, as well as to mitigate the socio-economic consequences of the transition.

#### **5. ENERGY POVERTY REDUCED WITH TARGETED SUPPORT**

Implementing policies and support mechanisms is crucial to ensure access to clean and sustainable energy for all, with particular attention to those experiencing economic hardship. By catering to the energy requirements of vulnerable groups, the country aims to alleviate energy poverty, enhance social inclusion, and bolster citizen well-being. This effort contributes to fostering a socially equitable society wherein everyone has access to fundamental energy resources and services.

Goal: Clean and Healthy Environment

Sustainable resource management and their protection as a long-term national interest is one of the country's priorities. This will help us ensure a healthy and clean environment as a prerequisite for quality of life and well-being. A clean environment also supports environmental balance, by preserving biodiversity and complex relationships in ecosystems. In doing so, we aim to preserve the earth's natural beauty and life-sustaining resources, including clean air, fresh water and fertile soil.

Priorities

##### **1. IMPLEMENTED CIRCULAR ECONOMY**

It reduces resource overuse by promoting recycling and reuse, thereby minimizing habitat destruction and preserving natural ecosystems, by promoting inclusive practices that take into account the different gender roles and needs of women and men in waste management, recycling and protection of resources. These practices significantly reduce the volume of waste that ends up in landfills, reducing pollution, methane emissions and the burden on landfill capacity, leading to cleaner air, water and soil.



## **2. SMART AND SUSTAINABLE SETTLEMENTS**

Smart and sustainable settlements with a special focus on the management of air quality, water resources, and waste. This includes digitization and implementation of cutting-edge innovative and clean technologies as well as policies to improve air quality.

At the same time, a strong focus is placed on water conservation, with comprehensive strategies for efficient management of water resources, having in mind that we are talking about the conservation of an invaluable natural resource. In addition, North Macedonia is committed to optimizing waste management practices, waste reduction and sustainable disposal to minimize environmental impact and promote resource efficiency, and ensuring that women are actively involved and reap the benefits of innovative solutions for waste management, water conservation and clean air management.

## **3. CONSERVED BIODIVERSITY AND SUSTAINABLY MANAGED HABITATS**

Implementing solutions such as expanding protected areas, afforestation, and adopting sustainable land management practices, alongside comprehensive efforts to safeguard and maintain the ecological integrity of aquatic ecosystems, are pivotal. These measures aim to minimize human impact and mitigate environmental damage, thereby preserving biological diversity and contributing to cleaner air and water. Moreover, they serve to safeguard the unique natural heritage of the region. Establishing a dedicated system for implementing medium-term solutions aimed at remedying environmental hotspots (e.g., lindane dumps) and mitigating their adverse effects on both the environment and human health.

## **4. AGRICULTURE WITH SUSTAINABLE AGRICULTURAL PRACTICES, EFFICIENT RESOURCE MANAGEMENT AND APPLICATION OF ECO-FRIENDLY TECHNOLOGIES**

This multifaceted priority includes the adoption of environmentally responsible agricultural practices, resource efficiency, and the integration of cutting-edge technologies to enhance agricultural productivity while mitigating environmental impact, through the active involvement and recognition of the specific role of women farmers in the use of resources, the implementation of ecological technologies and raising awareness of environmental protection in agricultural management. Sustainable use of pesticides and other chemical agents and favoring the application of ecological agro-technical measures and organic production. It is particularly significant to cultivate organic production as an overall system of farm management and food production that combines best practices in relation to the environment and climate actions, a high level of biodiversity, conservation of natural resources and adherence to high standards for animal welfare and production quality in line with the growing demand for products cultivated using natural substances and processes.



This ensures a resilient and environmentally friendly agricultural sector that contributes to food security and economic growth and protects natural resources, mitigates pollution and supports a more sustainable and environmentally responsible future. Additionally, responsible land use is encouraged and the likelihood of soil erosion and degradation is reduced. Thorough monitoring of the food system that is essential to ensure the provision of healthy and nutritionally valuable food for the population. Food safety plays a crucial role in determining the competitive position of agricultural and food products in both domestic and foreign markets.

## **5. RATIONAL USE OF RESOURCES AND HIGH ENVIRONMENTAL AWARENESS**

A comprehensive long-term approach aimed at planned and rational use of natural resources in function of a healthy environment and economic well-being. Creating a sustainable approach in using mineral resources (mining), land, water resources and forests. The human factor is fundamental for the implementation of all the previously mentioned priorities for living in a healthy, clean and climate-neutral environment. Therefore, the priority is certainly to raise people's awareness of the importance of their role towards achieving this goal, and that is to develop awareness at the highest level, starting from the youngest age in the educational system. Human and institutional efforts to reduce waste, mitigate environmental degradation, and maintain the long-term availability of water, forests, minerals, and land are critical. Continuous environmental education is a priority, including media education.

## **6. LAKE, RIVER AND FOREST SYSTEMS WITHOUT A HARMFUL ANTHROPOGENIC INFLUENCE**

Comprehensive efforts to protect and preserve the ecological integrity of vital ecosystems, with a focus on minimizing human impact and mitigating environmental damage. Active participation of women in decision-making processes for sustainable resource management and environmental protection is crucial. By doing so, these natural systems can serve as essential habitats for biodiversity, offering valuable resources and recreational opportunities.

## **7. A FUNCTIONAL SYSTEM FOR MONITORING AND MANAGING CLIMATE CHANGE AND THE ENVIRONMENT**

Development of digital infrastructure for collecting and processing data and creating policies to effectively monitor and deal with environmental changes, especially in response to climate challenges. A well-structured and efficient system will protect natural resources and provide valuable insights for sustainable decision-making and policy development.



## The role of the digitization process and new technologies in the country's green transition

The integration of digital technologies serves as a powerful tool for facilitating a green and sustainable transition, a critical endeavor for the well-being of both present and future generations. Digitization and data-driven methodologies will play a significant role in shaping environmental policies and positioning North Macedonia in alignment with global sustainability standards. A structured network of sensors across urban and rural sectors will share real-time data essential for information-based policymaking. With the help of advanced data analytics, policymakers will gain reliable results on energy consumption trends, and waste generation metrics. The comprehensive and specific data collected nationwide will serve as crucial information for targeted policy interventions.

The NDS advocates for easily accessible digital platforms. These platforms, crucial for an informed citizenry, will foster transparent communication between policymakers and the public. Additionally, they will incorporate feedback mechanisms to ensure constant improvement of environmental policies in alignment with real-world conditions.



## 6 POLICY RESPONSE - SYSTEMIC CHANGES

Systemic transformation equally improves the efficiency and agility of our operations and significantly impacts the potential for the development of society as a whole. With strategic resource distribution and the integration of resource users, the path to simpler and more efficient policies, measures and work processes is opened. This change imposes the need for innovative thought processes, redesign, new approaches and adoption of new technologies. It is important to mention that the change in approaches/attitudes unavoidably includes resilience, which enables our systems to be sufficiently adaptable to respond to changing circumstances.

**During the formulation of the NDS through a broad and participatory process involving all stakeholders, 20 essential changes that must be implemented in the upcoming years in order to achieve the vision and set the key directions for the country's long-term development were identified. In order for these changes to be successful, it is crucial that all stakeholders take them into account and start implementing them immediately after the official adoption of this leading strategic document.**

**1. New value is increasingly grounded in entrepreneurship and innovation-led processes** – New value is increasingly created through entrepreneurship and innovations and is not limited to a single aspect, but includes the entire entrepreneurial ecosystem and the way we manage innovations, which fundamentally changes the importance of the transformation process and the way we perceive and realize economic growth and development. The systemic change is focused on the integration of innovations in all aspects of the business processes, integrating innovative methods, technologies and practices in each part of the organization, which creates constant flow of new values. The development of a culture of innovation and entrepreneurship is based on the modernization of the overall perception of entrepreneurs as active and responsible individuals and groups. Entrepreneurial success is widely recognized, and entrepreneurs are promoted as key value creators, who stimulate investments and create new employment possibilities. Organizing education on entrepreneurship and innovation in primary school, high school and at university, as well as establishing informal educational platforms, ensuring availability of entrepreneurial training. Entrepreneurship and innovations must become a significant part of creating economic sustainability, while the creation of new values through innovative processes ensures continuous growth, competitive advantages, and adaptability to changing market conditions.

## **2. Knowledge and development of skills are flexible and needs-focused.**

A combined system of formal and informal education, more flexible curricula design, adapted pedagogical approach/methodology which enables personalized learning and choosing career development. Creating mechanisms for recognizing and developing individual skills and achievements, as well as a system for sustainable support of research and development projects. Functional mechanism for lifelong learning, that enables people to upgrade their skills, correspondingly to the rapid changes in technology and business. By focusing on students/users' needs related to the future of jobs, private investments and employment are stimulated. Improvement of the cooperation among the public sector, educational institutions and private companies in order to enable the transfer of knowledge and innovations and to ensure a direct link between education and labor market needs.

