



National Development Strategy - Conditions and Challenges

Content

- 1 INTRODUCTION 3
- 2 OVERVIEW OF THE CURRENT SITUATION 5
 - 2.1 HUMAN CAPITAL 5
 - 2.2 GROWTH 10
 - 2.3 THE ENVIRONMENT AND ENERGY 15
 - 2.4 INFRASTRUCTURE AND INSTITUTIONS 18
 - 2.5 CROSSING THE SUBJECT AREAS 23
 - 2.5.1 DIGITIZATION AND INNOVATION 23
 - 2.5.2 SOCIAL INCLUSION 24
 - 2.5.3 GOOD GOVERNANCE 25
 - 2.5.4 RESILIENCE TO CRISES AND NATURAL DISASTERS 27
 - 2.5.5 GENDER EQUALITY 28
 - 2.5.6 HUMAN RIGHTS 29
 - 2.6 SUMMARY OVERVIEW OF SITUATIONS, CONTRADICTIONS, AND GAPS 30
- 3 KEY STAKEHOLDERS 33
- 4 PROPOSAL VISION 35
- 5 RECOMMENDATIONS 36



1 Introduction

The Republic of North Macedonia, as a young and open economy, with high import dependence, is largely influenced by global trends, which bring with them various opportunities and potential for progress, but at the same time represent a challenge for every society. These trends are driven by various threats, such as climate change, health pandemics, military crises, and migrations intertwined with drastic changes in societies such as the digital and green transformation. The perception of these trends, taking into account their challenges and threats, is the basis for defining the development path of the Republic of North Macedonia. In this process, it is of particular importance to recognize the current state of the country in key strategic areas, especially regarding other countries in the region and Europe, in order to determine the main benefits and development opportunities of Macedonia, as well as the shortcomings for which a clear path and process of resolution should be defined.

In that direction, the government of the Republic of North Macedonia at the beginning of 2021 started the process of drafting a National Development Strategy (NDS) for the next 20 years, with support provided within the framework of a project implemented by the United Nations Development Program, UNDP, in coordination with the Office of the UN Resident Coordinator in North Macedonia in order to provide coherent contributions from all UN agencies in the country, and with financial support from the UK Good Governance Fund and from the Ministry of Finance of the Slovak Republic.

The process of developing the Strategy follows the principle of **broad consultation** ever since the beginning, including all stakeholders which are mapped as key stakeholders in the development and implementation of the Strategy. This includes not only the institutions within the three governmental branches but also the active involvement of academia and the business sector, non-governmental organizations, and citizens from all over the country (by actively involving representatives of vulnerable and marginalized categories of persons). All this was achieved by organizing **visionary workshops** and debates with citizens, in cities throughout the country, transparent and regular information through the digital platform www.nrs.mk, and establishing an operational structure responsible for planning, implementing, and monitoring the NDS. The main objective for the application of this approach is to build an intergenerational, interethnic, interparty, and gender consensus between key social actors.

The **Methodological Framework** of the National Development Strategy 2022-2042 developed and adopted (in March 2022), serves as a basis for enabling effective strategy development. It is particularly important that it defines the key principles and aspects on which the NDS should be based and what makes its role special and specific concerning other strategic documents:

Long term	NDS is a dynamic and current process that sets the main parameters along which the country should move
A systemic approach	bringing institutions together and building capacities for cooperation with a greater focus on horizontal strategies
Built-in adaptability	transition, change, and development require sustained, flexible and adaptive efforts from all relevant actors over a long period
Complementarity	NDS will ensure the integration of all current processes and priorities in all segments of the development of the country
Comprehensive funding	national and international public and private funds through the promotion of innovative sources for the realization of the priorities foreseen with the strategy

National Development Strategy – Conditions and Challenges

In the methodological framework, the "doughnut" approach which combines the concepts of the so-called "planetary boundaries" is used and it is supplemented by the concept of social limits that we must keep in mind if we want to maintain well-being. Planetary boundaries represent climate change, water conservation, chemical pollution, nitrogen/phosphorus loading, freshwater withdrawal, land conversion, biodiversity loss, air pollution, and ozone depletion. On the other hand, human well-being requires 12 key resources; water, food, health, education, income and work, peace and justice, political voice, social equality, gender equality, housing, networks, and energy. "The Safe and Just Space", or the green space of well-being, is located between these two boundaries and it is aimed at expanding on account of the lower social boundaries, which means that as many people as possible should be "withdrawn" to the well-being zone.