## **3. Achieving efficiency by applying new technologies and business models.**

A fundamental reinvention of the manner of executing business activities by using new technologies and business models in order to improve efficiency and constantly monitor modern business trends. Adopting new technologies will be a result of acquiring new knowledge and skills, as well as new business models that include non-standard thinking. In order to assess risks, strategically distribute innovation resources and strengthen the adaptability to future changes, a thorough analysis of the industry and defining challenges and directions for action will be necessary. Integrating new technologies, reinventing business models, utilizing advanced tools for data and analytics management, and automatizing business models decrease human errors, accelerate the speed of task execution and contribute to the overall efficiency. Furthermore, improving efficiency and utilizing resources (time, people, money) in the most efficient way enables businesses to become globally competitive, which is especially important in today's knowledge-based digital economy, where limits are enhancing, and the competition is fierce.



#### **4. Cooperation between different stakeholders allows for better results.**

The cooperation between different stakeholders and teamwork culture aims to transform the way of executing business activities, which supports and encourages different stakeholders (teams, sectors, partners and other subjects) to cooperate for achieving the common goals. New platforms for cooperation and business models of economic exchange imply regulation and self-regulation in order to ensure certainty that each link in the chain is able to generate greater value. This approach does not only condition systems that include all stakeholders, but also transparent governance mechanisms, comprehensive ethical guidelines and advanced data analysis tools for monitoring and just value distribution throughout the ecosystem. Functional mechanisms through which different stakeholders are stimulated to share ideas, resources, knowledge, combining their capabilities and expertise for the improvement of processes and the achievement of the common goals are necessary. This cooperation and exchange will further enable unification of different perspectives and resources, facing challenges together, solving problems which will result in the improvement of results, increased efficiency and achieving high standards in the realization of the goals.

#### **5. Cross-sectoral cooperation that ensures the involvement of all stakeholders.**

Cross-sectoral cooperation ensures the involvement of different needs and interests. All stakeholders contribute with their expertise and experience, which provides different perspectives and ideas, leading to creative and innovative solutions. The transition of policies and sectors implies more than progress in the implementation of regulatory reforms, i.e. strategic changes from operating independently to integrated, cross-sectoral cooperation are necessary. The goal is to distance ourselves from the limited and closed perspective and move towards a holistic approach, which instigates innovations in every system. By working in inter-connected clusters, the stakeholders can collectively use their resources and expertise. This cooperation model aims to be useful to each participant, creating an ecosystem where all stakeholders develop together, not individually. Such change ensures efficient adaptation to dynamic needs and community challenges and achieving sustainable and inclusive results.





## **6. Public services are designed according to the needs of beneficiaries and effectiveness/efficiency in their provision.**

A characteristic of this change is the active involvement of beneficiaries in creating public services and focusing on the needs of the beneficiaries. Beneficiary-focused services ensure that businesses and individuals have access to greater value through adjusting and harmonizing the offer with their specific needs. In order to realize this potential, an analysis on all public service aspects, as well as strong partnerships among more stakeholders, including the connection between the government, civil society, academia and private sector are necessary. Together, these subjects can ensure the creation of public services adapted to the needs and expectations of the beneficiaries. This collaborative approach through process optimization and utilization of new technologies and innovative methods ensures responsible management of public resources, more efficient and faster delivery of services that fulfil different and changing social requirements.

## **7. National support schemes are aimed at transforming the economy through the provision of unobstructed and fair transition.**

Systemic provision of unobstructed and just transition – changing one economic model with another (advanced, innovative and sustainable economy), with a particular focus on social and economic justice. National schemes that support inclusive growth, where economic benefits and opportunities are adequately distributed, which improve social and economic equality. National policies exceed new technology investment risks while facilitating the development of innovative business models and market structures. Focus on stimulating cooperation among different stakeholders, including the private, academic and civil sectors, is essential. Targeted and unbiased provision of support (through transparent and objectively defined criteria) for market repositioning will ensure that traditional sectors adjust to the new reality. Financial support, investments, stimulating innovations, support in transitioning to green technologies and development of new markets are of crucial importance. Furthermore, implementing systemic changes for the improvement of the labor force capacities and the development of new skills needed for a successful transition are necessary.



**8. The health system and activation of the population are based on the promotion of a healthier way of life, risk-reduction and prevention in all age groups.**

Health system transformation, that supports a healthier way of life, prevention and raising awareness and activation of all age groups. Health risks reduction and prevention that include early detection and control of potential health problems, education of a way of life that reduces health risks, as well as stimulating citizens to be actively included in their health. The health system will adopt a people-oriented approach through complete integration of prevention measures and social, labor and legal and health services, while prioritizing gender-specific needs. Integration of various health services, including nutrition, physical activity, mental health and prevention in order to create a comprehensive approach towards health care. This approach will ensure better quality of services, reduced costs for health protection and improvement of the overall well-being of the population. This data-based strategy will mitigate the excessive use of health systems and improve the system's efficiency, which will lead to a universal and just approach to health protection.

**9. Sustainable food production systems are key for the quality of life and resilience of the country.**

Resilient food system based on high-quality products, localized production and responsible consumption, focusing on environment sustainability, food safety and social justice. Creating food production systems based on sustainability principles, including balanced resource utilization, protection and optimal usage of soil, water and energy. Hence, the goals should be minimizing food and energy waste throughout the supply chain. Increased investments for modernization of food and agriculture sectors, rural area sustainability, regulation of markets for agricultural products. Taking actions to address structural problems – age structure/young farmers, land fragmentation, economic scope of farms, disorganization of small food producers etc. Our primary goal is to provide accessible, nutritious and safe food options to all social classes, prioritizing the well-being of children and the youth. In addition, our policies will be designed to handle gender-specific challenges, promoting gender equality in agricultural practices and ensuring access to resources and opportunities for all. Sustainable food production systems directly influence the quality of life and improve the country's resilience to climate change, pollution and other challenges. Furthermore, the policies support local communities through promoting local farmers and producers, which contributes to greater economic stability and social connection in the society. This systemic change supports the global cooperation for sustainability concept, where stakeholders are stimulated to share good practices and technologies in order to globally improve sustainable food production systems with the aim of organizing food production that is in harmony with nature and supports general well-being and sustainability.



## **10. Social protection measures stimulate changes in the condition of the targeted social groups and support birth rate growth.**

Application of social protection measures aiming to improve the condition of targeted social groups, stimulate birth rate growth, which mutually create positive balance in the community and instigate social integration. A paradigm shift and introducing employment-based benefits, stage structure of benefits, and anti-discrimination measures are necessary for better outreach on social media. An integral system for the utilization of measures that stimulate birth rate growth, financial stability, parental aid and education, social inclusion, service availability and support for independent living may significantly impact the condition of targeted subjects. Cross-sectoral cooperation is key for creating an ecosystem that instigates independence and the creation of employment opportunities among beneficiaries. These partnerships should include stakeholders from the government, private sector and civil society, in a mutual, cohesive process towards achieving the common goals. By redirecting the focus on re-qualification and employment, the redesigned social protection measures may serve as catalyst for personal and societal growth.

## **11. Decision- and policy-making is data- and evidence-based.**

Decision- and policy-making should be based on trustworthy and quality databases and analysis. Such systemic change will facilitate consensus building and ensure unbiased decision-making, transparent explanation of the justification for certain decisions and policies, as well as increased public trust in institutions. Quality statistical data and analysis enable constant monitoring of the results of decisions and policies, periodic evaluation, more efficient resource distribution, possibility for continuous innovation and improvement. An important prerequisite for this systemic change is strengthening the capacities of the public and private sector related to collecting, systematizing and publishing quality data and research. Certain job positions in the public sector require greater expertise in making informed decisions and policies and should be valued more highly. Additionally, some decisions and policies should be based on more sophisticated analysis and research prepared in collaboration with the academia, international developmental partners and civil society. Fiscal implications evaluation and the impact of the new regulation should be an essential obligation for institutions, not just a formal one.



## **12. Eliminating corruption and strengthening transparency and accountability are key for an efficient, effective, and responsive public sector.**

Strong political will and critical level of social support are needed for thorough systemic changes in the governance of the public sector. Political will should ensure an ambient where all governmental institutions – legislative, executive and judicial – will perform their functions based on European values and standards, with highly efficient, effective, accountable, transparent and digitalized judiciary, with strong, highly professional and depoliticized and efficient public administration, with citizens who are real participants in the political decision-making. Simultaneously, substantial participation of the business community, civil society and political parties is needed in the creation of public policies through constant improvement of democratic relations. The critical level of social support should be built through political parties as promoters of the rule of law and good governance, through the activism of the civil society, free and independent media, as well as through education. Mid-term and long-term, quality education, knowledge and the development of skills for critical thinking with moral values integrated, should also help build an efficient, effective and responsive public sector that is oriented towards the needs of the people. Eliminating corruption and strengthening the transparency and accountability are exceptionally important for the performance assessment of the public sector, the public policies analysis and evaluation, as well as the nurturing of an inclusive approach and the responsiveness during the delivery of quality public goods and services.

## **13. Resilience of society and communities will be ensured through transformation in risk management and proactive involvement of all.**

Modern social safety and resilience encompasses collective and individual, social and external factors (including ecological factors and climate change). These components also include the global safety dynamic, the national context and the activities of all subjects in reducing risks of disasters. In order to address this complex environment, the need for creating transformative and proactive risk management systems increases, which will prevent and mitigate negative consequences of existing risks and will anticipate new and potential risks. This integrated approach combines all stakeholders from different sectors, and through such cooperation, society can better prevent, prepare for and handle natural and man-made disasters and climate change, as well as safety challenges and threats.

#### **14. Utilization of the benefits of digitalization.**

Economic, ecological, educational and general social changes will increasingly become dependent on the utilization of the benefits from digital transformation. Improvement of the connecting infrastructure, the digitalization of data/processes and the quality of digital services should be among key multisector priorities. Interoperability of services of the private and public sector, i.e. the capability for functional connection, compatibility and sharing has great potential to improve efficiency and increase access to beneficiaries. Individuals, businesses and institutions which will utilize the advantages of the exponential AI future, will reduce the digital gap, strengthen innovativeness and improve productivity.

#### **15. Integration and international reputation.**

The authenticity of the Macedonian culture should be fully exhibited through the country's participation in regional initiatives, in the European cooperation, as well as in the nurturing of global partnerships. The Macedonian thread should be a constituent part of this mosaic. In addition, exposure of all citizens' classes to regional, European and global flows will contribute to process improvement. Therefore, it is necessary for the educational system to imprint self-respect, enthusiasm and the belief in success as engines of the accelerated, inclusive and sustainable societal development. Enriching culture and strengthening the identity are an exceptionally important element of the much-needed systemic change for building new bridges for international, political, economic and cultural cooperation. While implementing such pledges, strategic partnerships should especially be strengthened and European integrations should be strengthened and deepened.

#### **16. Reducing regional and local disparities through a functional approach to services, knowledge, and infrastructure.**

In order to stimulate a more balanced local and regional development, the infrastructure and services should be user-oriented and adapted towards the specific needs and requirements of the local population. Functional decentralization and providing new economic opportunities (among others, through attracting investments, stimulating innovations and building infrastructure) should be directed towards support of the sustainable socioeconomic development and the reduction of local and regional disparities. It is necessary for planned regions and units of local self-government to prioritize unique opportunities and competitive advantages in their development strategies. This approach not only provides directed and effective resource distribution, but it also maximizes social value. Thus, planned regions and local self-government units will support sustainable, inclusive and economically stronger communities.



### **17. The sustainability of the environment and ecological well-being are a development priority.**

The sustainability of the environment and ecological well-being impose the need for important systemic changes, which will significantly determine the quality of life of today's and future generations. By abandoning the currently dominant linear approach, according to which products are designed, produced, sold, spent and disposed, and accepting the circular economy principles, negative impacts on ecosystems and natural resources will be minimized. Sustainable technologies and materials, such as renewable energy sources, waste recycling and water-saving measures, must be integrated in the development projects in order to support decarbonization and reduce the ecological footprint. The involvement of local communities and the general public are also significant for the design and implementation of the development projects. Initiatives that are ecologically sustainable and socially acceptable are especially useful. Such approach creates sustainable and harmonious interaction between people and nature, ensuring long-term resilience and social well-being.

### **18. From short-term to long-term planning and long-term vision.**

Long-term indicative planning is an important factor for efficient resource distribution, policy and results sustainability and the realization of the national development vision. A deep systemic change is necessary, with which short-term planning, and especially relying on ad hoc decisions, should increasingly be substituted with mid-term or long-term planning, built through a broader societal consensus. The long-term planning of policies and reforms that require dedication by a larger number of successive governments and whose results are visible in the mid-term or long-term (e.g. investments in quality education, investing in physical infrastructure, safe access to and availability of energy, mitigation and adjustment to climate change, biodiversity protection etc.) is particularly important. Building capacities for greater predictability and risk integration ensure timely adaptation to changes in this context and greater resilience of the society to new crisis and challenges.

### **19. Systemic approach to preparation and implementation of strategies.**

The preparation and implementation of strategies should be based on broad cross-sectoral coordination on different governance levels, among other things, and through strengthening the cooperation between the central and local government. Integrating different aspects and interests of the stakeholders strengthens the ownership of strategies, which makes strategies and policies stemming from them consistent and sustainable. The systemic approach also implies connecting strategies and policies with mid-term budget planning, i.e. the resources available for their implementation and program budgeting.



## **20. Integration of public and private resources and innovative mechanisms and instruments for development financing.**

The new approach on financing the National Development Strategy and other (cross-)sectoral strategies should not rely solely on budgetary funds and grants/loans from the EU and international organizations. There is a need for a systemic change that will enable a broad spectrum of sources, instruments and mechanisms for financing strategic area projects, such as mobilizing private capital through combined finances, guarantee funds, social impact bonds and green bonds. The main principle in mobilizing private capital for NDS purposes must be protection and promotion of public interests. Future loans must be incorporated in the analysis of the benefits and costs of the projects that will be financed, while fiscal sustainability and optimizing public debt costs must be observed.



## 7 COORDINATION AND IMPLEMENTATION

The National Development Strategy (NDS) is adopted for a period of twenty years. The Assembly of the Republic of North Macedonia adopts the NDS as the leading long-term strategic planned document for development. The NDS ensures synergy between developmental needs and opportunities, areas for development, general goals, priorities for each general goal, also taking into account all internationally accepted standards and obligations of the country.

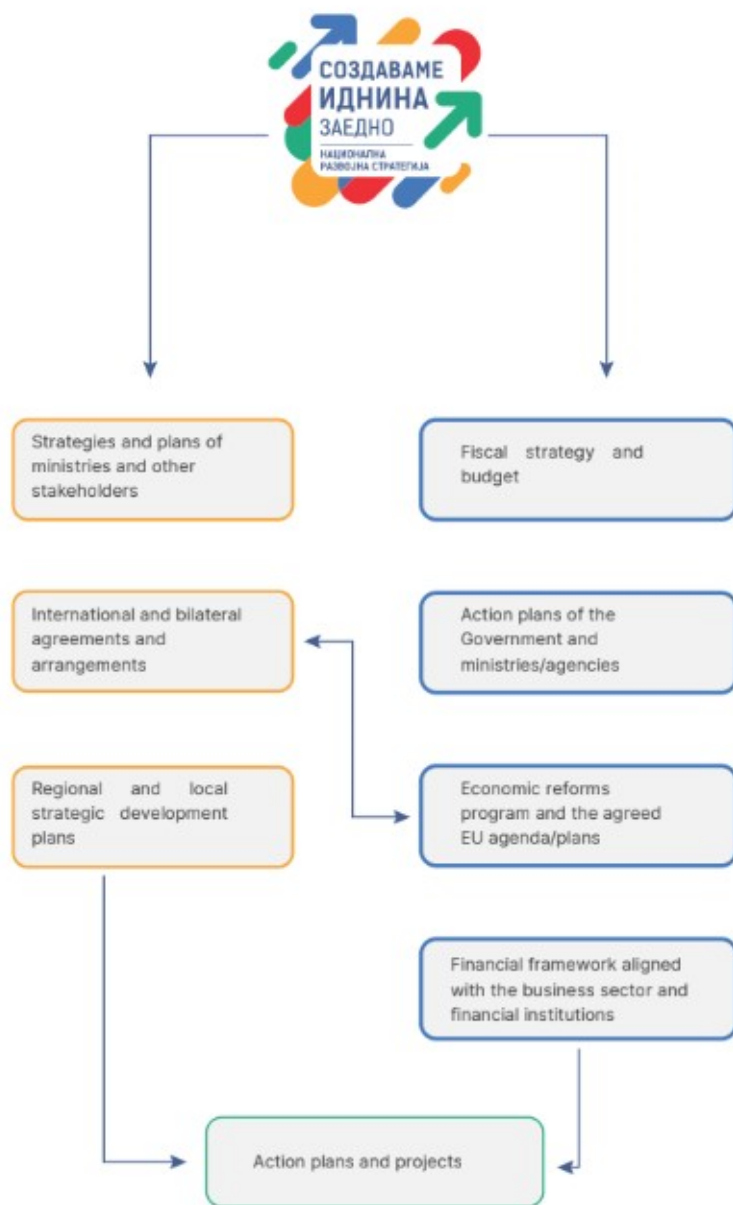
The NDS reflects the fundamental values of the constitutional order in North Macedonia, the UN Sustainable Development Goals, the fundamental values of the European Union and other international organizations and supports and enables the reforms for North Macedonia's integration in the EU. Such realization implies a process of integrated development planning, consistent policies and cooperation on different levels and involvement of the main stakeholders in the planning, implementation and monitoring of the NDS.