In the process of development of the NDS, [twenty-three studies \(i.e. baselines\)](#) were prepared by a large number of experts (the so-called [baselines](#)) for key strategic areas, which represent the current situation and provide a basis for extracting the key challenges for each of them. Based on these studies, the Macedonian Academy of Sciences and Arts prepared a [summary analysis](#) of the current situations and challenges in the Republic of North Macedonia, for the four thematic units: human capital, growth, environment and energy, and infrastructure and institutions.

This document summarizes all the conclusions drawn from the summary analyzes in thematic units and presents the current situation and the challenges in the country in one place, serving as the basis for the preparation of the National Development Strategy. In addition, the key stakeholders and the level of their involvement in the development and implementation of the Strategy are presented. Finally, based on the extensive broad consultations held and the analyzes made, potential visions were extracted for each thematic unit, as well as an overall vision for the development of Macedonia. According to the vision, a recommendation for new thematic units and an appropriate redistribution of the current strategic key areas in thematic units is also given. The draft visions, the thematic units, as well as the distribution of key areas in thematic units will be a discussion topic for the working groups, after which their final versions will be extracted too.

2 Overview of the current situation

This chapter provides an overview of the current situation by thematic units. It includes a review of current legislation, and strategic documents, as well as a presentation of the current situation with numbers, using statistical data. The overview of the current situation enables marking the main positive aspects at the end, marked with the sign "✓", while the challenges are marked with the sign "✗". Additionally, the main conclusions are drawn for each area. In the section on strategic documents, the documents that have been adopted and are in use are marked with 😊, the documents that have been adopted but passed are marked with 😞, as well as the documents that have not been adopted are marked with 😡, while the section on legislation marks the laws and by-laws which are currently in force 🛠️, the ones that are currently being developed 🖋️ and those that are yet to be developed or have not been adopted for a long time 🕒.

2.1 Human capital

Human capital is one of the key factors considered in the National Development Strategy because it mainly refers to the knowledge, skills, and abilities of the individual, which are seen as a value and benefit of a country. The benefit is in terms of increasing economic growth and development, as it provides the workforce with the skills and capabilities needed for innovations, production of goods and services, and competitiveness in the global economy. Investing in human capital through education and incentivizing science and research can result in a more productive and skilled workforce in the labor market, higher wages, a more stable pension system, and a stronger economy. Additionally, an educated and skilled population can lead to improved health and increased civic engagement, contributing to a more prosperous and stable society. Accordingly, human capital is analyzed from the following aspects:

- **Education** – a fundamental human right that improves a person's knowledge, skills, competences, and attitudes, thereby enabling a better life. Education is seen as a fundamental pillar for ensuring the sustainable development of the entire society and as an important tool to fight poverty, especially in developing countries. Quality education is the focus of interest of all countries because it represents the best investment that countries can make to build prosperous, healthy and just societies.
- **Science and research** - a key element that helps to improve the standard of living, takes into consideration the weak points of society, and, through research and innovation activities, offers solutions for investing in aspects that have a greater potential of contributing to accelerated sustainable development and growth of the state.
- **The health system, health insurance, and health infrastructure** - the right to health and the commitment to a universal, solidarity, and equal approach in the organization and financing of the health system, as well as the pursuit towards the highest attainable level of health regardless of ethnicity, gender, age, social status, or the ability to pay, are the basic principles on which the development of the health system is based.
- **Labor market** – key to a higher level of economic growth, because it determines the need and supply of a certain labor force. Creating a policy for employing quality and productive staff where the need for labor is greatest contributes to improving the performance of the workforce in companies and reducing unemployment, thus increasing social stability.
- **Social policy and pension system** - key to the social and economic stability of a country enabling access for all citizens to basic services and support and protection in their retirement years. This contributes to an improved quality of life, reduced poverty and inequality, and a more sustainable and secure future for all. Accurate identification, good understanding, and appropriate addressing of social risks are of crucial importance for the maintenance and promotion of social cohesion as the foundation of a sustainable society. The pension system plays a significant role in reducing poverty, even more than social transfers.


National Development Strategy – Conditions and Challenges

In order to understand the current situation in RN Macedonia, it is of particular importance to single out [the legislation](#) which regulates the area of Human Capital, as well as the valid [strategic documents](#) that represent the planned development of the country, presented in Table 1. It can be concluded that in the areas of the Labor Market and Social Policy and Pension System, there are certain strategic documents and plans whose validity has passed and it is necessary to renew them (marked in the table with 😞), such as the Program for Reforms in Employment and Social Policy (valid until 2022) and the National Program for the Development of Social Protection (valid until 2021).