The Government of the Republic of North Macedonia, through the existing implementation system, is in charge of monitoring the implementation of the NDS, in collaboration with other stakeholders and partners. The NDS is a national framework that integrates the sectoral development strategies, programmes and plans of the adequate national/local institutions, in coordination and cooperation with other stakeholders. This systemic approach is tightly connected to the consistent contribution by the business sector, NGOs, the academia, media, political actors, etc.

At the highest strategic level, the Government of the Republic of North Macedonia is responsible for coordinating the implementation of the NDS with the ministries, government agencies, other bodies and stakeholders during the preparation of the strategies, plans and programmes and their implementation, through integrating the NDS strategic priorities in other national strategic documents. The Government is also in charge of harmonizing the implementation of part of the NDS activities with the national fiscal policy, fiscal principles and regulations.

Moreover, the Government is in charge of the National Reform Programme and other agreements and Reform Roadmaps related to the EU Agenda, where the highest level of strategy and goal harmonization is necessary. To achieve results, planned development and long-term cooperation with private investors, the business sector, financial institutions, and especially, international development partners that play a significant role in the country's development vision is needed.





The Government of the Republic of North Macedonia should ensure that the implementation of strategies, plans and programmes is carried out with a consistent long-term vision of the country by enabling a continuous cross-sectoral coordination. All development plans authorised by the the Government and programmes authorised by other public institutions should follow the goals, priorities and activities established in the NDS framework. Furthermore, the Government with its infrastructure of the implementation of the NDS should provide recurring evaluation and assessment of the NDS, as well as critical discussions among stakeholders, and ensure transparent reporting of the achieved results. The evaluation and monitoring are of particular importance in the context of the EU Agenda, other international partners and the UN Sustainable Development Goals.

The Framework for Efficient and Effective Coordination and Implementation of the NDS, in addition to the Government, includes the National Development Council and the Steering Committee. Concurrently, a Working Committee for the organization of the preparation of the NDS and an NDS implementation program will be formed to provide opinions and recommendations on the planning, implementation and monitoring of the NDS implementation.



## Implementation Framework of the NDS

- ✓ **The Assembly of the Republic of North Macedonia** adopts the Strategy and the Implementation Program of the NDS (5-year) at the proposal of the Government of the Republic of North Macedonia.
- ✓ **The planning on the implementation of the NDS and the Implementation Program of the NDS** is carried out by the Government through its Annual Work Programme. The municipalities, the City of Skopje and the municipalities within the city of Skopje ensure the implementation of the NDS within their respective jurisdictions.
- ✓ **The Government establishes the National Development Council** as a permanent advisory body to the Government which organizes the preparation of the Strategy and the Implementation Program of the Strategy. The Council is chaired by the Prime Minister or, in their absence, by a Deputy Prime Minister proposed by them. Members of the Council are: a representative of the Cabinet of the President of the Republic of North Macedonia; the Coordinator of MP groups; The Prime Minister and their deputies; the Minister of Finance; the Minister of Defence; the President of MASA; the General Secretary of the Government; representatives of the Economic Chamber of North Macedonia, the Chamber of Information and Communication Technologies, the Economic Chamber of North-West Macedonia and the Macedonian Chambers of Commerce; the President of the Association of the Units of Local Self-Government; the Presidents of the eight Councils for Development of Planned Regions; one representative of the representative trade unions; representatives of higher education institutions; Presidents of Associations nominated by the Council for Cooperation of the Government with Civil Society; youth representatives nominated by the National Youth Council.
- ✓ **The Steering Committee is an auxiliary body to the Council** that provides strategic and partnership cooperation of the Council with the international community, international financial institutions, and donors. Members of the Steering Committee are the Prime Minister or a Deputy Prime Minister proposed by them and the Minister of Finance.
- ✓ **The Working Committee** is an auxiliary body of the Council that provides expert and technical support to the Council. The Working Committee is organized and operates in groups and subgroups according to the "Quadruple Helix" model, ensuring the representation of experts from government bodies, other public institutions, associations, industry, and higher education institutions.
- ✓ **The Monitoring of the Implementation of the Strategy**, in accordance with the Implementation Program of the NDS and the Annual Work Program of the Government, is carried out by the General Secretariat of the Government through an Annual Report on the Implementation of the Strategy, which contains an overview of activities realized in the current year. The City of Skopje and the municipalities within the City of Skopje carry out the monitoring of the Strategy's implementation, in accordance with municipalities' planning acts, through a report, adopted by a Municipal Council or the Council of the City of Skopje.
- ✓ **The General Secretariat of the Government** evaluates the success of the implementation of the Strategy at least once every five years from the date of adoption of the Strategy.

The State Audit Office will be an important stakeholder and directly involved in the monitoring and assessment of the implementation of the NDS by public institutions. In addition to other audit aspects, the audit reports will provide revision of the progress in the implementation of the strategic goals and priorities defined in the NDS. In the implementation of the NDS, an active participation will be taken by the municipalities, regions and other stakeholders (the academia, business sector, citizens/CSOs and the Government). This will be realized through constant development of the capacity for preparation and implementation of strategies and projects, development of stakeholder capacities to ensure that prepared strategies/projects achieve the planned results. Stakeholders will be organized on a national and local level, ing on the development of their capacities (human, financial and legal) and investing in the improvement of their abilities to plan, implement, measure and learn.

The above mentioned will ensure the strengthening of the society and institutions in the country and will create:

- stability of institutions which guarantee democracy, the rule of law, human rights and respect and protection of minorities (Political criteria);
- functional market economy and capability to handle competitive pressure and EU market forces (Economic criteria);
- capability to undertake membership obligations, including the capacity for effective implementation of the rules, standards and policies that constitute the body of the EU Law and compliance with the purposes of the political, economic and monetary Union.

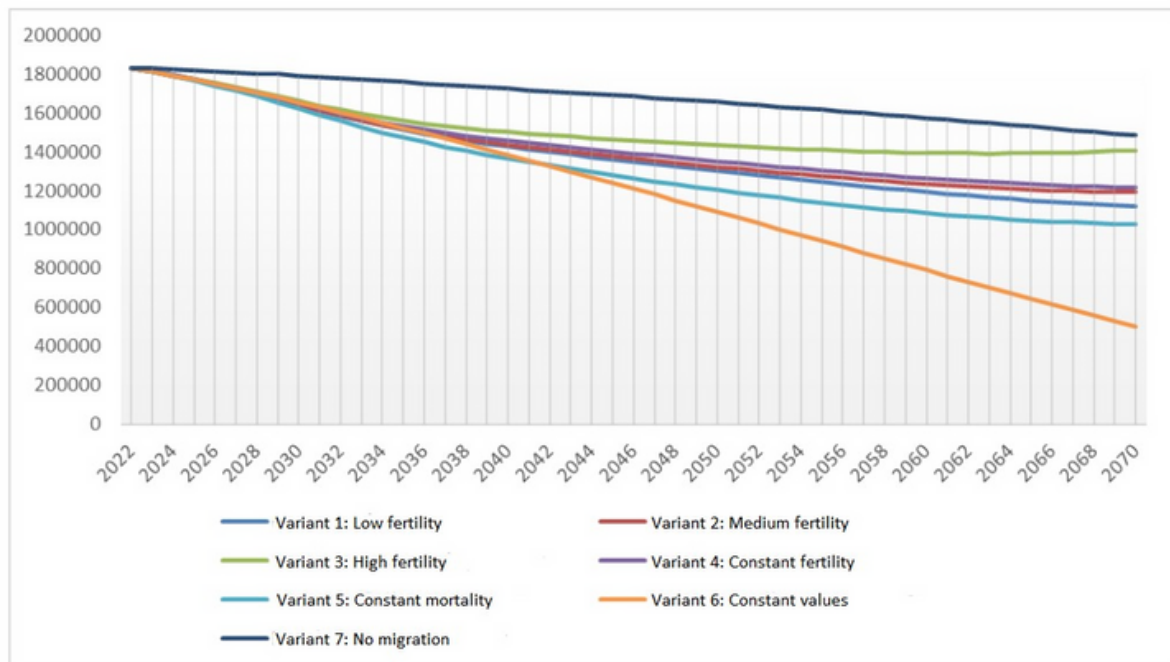
# 8 PROJECTIONS AND FINANCIAL FRAMEWORK

## 8.1 PROJECTIONS

Macroeconomic projections up to 2044 have been carried out by using the International Futures Model of the Denver University (USA). The projections are based on a global integrated model for 186 countries that contains over 1.700 variables, including 2070 projections prepared by the State Statistical Office (SSO, 2023).

**Demographic projections.** According to SSO's projections (December, 2023), depending on the assumptions on fertility and mortality rates and migration intensity, there is a possibility of demographic movements, which would follow one of seven projections or variants (Figure 2). If extreme variants are excluded (Variant 7: No Migration and Variant 6: Constant Values), five demographic variants are feasible. Within that framework, the macroeconomic model integrates the assumption that the demographic structure of the population will follow the trajectory of the moderate scenario or Variant 2: Medium Fertility. According to this variant, North Macedonia's population would decrease from 1.8 million in 2023 to 1.5 million in 2044, which would represent a decline of 23.5%. Simultaneously, the share of active population (15-64) is expected to decrease from 1.2 million in 2023 to 815.000 or, a decline of 31.1%. On a positive note, the average life expectancy would increase from 77.1 years in 2023 to 82.7 years in 2044. Unfavorable demographic trends will have serious implications on the economic activity, labor force market, pension insurance and health protection system, structure of public services and consumer preferences.