TABLE 1. OVERVIEW OF LEGISLATION AND MORE IMPORTANT STRATEGIC DOCUMENTS IN THE HUMAN CAPITAL THEMATIC UNIT

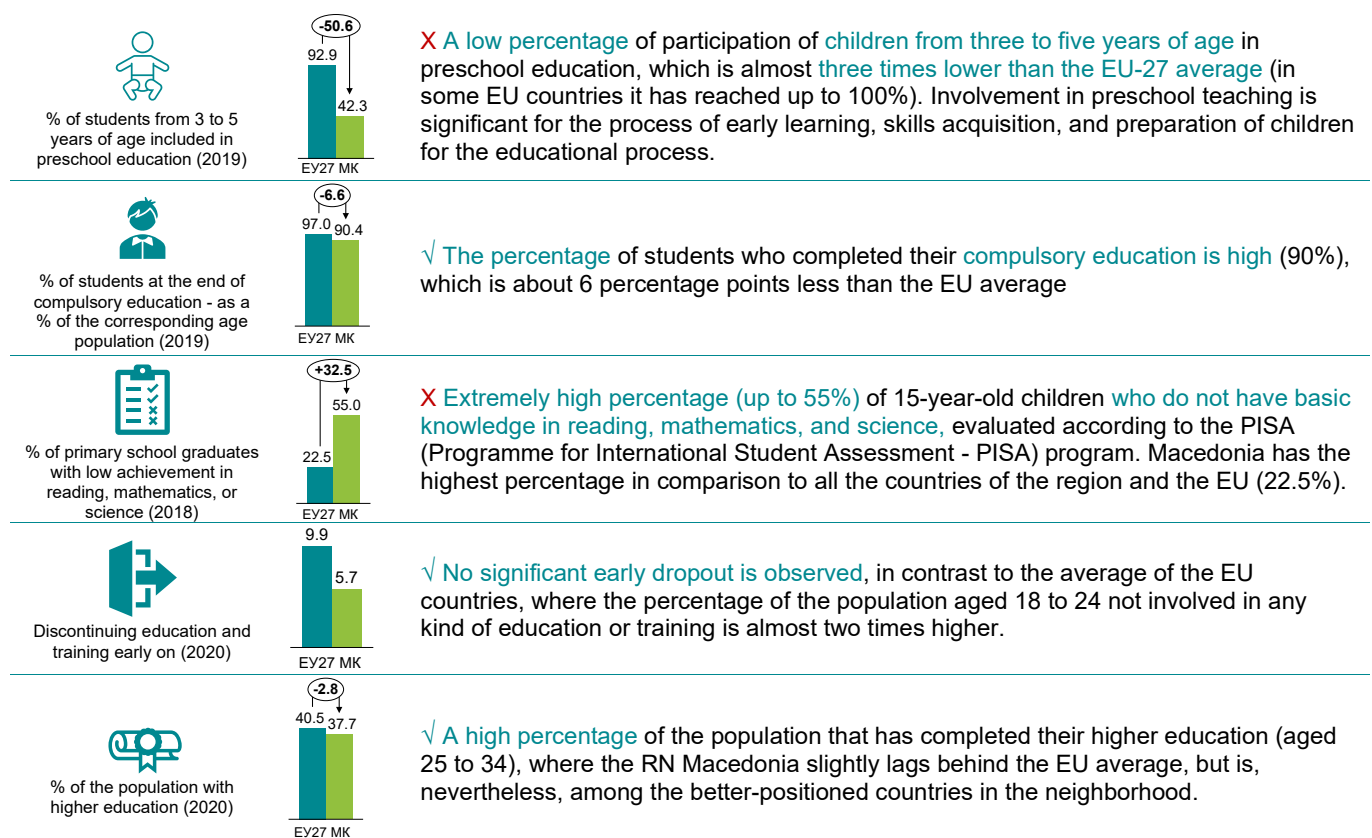
Area	Legislation	Status	Strategic documents	Status
Human Capital			Human Capital Strategy (in the development phase)	😊
Education, Science, and Research	<p>LAW ON:</p> <ol style="list-style-type: none"> Higher Education Scientific Research Work the Student Standard the Pupil Standard Professional Education and Training Teachers and Professional Associates in Primary and Secondary Schools Educational Inspection the Bureau for the Development of Education the State Examination Center Innovation Activity Open Civic Universities for Lifelong Learning Pedagogical Service the Sports Academy Adult Education Primary Education Secondary Education the National Qualifications Framework 	⚖️	<p>STRATEGY FOR:</p> <ol style="list-style-type: none"> Education 2018-2025 Adult Education 2019-2023 Gender Equality 2022 – 2027 Women's Entrepreneurship Development in the Republic of Macedonia 2019-2023 Youth of the Republic of Macedonia 2016 - 2025 	😊
Health System, Health Insurance and Healthcare	<p>LAW ON:</p> <ol style="list-style-type: none"> Health Protection Health Insurance 	⚖️	<p>STRATEGY FOR:</p> <ol style="list-style-type: none"> the Health of the Republic of North Macedonia 2021-2030 the Prevention of Oral Diseases in Children up to 14 Years of Age in the Republic of Macedonia for the Period 2018-2028, the Prevention and Control of Non-Communicable Diseases, the Control of Antimicrobial Resistance with an Action Plan 2019-2023, Promotion of Mental Health in the Republic of Macedonia September 2018 – 2025, Alleviation of Poverty and Social Exclusion in Macedonia 2010-2020 and <p>the Fiscal Strategy,</p>	😊
Labor Market	<p>LAW ON:</p> <ol style="list-style-type: none"> Employment and Unemployment Insurance Labor Relations Labor Inspection, Records from the Labor Field Employment of the Disabled Temporary Employment Agencies Private Employment Agencies Internship Volunteering Occupational Safety and Health Payment of Wages The Minimum Wage Peaceful Labor Disputes' Resolution Protection Against Harassment in the Workplace Prohibition and Prevention of Unregistered Activity Youth Allowance 	⚖️	<p>STRATEGY FOR:</p> <ol style="list-style-type: none"> Employment 2021-2027 Occupational Safety and Health 2021-2025 Promotion and Development of Volunteering 2021-2025 the Development of Social Enterprises 2021-2027 <p>Action Plan for the Implementation of the National Strategy for the Development of Social Enterprises 2021-2023</p>	😊
			<ol style="list-style-type: none"> Strategy for Formalizing the Informal Economy 2018-2022 National Program for Dignified Work 2019-2022 Operational Plan for Active Programs and Measures for Employment and Services on the Labor Market Youth Guarantee Implementation Plan 2020-2022 Action Plan for Employment of Young People 2016-2020 	😞
Social Policy and Pension System	<p>LAW ON:</p> <ol style="list-style-type: none"> Protection of Children Pension and Disability Insurance Mandatory Social Insurance Benefits Mandatory Fully Funded Pension Insurance 	⚖️	<p>STRATEGY FOR:</p> <ol style="list-style-type: none"> Employment 2021-2027 Roma 2014-2020, Deinstitutionalization 2018-2027 "Timjanik" 	😊