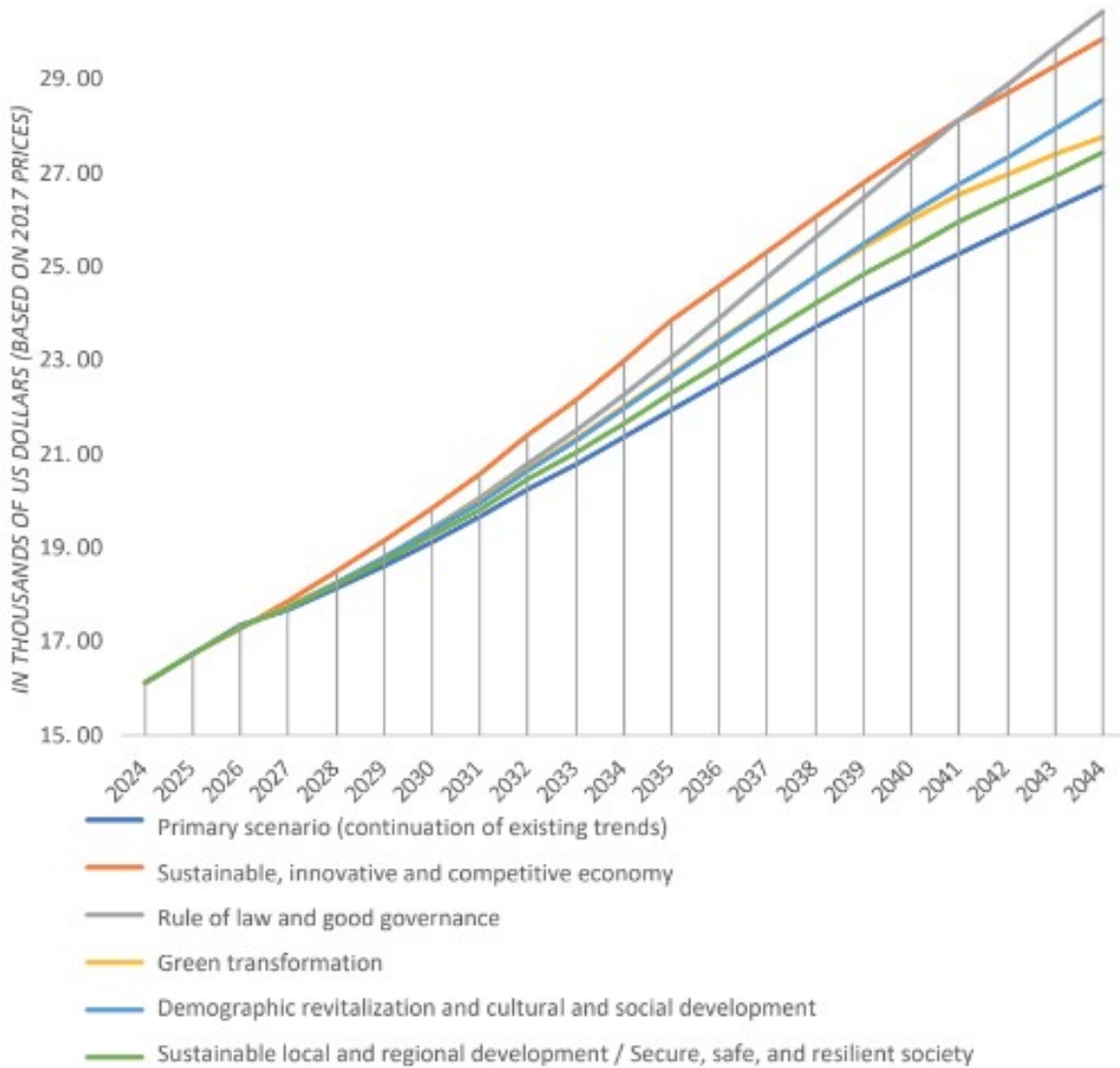
Figure 1. Population number in different demographic scenarios (1971-2044)



Source: State Statistical Office, December 2023.

**Impact of the NDS.** By realizing the strategic areas' development goals and priorities, the economy could generate higher GDP growth rates per capita, on average, 4.7% annually. Within the strategic areas, the realization of the priorities of the area Sustainable, Innovative and Competitive Economy has the biggest impact on the economic growth. However, in the long-term, during the following two decades, the realization of the strategic priorities in the domain of The Rule of Law and Good Governance will have an exceptionally strong impact on efficiency, institutional capacity and the level of economic growth. The implementation of the Green Transformation, that foresees gradual exchange of fossil fuels, greater utilization of renewable energy sources and a just transition, creates adjustment costs for the companies and citizens and would cause a relatively small GDP growth per capita in comparison with the scenario on lack of reforms. The combined impact of realized priorities in all six strategic areas would contribute to a higher GDP per capita by 24.8% in comparison to the 2044 primary scenario (Figure 3). With that, the GDP per capita in 2044 would increase from 42% of the average GDP per EU capita in 2022 to 56.5% of the projected average GDP per EU capita in 2044. By a consistent realization of the NDS, the poverty rate would decrease to 5.4% in 2044. With that, the level of extreme poverty in 2030 would be below 30%, with which the 2030 target defined in the Sustainable Development Goals would be achieved.

Figure 2. The impact of implementing the NDS on GDP per capita compared to the current scenario of continuing existing trends (2024-2044)



## 8.2 FINANCIAL FRAMEWORK

The realization of the NDS goals and strategic priorities, as well as approximation to the economic performances in the EU will largely depend on the financing of priority areas of the accelerated, inclusive and sustainable development. Although public finances are exceptionally important for financing the upcoming deep and comprehensive transition, significant support from the private sector, international development partners and the diaspora will be needed.

**Public finances** are characterized by a low level of budget revenues as a percentage of the GDP, a high threshold of public debt and a limited fiscal space for addressing future challenges and crisis.

In the primary scenario, the total budget revenues would gradually increase from 31.1% of GDP in 2023 to 35.0% of GDP in 2044 (Denver University projections). By realizing the NDS, as an initial result of the decrease of the informal economy, increased institutional capacity and structural reforms, the budget revenues could be increased to 44.8% of GDP in 2044. Irrespective of the dynamic of the European integration, there is a need of a broader societal and political consensus on the country's role, the level of public borrowing and the optimal tax system in the context of the defined strategic goals and priorities of the NDS. The formal public debt limits should be substituted with the optimal ones, i.e. the cost of additional borrowing to be lower than the additional economic growth that would be generated with such borrowing. Optimizing the tax system implies tax reforms, significant decrease of informal economy and tax evasion, as well as an assessment of the needs of new revenue sources, such as ecological taxes and fees.

In the budget revenue structure, an increased participation of direct taxes is recommended, that is in accordance with the strategic priorities, as well as EU tax trends. Furthermore, budget expenditure should change its structure in favor of capital expenditure (government investments), which should at least be doubled compared to the current level. Significant focus should be placed on efficiency and effectiveness or, the quality of budget expenditure and the precedence of investment projects of the public sector. There is a need for extensive investments in physical infrastructure, financial support in local and regional development, as well as territorial cohesion, financing the green transformation and digitalization, social inclusion and cohesion, safety and defense, and other strategic priorities of the NDS. It is exceptionally important to invest in people and human capital as the most significant resource, through investing in the quality of and access to education and science, research and development, healthcare and social protection.





The application of fiscal regulations would facilitate the management of public finances and the realization of their developmental role. Annually, the budgetary deficit and public debt should not exceed 3% and 60% of GDP, respectively. In the years when a higher payment of budget revenues exists, budget reserves would be created, which would constantly be utilized for larger capital public investments, as well as for addressing future challenges and crisis. In addition to the legal fiscal regulations, the two golden rules should consistently be applied – no borrowing with public debt for current public expenditure and capital investments should constantly be higher than the total budget deficit. New borrowings in the public sector should increasingly rely on innovative financial mechanisms and instruments, such as thematic bonds that are based on economic feasibility analysis, orientation towards determined progress in the domain of the strategic priorities and high transparency and accountability for used funds.

**Mobilizing private capital and support from development partners** - international institutions, private investors and financial institutions are of exceptional importance for achieving the development goals and strategic priorities of the NDS. The main principle in mobilizing private capital for the purposes of the NDS goals must be the protection and promotion of public interest, especially in public-private partnerships and concessions for exploiting natural resources. In the market economy, the stimulation of the private sector should be carried out through public-private partnerships, tax benefits, subsidies, participatory approach in decision-making, and in general, raising corporate social responsibility.

Whenever possible, involving private capital and development partners is recommended through blended finance of public and private sources for the realization of projects and initiatives in the domain of the NDS strategic priorities.