National Development Strategy – Conditions and Challenges

<p>5. Voluntary Fully Funded Pension Insurance</p>	<p>1. National Strategy: a. for the Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020 b. Elderly People 2010-2020 2. National Program for the Development of Social Protection 2011-2021 3. The Program for Reforms in Employment and Social Policy 2022</p>	
--	---	---

For each area of the thematic unit of human capital, analyzes of the current situation were conducted and were mentioned in the following text, and the positive aspects were outlined in terms of positive prerequisites and the negative aspects, noted as challenges.

The development of the educational process directly determines the labor market and social policies in the country and this process is analyzed through several indicators from which the following conclusions can be drawn:



Despite the significant percentage of the population with higher education, the following is still observed in the areas of science and research:



This situation indicates the need for imminent and radical changes in the educational system that will enable quality improvement, especially in primary education, but also an increase in the number of children attending preschool

National Development Strategy – Conditions and Challenges

education. It is obvious that, although education is often subject to reforms, there is a lack of continuity primarily due to political influences. Changes are also necessary in the labor market with better utilization of the skilled labor force, the establishment of clear employment criteria, and increased opportunities for professional achievement, especially in sectors important for the growth and development of society. All this warns of the need for urgent changes and serious investment in research and development, which are considered vital activities in building society.

To improve the well-being of citizens and to reduce the risk of poverty and **social exclusion**, it is necessary to take into account the indicators that show the economic power of the citizens, as well as their activity in the educational system and **the labor market**. In that regard, several conclusions have been drawn:



X The rate of unemployed persons for longer than 12 months has decreased from 26% in 2010 to **12.4%** in 2020, but it is still far from the EU average (**2.5%**)



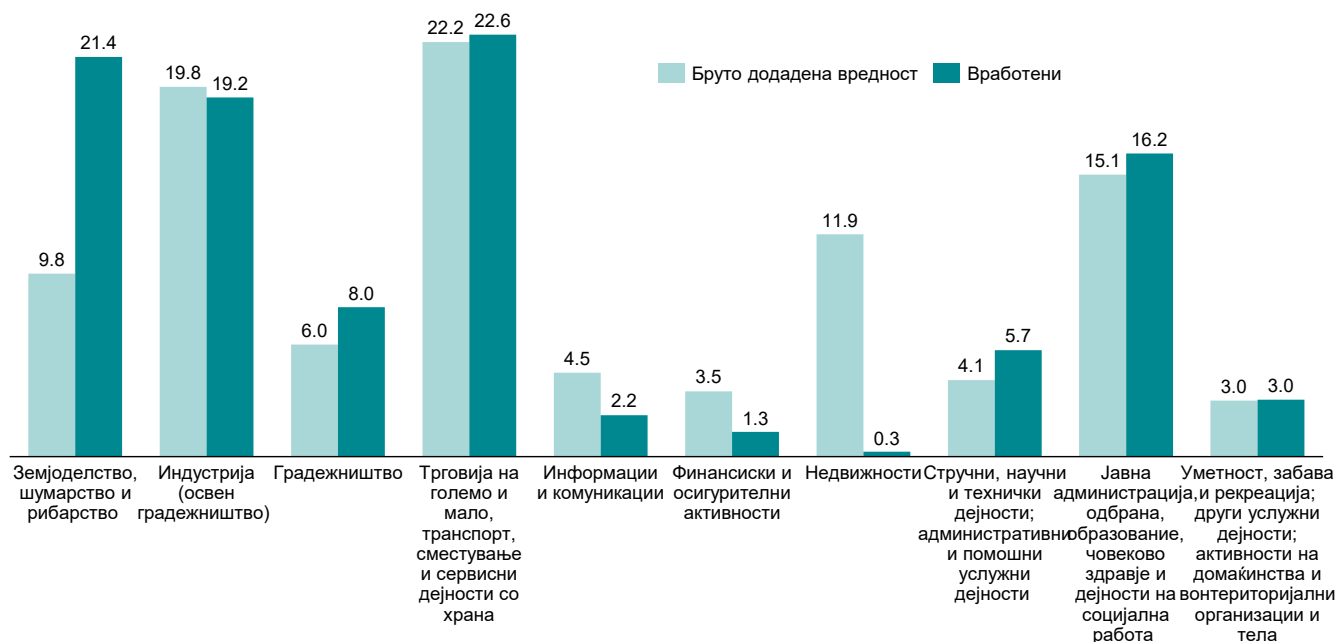
X A high percentage (**33%**, 2020) of socially endangered persons, i.e. citizens who are at risk of poverty, including those who are materially deprived or live in households with a very low intensity of work activity. Macedonia is in a rather unenviable position and it consists of 50% more socially vulnerable people than the EU, and in the region, only Albania, Montenegro, and Bulgaria are in a worse situation



X There is a high rate of persons aged 15 to 29 who are not employed and not involved in any education or training (RN Macedonia ranks in the highest position, together with Montenegro)

The labor market is quite dispersed with the largest number of employees in the following sectors: Wholesale and Retail Trade (22.6%), Agriculture (21.4%), Industry (19.2), and Public Administration (16.2), but what is interesting is that the number of employees does not always correspond to the added value of that activity. For example, Agriculture is one of the sectors with the largest number of employees (21%), but the added value of this sector is about 10%. In contrast, the real estate sector consists of 0.4% of the employees, but the added value is even greater than that of the agriculture sector and amounts to about 12%.

FIGURE 1. % OF EMPLOYEES AND ADDED VALUE BY THE MOST SIGNIFICANT ACTIVITIES












The future development of the Macedonian labor market should take place in the direction of reducing unemployment further through the creation of quality and highly productive employment opportunities. In this way, the performance of the workforce in the companies would increase, which, in turn, would lead to a higher level of economic growth and a decrease in the number of socially endangered persons. However, the Macedonian labor market is facing a number of challenges that require appropriate treatment in the upcoming period, such as low

National Development Strategy – Conditions and Challenges

labor productivity, mismatch of demand and supply of skills, employment in the informal sector, long-term unemployment and erosion of human capital, emigration and "brain drain," social exclusion, and vulnerable groups. The common labor market promoted by "Open Balkans" can open up additional opportunities, but it can also disrupt the labor market in Macedonia, so caution is needed.

The analysis of [the health system](#) in Macedonia shows that although it has evolved over the years, there are still a large number of weaknesses and the following is a summary of the main conclusions:

 <p>√ A high percentage (90%) of the population is covered by the social scheme for health insurance</p>	 <p>✗ The average life expectancy in Macedonia is approx. 76 years (2019), and is about 5.5 years shorter than the average life expectancy in the EU</p>	 <p>✗ The mortality is 60%-70% higher for newborns (5.2%) and infants (3.9%) compared to the EU (3.2% and 2.3%), 2020.</p>	 <p>√ There is a high level of access to health services, that is, the percentage of unmet needs for medical examination and care is marginally better than the EU average and significantly more positive compared to the countries in the Region.</p>
 <p>✗ Child mortality is 75% higher in Macedonia (5.9%, 2020) compared to the EU (3.9%)</p>	 <p>√ Total expenditures as a percentage of GDP are on an upward trend, reaching 7.3% in 2019, but they are 2.5 percentage points lower than the EU average</p>	 <p>✗ Total public health expenditures, as a percentage of public expenditure, are decreasing, in contrast to developed countries, where they are increasing</p>	 <p>✗ An alarmingly high percentage of insured people pay out of their pocket for health services (41%), and the EU average is 15% (According to the methodology of the World Health Organization, a tolerable level of private payments as a % of total health expenditures ranges between 15% and 30%; anything over 30% is called the danger zone).</p>
 <p>✗ 95% of all deaths occur due to non-communicable diseases (cardiovascular diseases, cancer, diabetes and chronic-respiratory diseases)</p>			

In conclusion, in North Macedonia, both newborn and infant mortality rates are high, and there is a high percentage of deaths from non-communicable diseases despite the fact that there is a high level of access to healthcare services and a large percentage of the population is covered by social health insurance schemes. However, a large number of insured individuals opt for private healthcare. The higher the percentage of the population opting for private healthcare, the worse the public health protection, equality in financing, and the use of health services become in the system. A country with good health performance (with a sustainable health system) is one that expands the coverage of healthcare services for the population, while at the same time expanding financial protection in the context of good health outcomes for the population with average or below-average costs. Expanding the coverage of health services and increasing their quality will contribute to extending the life expectancy of citizens.

2.2 Growth

Growth is a complex and multidimensional thematic unit, which, first of all, includes the economic aspect, which is a pillar for the development of a country, but also other components that are closely correlated to the overall growth of the country. Consequently, the following areas are covered in this thematic unit:

- **economic development** - Economic development incorporates economic growth, i.e. the quantitative increase of the real gross domestic product from year to year and it also refers to major qualitative structural changes in other spheres of social life - technology, the social and institutional sphere, the sphere of income distribution, the environmental sphere, etc. The concept of so-called green growth, green investments, and the creation of green jobs can make a special contribution to long-term economic development because it is most directly related to the introduction of technological innovations in a large number of economic sectors and especially in the energy sector.
- **trade and competitiveness** - Today, international trade is one of the basic levers of economic growth and development, because it enables access to new markets, promotes innovation, increases consumer choice, and increases competitiveness.
- **agriculture, agricultural infrastructure, and food safety** - enables the use of available domestic development resources, primarily the agricultural land and workforce (especially in rural areas), ensures stability in food production and the supply of food to the population, and ensures a stable development and sustainability of rural areas.
- **balanced regional development** - has a synergistic potential to significantly accelerate and raise the quality of the development performance of the economy and society as a whole. Regional development is a process of identifying, stimulating, and managing the development potential of planning regions, with the aim of ensuring rational and sustainable use of regional resources and raising the standard of living and well-being of the citizens of the country.
- **tourism** - a sector with a multidimensional impact on economic growth and development by generating income, creating jobs, and stimulating local economic activity
- **sports and youth** - Sport as a social phenomenon is a crucial and established part of modern society and it represents a tool for achieving better economic, social, and cultural development, while the youth, in every society, are the bearers of positive changes, they represent a driving force and a key resource for achieving social progress.
- **culture and cultural heritage** - a vital aspect of the development of a country, through which not only the identity of the country is defined, but also the economic and social benefits, by encouraging the creativity and innovativeness of people, increasing the attractiveness of tourist centers, as well as stimulating economic activities in other sectors such as transportation, hospitality, etc. Cultural heritage is a fundamental value and is defined as a legacy of tangible and intangible goods that are an expression or testimony of human creativity in the past and present.