Generally, higher rates of inclusive and sustainable economic growth should be supported by higher total factor productivity and strong investment activity, i.e. gross investments, on average, over 25% of the annual GDP in the following two decades.

The strategy for attracting foreign direct investments should also enable a targeted approach through designing state aid, in accordance with the NDS strategic priorities, the Smart Specialisation Strategy and other (cross-)sectoral strategies. In the context of the NDS, the private sector inclusion can also be stimulated through investment maps according to NDS goals and global sustainable development goals, as well as through active promotion and encouragement of the social responsibility of the companies. The utilization of public funds for support of the private sector should be directed towards risk reduction and above all, towards increasing private investments in accordance with the NDS strategic priorities. Combining public and private sources should be carried out through traditional and increasingly innovative financial mechanisms and instruments. Innovative development financing should ensure addition, and often, substitution of the traditional financing sources and mechanisms. New investments should increasingly rely on financial support through thematic bonds, such as green, social and gender bonds and sustainability-linked bonds.

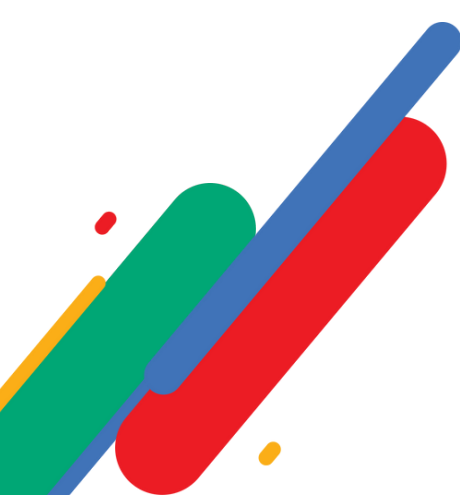


They are based on the achievement of a determined progress (performances) and/or precisely defined purpose of the funds borrowed; guarantee and other funds for the acceleration of the green and digital transformation; innovative public-private partnerships; pooled funding; sustainable entrepreneurship, etc.

**Financial institutions** should provide significant support in the financing of the NSD through greening the financial system and developing financial services aimed at the strategic priorities and goals. The reduction of the informal economy will additionally increase the financial institutions' potential. Moreover, there are financial opportunities for attracting international, and in particular, European funds for entrepreneurship capital and start-up support. Sustainable entrepreneurship development should be instigated through a greater access to financing, new knowledge and start-up culture, due to which a formal and informal education should place a significantly bigger focus on entrepreneurship.

**The finances, knowledge and skills of the diaspora** are a significant, unused potential for the sustainable development. Taking into consideration that incoming foreign monetary remittances are initially used for private spending, it is exceptionally important to create innovative mechanisms and financial instruments for attracting the capital of the diaspora, a prerequisite for which is a favorable business environment characterized by the rule of law and good governance, among other things. The diaspora finances possess the potential to support entrepreneurship and small businesses (e.g. through projects that have a positive social impact), to encourage investments in the public sector (e.g. through special bonds for the diaspora), to stimulate human capital growth etc.

The European integration dynamic will also greatly impact the financing of the NDS. EU budgetary and investment support, as well as the level of its utilization, will directly impact the financing of the strategic priorities. From 2024 to 2027, the Growth Plan for the Western Balkans, proposed by the European Commission, allocates 859 million euros to North Macedonia. Indirect impact will be felt through increased central and local institutional capacities for the application and absorption of the European funds. It is recommended to determine mid-term targets for maximum utilization of the EU funds. The recommended utilization of the EU accession funds is a minimum of 75%, and after 2030, it is advisable to use 85% of the available cohesive EU funds.



## 9 RISK MANAGEMENT AS A TOOL FOR SYSTEM CHANGE

Risks are potential future deviations from the expected outcomes and suggest the uncertainty that North Macedonia may face in achieving its long-term and short-term goals while implementing the NDS. During the preparation of the NDS, the different aspects of the challenges this country will face in the realization of the national goals were taken into account, and within the framework of that process, risks from different types and origin, arising from different conditions that occur under the influence of different factors, which may arise from internal and external sources, were reviewed. The risks determined may be assessed and grouped on the basis of their nature and the areas which they impact. In order to carry out sustainable changes in each category, there is a need for an adapted approach, encompassing different stakeholders, including the Government, the private sector and civil society.

**Key risks**, which were particularly emphasized in numerous analysis, discussions, workshops conducted with stakeholders, and which have significant national importance and considerable potential to influence long-term development, are as follows:

- Insufficient utilization and erosion of the human capital is a long-term risk for the economy, because they reduce productivity and competitiveness, increase unemployment, and the response to global market changes is deteriorating.
- The national framework for good governance in certain aspects is still characterized by lack of transparency, accountability and effectiveness. This situation, in addition to the significant degree of politicisation in the society, increases the possibility for inefficient governance/decision-making and poses a risk for the stability and effectiveness of the governance systems and the successful implementation of the NDS.
- The high degree of vulnerability in relation to external shocks, which in a small, opened economy may significantly alter the socioeconomic challenges and bring about potential implications on the development and reform priorities.
- Corruption and low effectiveness of the judiciary, administration and court proceedings may cause unfavorable political outcomes, increased public dissatisfaction, potential financial losses or faulty distribution and further deterioration of the legal safety.

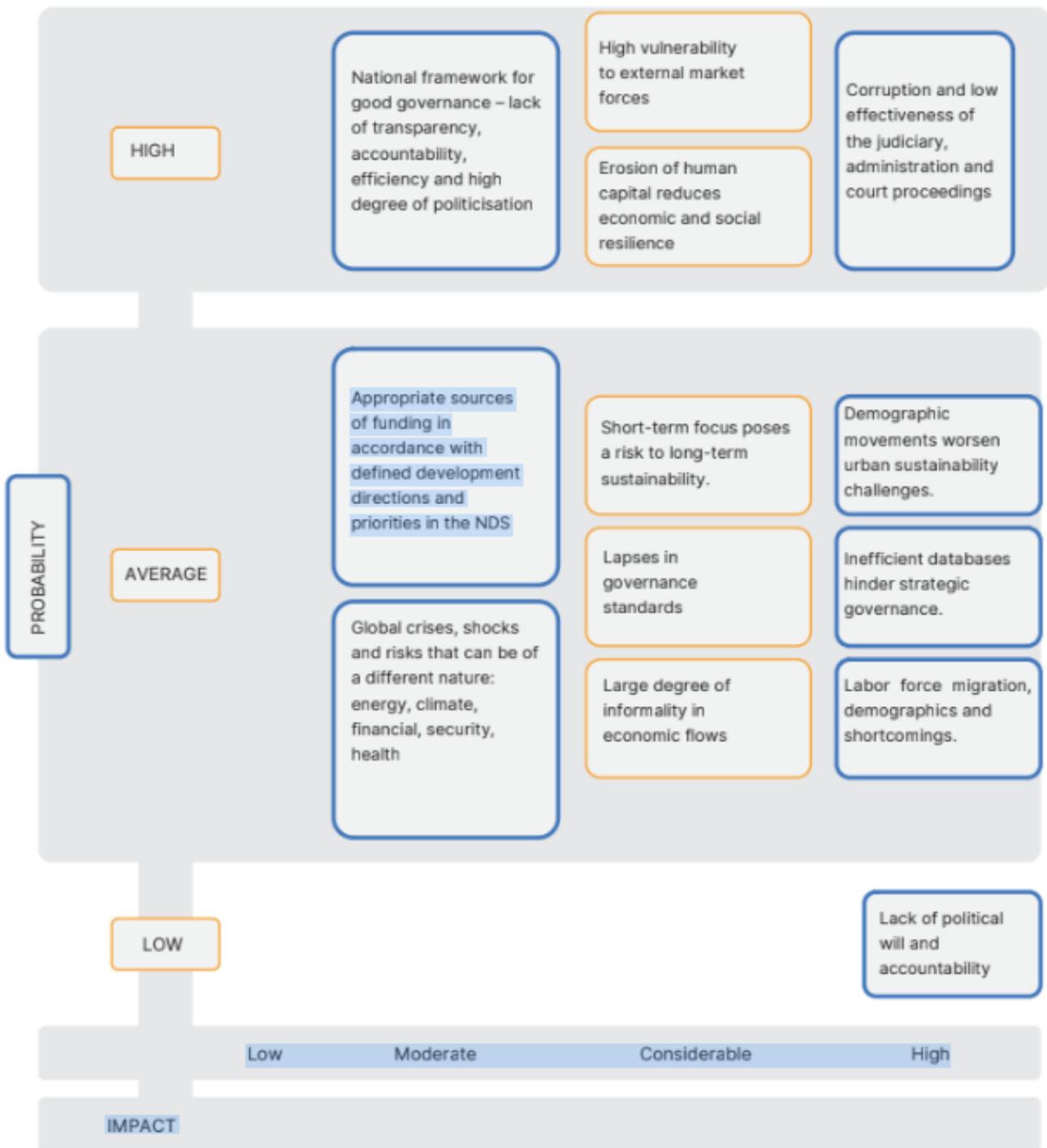
**Moderate risks**, which also have an adequate political importance and considerable potential to influence development, include:

- The current economic focus on short-term benefits may disrupt long-term sustainability and resilience and potentially lead to economic instability and environment degradation.
- The existence of omissions of governance standards poses a significant risk for undermining public trust, lack of accountability, potential corruptive practices and reducing the efficiency of public policies, which will create limitations in the realization of the goals and priorities.
- The risk of social imbalance and the increased burden on urban infrastructure as a result of demographic movements in combination with difficulties in creating a sufficient number of jobs may potentially worsen the inequality and increase socioeconomic tensions and overburden the urban systems.
- The lack of appropriate databases and registries poses a significant risk for effective decision-making and policies implementation. This may lead to inadequate information management, which results in bad planning, ineffective strategies and potential failure in managing and implementing policies.
- The demographic structure changes and growing migration trends of the labor force cause great concern due to the lack of personnel that is educated in accordance with market needs in key sectors. They pose a threat to service delivery and operational efficiency.
- The high degree of informality of economic flows reduces the trust in the market system, limits the efficiency policies and reforms, prevents the determining and management of national resources and influences the country's fiscal stability.
- Securing financing sources in accordance with NDS defined development directions and priorities, special securing of adequate financing and harmonization of the budget structure with reform processes in sectors in need of important sources of funds, such as healthcare, social protection, education, green transformation, infrastructure and regional development.
- Global crisis, shocks and risks that can be of a different nature: energy, climate, financial, security and health.

Low-probability risks are also identified, however, they may significantly influence development

- Lack of political will, accountability, as well as a well-established mechanism for evaluation/monitoring of the implementation of the NDS may lead to risk of erosion of the government's capacity and the fiscal responsibility. It may lead to inefficient reform implementation and jeopardize the country's harmonization with the EU Agenda and hinder its development.





## ***Addressing risks***

Economic and market risks are part of the risks that have the greatest influence on the future national development, and that are most likely to occur. In order to address these risks, policies for upgrading skills, market diversification and creating competitive business practices are needed. It is essential to ensure strong support for the institutions and to carry out appropriate institutional reforms related to good governance and addressing political risks. When it comes to demographic and social risks, policies that support the uniform regional development and that will create new jobs for everybody are necessary. Judiciary reforms are of greatest importance for addressing risks in the legal system, which would result in improved transparency, accountability and the rule of law in this country. When it comes to challenges related to management of data and infrastructure, it is especially important to invest in data systems that create a solid foundation for decision-making based on appropriate information/data. Addressing these risks through special strategies may lead to significant improvement of the economic stability, management quality, social cohesion and trust in institutions. In addition to creating sustainable and long-term changes, it is crucial for policy creators, the private sector and civil society to make great efforts to cooperate. Risks that have moderate impact include economic and infrastructure problems, which can be managed through strategic investments and financial strategies to cushion market changes. Special policies for human capital development, keeping and attracting quality human capital is needed for addressing demographic challenges and challenges related to the work force. Shortcomings in management systems and legislation impose the need for adoption and implantation of comprehensive, applicable legal solutions based on good governance principles. Optimizing and addressing risks related to public administration can be carried out through creating systems for successfulness monitoring, a framework for capacity development, inclusive policy-making and through a high level of digitalization.

**The National Development Strategy (NDS) is a comprehensive framework for addressing national risks and challenges.** The NDS, including its set goals and priorities, essentially serves as the foundation and tool for addressing key national challenges and risks in each of the strategic areas. Hence, the successful implementation of the NDS is crucial for addressing each of the identified risks, thereby creating a strong foundation for long-term national development.

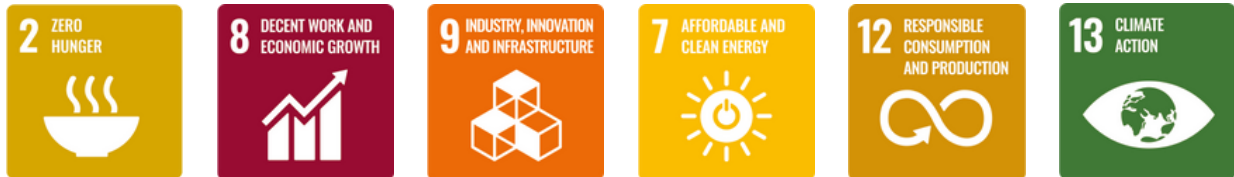
During the implementation of the NDS, each competent institution will proactively and continuously identify and analyse the risks and will set a risk management approach. Early risk identification is crucial for minimizing their impact. Hence, there will be a need for integrating the systems for assessment and early prediction in each strategic area within the framework for the implementation of the NDS in order to create a system for optimal risk management.



# ANNEX

## Goals of the 2044 National Development Strategy

Strengthening competitiveness and development of the country through a functional and innovative ecosystem, improving the skills, knowledge, inclusion and resilience of citizens.



	Current situation	Milestone 2034	Target 2044
European Innovation Scoreboard (as a percentage of the EU average)	46.3% (2023) Emerging innovator	75% Moderate innovator	110% Strong innovator
High-technology exports (% of total exports of industrial products)	4.18% (2020)	5%	7%
Human Capital Index	0.56 (2020)	0.7	0.8
Labor productivity	20.64\$ (2021)	30\$	40\$



**Governance models that are open, transparent, and robust, capable of preventing and appropriately responding, fostering prosperity for all groups in society.**



	Current situation	Milestone 2034	Target 2044
Worldwide Governance Indicators (World Bank)	0.1 (2022)	0.7	1.5
Corruption Index Perception Index	-0.35 (2021)	0.06	0.72
Annual mean levels of fine particulate matter (e.g. PM2.5 and PM10) in cities (population weighted)	25.17 (2019) micrograms per cubic meter	18 micrograms per cubic meter	12 micrograms per cubic meter
People using safely managed drinking water services (% of population)	77 (2020)	83	90



**Social inclusion, which entails improved social, health, and educational systems aimed at providing benefits to individuals, businesses, and society as a whole.**



	Current situation	Milestone 2034	Target 2044
Human Development Index	0.770 (2021)	0,850	0.910
Income Inequality Coefficient (Gini Index)	33.5% (2019)	30%	25%
Ratio of female to male labor force participation rate (in %)	66.2% (2022)	75%	85%





## Strategic area: Sustainable, Innovative and Competitive Economy



### Economy based on Knowledge, Innovations and Digitalization

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
BDP per capita in euros	7,115 (2022)	8,000	12,000	2.2, 8.1.1,
BDP growth (% annually)	2,4% (2023)	4%	5%	2.2, 8.1.1,
Capacities utilization	73,9%	85%	100%	8, 9
BDP growth per capita (% annually)	5,18%	7,5%	8%	8, 9

### Highly Integrated Economy in International Trade and Finance

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
Index of Export Market Penetration	4,19 (2021)	5	7	8,9
Trade (% of GDP)	140,4% (2021)	170%	200%	8, 9
Logistics Performance Index	3,1 (2023)	3,7	4,2	9.1.2.1

### Labor Force Meeting Current and Future Labor Market Needs

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
Gross domestic expenditures on R&D, as a percentage of BDP	0,38 (2020)	0,7	1,2	9.5.1
Employment rate	45,7% (3Q 2023)	52%	60%	2.2, 8.1.1,



## Strategic area: Sustainable Local and Regional Development that Ensures Cohesion

### Reduced Disparities between Regions



### Capital Infrastructure in Function of a Better Life/ People benefit from a resistant capital infrastructure







Modal division of passenger travels by transportation type (in %) for urban and regional mobility

In the country, 90,7% of roads and 9,2% of railways in 2021 for intercity mobility (data available for regions) and urban mobility, data available for larger cities, e.g. Skopje in 2009.

- walking 35,0%, bikes 1,4%, cars 31,9%, public transport 26,8%, taxi 4,3%, other 0,6%

## Functional and Fiscally Sustainable Municipalities

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
    <p>Combined Indicator (AROPE), rate of people at risk of poverty or social exclusion, in % (per planned region if possible)</p>	32,6 (2020)	28	25	G1, G4, G10, G11
Impact of social transfers on poverty reduction	15,18 (2020)	20	25	G1, G4, G10, G11



## Strategic area: Demographic Revitalization and Social and Cultural Development

### Balanced and Sustainable Demographic Movements

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
 Migrations balance	1.381 (2022) +0,481 per 1000 citizens	2.000	3.000	10.7.2
 Demographic Pressures Index (10; 0)	4,2 (2023)	3	2	10.7.2

### Healthy and Happy People

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
 Healthy life expectancy at birth	66.1 (2019)	70	72	3.8.1
 Healthy life expectancy at 60 (years)	14 (2019)	17	20	3.8.1
Happiness Index (0; 10)	5,25 (2022)	6	7	

### Recognizable Cultural Identity and Values

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
 Participation of the cultural sector in the overall employment	0.5%	1%	2%	8.3.1

**Inclusive and Efficient Social Protection and Social Security System**



**Society Based on Knowledge, Critical Thinking and Values**





## Strategic area: The Rule of Law and Good Governance

### Rule of Law and Consistent Application of the Principle of Separation of Powers and Effective Parliamentary Oversight



### Transparent, Accountable, and Efficient Public Sector



### Zero Corruption, Legal Certainty, and Impartial Justice





## Effective Protection of Fundamental Human Freedoms and Rights, and Protection of Communities

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
Human rights and rule of law index (10; 0)	2,7 (2022)	1,5	1	Connection to SDG indicators for Macedonia
Civil liberties (7; 0)	3 (2020)	2	1	

## Free and Independent Media

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
Global freedom status	68/100 (2022)	72	85	Connection to SDG indicators for Macedonia



## Strategic area: Secure, Safe and Resilient Society

### Society that is Resistant to Crises and Disasters

Indicators	Current situation	Milestone 2034	Target 2044	Linkages to SDG indicators for Macedonia
  Risk informedness	2.5 (2022)	2.3	1.9	11.3.2, 11.5.1, 11.5.2, 11.5.3, 11.b.2, 13.1.1, 13.1.2, 13.1.3, 13.2.1, 13.3.1

### Climate-Neutral and -Resilient Society and Communities

Indicators	Current situation	Milestone 2034	Target 2044	Linkages to SDG indicators for Macedonia
 Climate change-related risks informedness	2.1 (2022)	2.0	1.8	13.1.1, 13.1.2, 13.1.3, 13.2.1, 13.2.2, 13.3.1

### Integral Security is the Key to Security and Foreign Policy Challenges

Indicators	Current situation	Milestone 2034	Target 2044	Linkages to SDG indicators for Macedonia
Security threats index (10; 0)	4,1	3	2	



## Strategic area: Green Transformation

### Climate-Neutral Society with a Low Percentage of Energy Poverty

Indicator	Current situation	Milestone 2034	Target 2044	Linkages to SDG indicators for Macedonia
Energy Trilemma Index (ranking by country)	52 (2022) (40)	45	30	
Energy productivity (shows economic output per energy unit used) of North Macedonia	3.297€/kgoe (2021) (41)	4.300€/kgoe	5300€/kgoe	



40 <https://api.klimatskipromeni.mk/data/rest/file/download/07015e39ea890385d9fb9786be635fa574f1313f56f64879be43002c9a8f6b7c.pdf>  
41 [https://ec.europa.eu/eurostat/databrowser/view/T2020\\_RD310/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/T2020_RD310/default/table?lang=en)

## Clean and Healthy Environment

Indicators	Current situation	Milestone 2034	Target 2044	Linkages to SDG indicators for Macedonia
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Percentage of urban population exposed to concentrations of pollutants (SO<sub>2</sub>, PM<sub>10</sub>, HE<sub>2</sub>), exceeding the limit/target values

- 3% of the population was exposed to SO<sub>2</sub> concentrations exceeding 125 mg/m<sup>3</sup> in 2008 and 2009.
- PM<sub>10</sub> - during the entire period from 2004-2021, it has been observed that a 100% of the population was exposed to concentrations of suspended particles, exceeding the average daily limit for that period of 50 mg/m<sup>3</sup>.
- NO<sub>2</sub> - in the period from 2004-2021, 0 to 69% of the population was exposed to NO<sub>2</sub> concentrations or any other matter exceeding the values set for the protection of citizens' health.

0/20/20

0/0/0 % (SO<sub>2</sub>, PM<sub>10</sub>, HE<sub>2</sub>)  
High ecological status of rivers and lakes, 30% of which are protected, no population is exposed to noise exceeding the recommended value.

G5, G2



Waste that is generated, recycled or disposed in a landfill.

The annual quantity of communal waste generated per capita in 2021 amounted to 467 kg. The percentage of recycled communal waste increased and amounted to 1,97% in 2021, 0,7% of the communal waste was recycled.

10% goal of preventing hard waste creation on a municipal level.  
  
40% recycled  
80% of waste disposed in a sanitary landfill.

30% goal of preventing hard waste creation on a municipal level.  
  
65% recycled  
30% - the highest percent of the total municipal waste to be disposed in a landfill.



Annual balance sheet of agri-food trade

38% (2021)

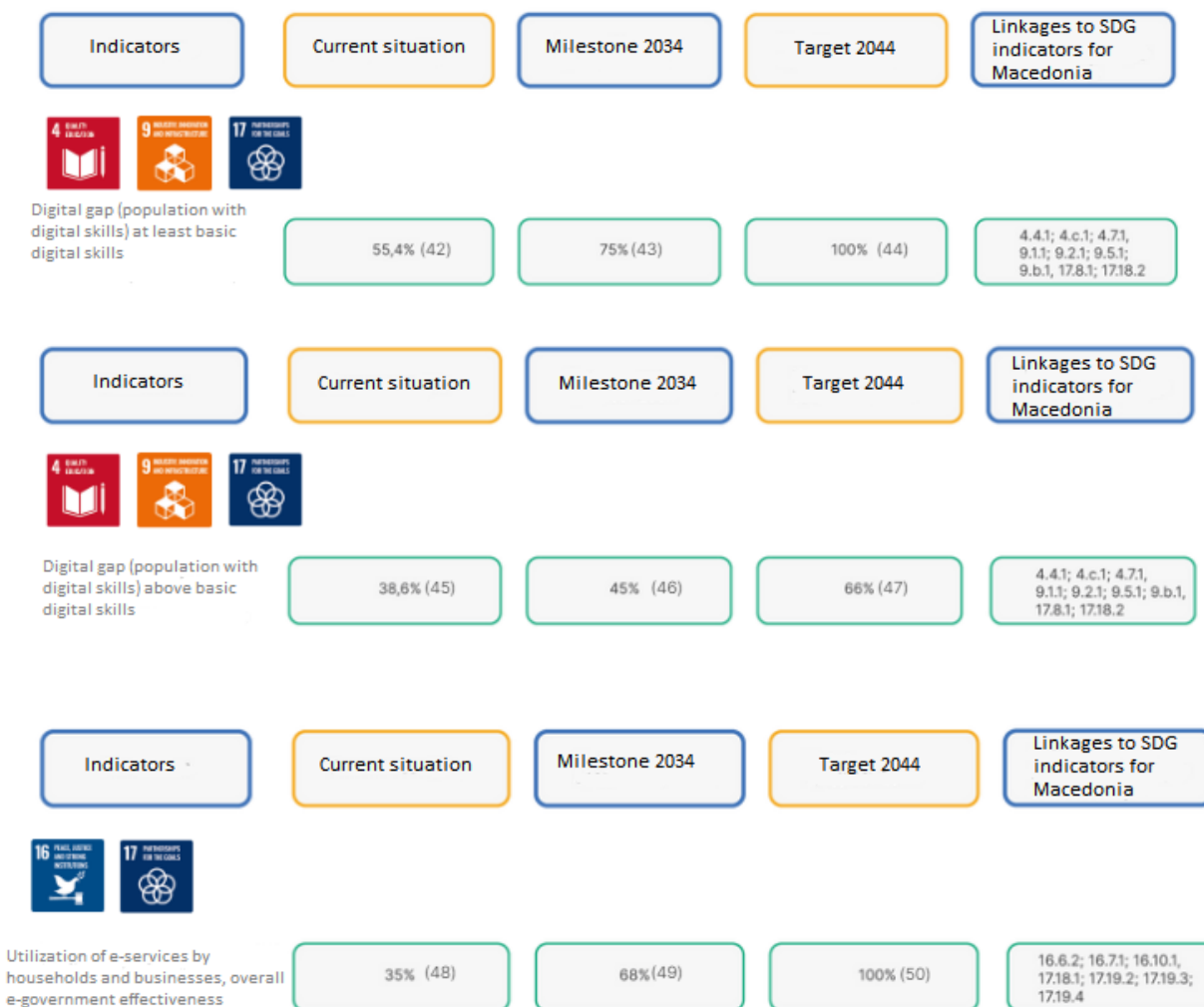
30%

15%

2.1.1, 2.1.2, 2.3.1, 2.3.2, 8.4.1, 8.2.2

# DIGITALIZATION INDICATORS

## Advanced Digital Society



Sources:

<https://drmkc.jrc.ec.europa.eu/inform-index/INFORM-Risk/Country-Risk-Profile>

<https://drmkc.jrc.ec.europa.eu/inform-index/INFORM-Climate-Change/INFORM-Climate-Change-Tool>

<https://data.footprintnetwork.org/#/countryTrends?cn=154&type=BCpc,EFcpc>

42 ITU Report – Digital Skills Assessment - Herth Macedonia, December 2021

43 DESI

44 DESI max

45 ITU Report – Digital Skills Assessment - Herth Macedonia, December 2021

46 DESI

47 DESI max

48 eGovernment-Benchmark-2022

49 eGovernment-Benchmark-2022

50 eGovernment-Benchmark-max



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