In the thematic unit Growth, the fundamental **legislation** regulating the area, as well as **strategic documents** representing the planned development of the country in this direction are shown in Table 2. It can be concluded that a severe shortcoming in this thematic unit is the lack of a spatial plan, which is of particular importance for regional development. Furthermore, there is a certain number of strategic documents whose validity has passed, and most of them covered the period until 2020, such as Strategies for innovation, competitiveness, sports, tourism, cultural development, etc.

In order to understand the current situation in RN Macedonia, it is of particular importance to single out **the legislation** regulating the area of Human Capital, as well as the applicable **strategic documents** representing the planned development of the country, presented in Table 2. It can be concluded that in the areas of the Labor Market and

National Development Strategy – Conditions and Challenges

Social Policy and Pension System, there are certain strategic documents and plans whose validity has passed and it is necessary to renew them (marked in the table with 😞).

TABLE 2. OVERVIEW OF LEGISLATION AND MORE IMPORTANT STRATEGIC DOCUMENTS IN THE THEMATIC UNIT GROWTH

Area	Legislation	Status	Strategic documents	Status
Economic Development	LAW ON: 1. Budgets 2. Balanced Regional Development 3. Industrial and Green Zones 4. Strategic Investments Green Agenda for the Western Balkans		1. Fiscal Strategy for the Period 2022 – 2024 (with prospects until 2026) 2. Strategy for the Reform of the Tax System 2021-2025 3. Plan for Fiscal Sustainability and Economic Growth Support: Policies, Recommendations, Measures, and Indicators, 4. Plan for Accelerated Economic Growth 2022-2026 5. Strategy for Balanced Regional Development of the Republic of North Macedonia 2021-2031 6. Industrial Strategy of the Republic of Macedonia 2018-2027, with an Action Plan 7. National Strategy for Small and Medium Enterprises (2018-2023) 8. Strategy for the Development of Energy in the Republic of North Macedonia until 2040 9. Waste Management Plan of the Republic of North Macedonia for 2021-2031	
			National Innovation Strategy (2012-2020)	
Trade and Competitiveness	LAW ON: 1. Financial Support of Investments 2. Innovation Activity 3. Industrial Property		1. Industrial Strategy of the Republic of Macedonia 2018-2027, with an Action Plan 2. National Strategy for Small and Medium Enterprises 2018-2023 3. Strategy for the Women's Entrepreneurship Development in the Republic of Macedonia 2019-2023 4. Strategy for Regional Development of the Republic of North Macedonia 2021-2031 5. Education Strategy 2018-2025 6. Adult Education Strategy 2019-2023 7. Plan for Accelerated Economic Growth 2022-2026 8. Competitiveness, Innovation, and Entrepreneurship Program 9. Economic Reforms Program 10. Smart Specialization Strategy (in the development phase)	
			1. Strategy for Competitiveness with an Action Plan of the Republic of Macedonia 2016-2020 2. Innovation Strategy of the Republic of Macedonia 2012-2020 3. Strategy for Entrepreneurial Learning 2014 – 2020 4. Action Plan for Employment of Young People 2016-2020 5. National Strategy for Sustainable Development in the Republic of Macedonia 2009-2030	
Agricultural Infrastructure and Food Safety	LAW ON: 1. Agriculture and Rural Development 2. Agricultural Land, 3. Consolidation of Agricultural Land, 4. Quality of Agricultural Products 5. Organic Production 6. Livestock 7. Seeds and Seedlings 8. Fertilizers 9. Forests 10. Fisheries and Aquaculture 11. Waters 12. Water Economies 13. Water Communities 14. Pastures 15. Tourism Development Zones 16. Protection and Welfare of Animals 17. Food Safety 18. Wine 19. Phytopharmacy		1. National Strategy for Agriculture and Rural Development for the Period 2021-2027 2. Instrument for Pre-Accession Assistance for Rural Development – IPARD Program III (2021-2027), 3. Strategy for Food Security of the Republic of North Macedonia for the period 2021-2025	
			1. National Program for the Development of Agriculture and Rural Development for the Period 2018-2022, 2. National Plan for Organic Production 2013-2020	

National Development Strategy – Conditions and Challenges

Area	Legislation	Status	Strategic documents	Status
Balanced Regional Development	LAW ON: 1. Balanced Regional Development 2. Local Self-Government, 3. the Territorial Organization of Local Self-Government in the Republic of Macedonia, 4. Intermunicipal Cooperation, 5. Financing of Local Self-Government Units		1. Strategy for Regional Development of the Republic of North Macedonia 2021-2031, 2. Program for the Implementation of the Strategy for Regional Development of the Republic of North Macedonia for the Period 2021-2024, 3. Programs for the Development of Planning Regions 4. Program for Sustainable Local Development and Decentralization of the Republic of Macedonia 2021-2026 5. Fiscal Strategy of North Macedonia for 2021-2023	
Tourism	LAW ON: 1. Tourism Activity 2. Catering Activity 3. Protection of the Natural and Cultural Heritage of the Ohrid Region 4. Protection of Cultural Heritage 5. Nature Protection		1. Strategic One-Year Plans of the Agency for Promotion and Support of Tourism 2. Sub-strategy for the Development of Rural Tourism in RN Macedonia 3. Sub-strategy for the Development of Active Tourism in RN Macedonia 4. Sub-strategy for the Development of Cultural Tourism in RN Macedonia 5. Strategy for Regional Development of the Republic of North Macedonia 2021-2031 - Assembly of the Republic of North Macedonia 6. Programs for the Development of Planning Regions of the Republic of Macedonia 2021-2026 7. Plan for the Management of the World Natural and Cultural Heritage of the Ohrid Region with an Action Plan (2020-2029)	
			1. National Strategy for Tourism of the Republic of Macedonia (2016-2021) 2. National Strategy for the Development of Culture in the Republic of Macedonia in the Period 2018-2022 3. National Strategy for Rural Tourism 2012-2017 4. The National Strategy for Sustainable Development in the Republic of Macedonia (2009-2030)	
			Spatial Plan of the Republic of Macedonia 2002-2020	
Sports and Youth	LAW ON: 1. Sports 2. Prevention of Violence and Misbehavior at Sports Events 3. Primary Education 4. Youth Participation and Youth Policies 5. Secondary Education 6. Higher Education 7. Pupil Standard 8. Student Standard 9. Volunteering 10. Internship		1. Strategic Plan of the Agency for Youth and Sport 2021-2023 2. Sports and Youth Development Program 3. Health Strategy of the Republic of North Macedonia 2021-2030 4. National Strategy for Gender Equality 2021-2026 5. National Strategy for Prevention of Corruption and Conflict of Interest 2021-2025 6. National Youth Strategy 2016-2025 7. National Employment Strategy 2021-2027	
			1. National Strategy for Sports (2013-2017) 2. National Strategy for Equalization of the Rights of Persons with Disabilities 2010-2018	
Culture and Cultural Heritage	LAW ON: 1. Protection of Cultural Heritage, 2. Culture 3. Publishing Activity 4. Monuments and Memorial Sites 5. Copyright and Related Rights 6. Financial Support for Artists		1. National Strategy for the Development of Culture in RNM for the Period 2018/2022, 2. Strategic Plan of the Ministry of Culture 2022-2024	

In our country, there is a large number of factors that decrease the possibilities of more dynamic development, such as low productivity, unfavorable demographic trends, low utilization of innovative capacity, low level of efficiency of the country in promoting development, slow progress in EU integrations, etc. The following is highlighted in the form of significant indicators of the level of **economic development** and the **trade and competitiveness** situation:





X Extremely low GDP per capita (4100 EUR, 2020), lagging 6.5 times behind the EU average (26.440 euros), as well as other countries in the Region.

X Low GDP per capita expressed in terms of purchasing power (13400 EUR, 2021), lagging behind the EU

√ A tendency of reducing the disparity in the degree of economic development per region measured by





X The composite indicator of competitiveness is the weakest among countries in the wider

National Development Strategy – Conditions and Challenges

	average by about 2.5 times (32300 EUR).	GDP/per capita. The Skopje region is the most developed, followed by the Vardar, Southeast, and Pelagonia regions.	region, Macedonia ranks on 82nd place in the world out of 141 countries
 <p>X A continuous decline of the total factor productivity, that is, it has a negative contribution to the growth of the economy, which is due to the low innovation capability of the economy and the downward trend in human capital quality</p>	 <p>X Lower percentage participation (33.9%, 2020) of employment in the industry with a high and medium technology component and in the knowledge-based services sector compared to the average participation in the EU-27 countries (46.3 %)</p>	 <p>√ Macedonia's largest trade partner is the EU, exports from Macedonia to the EU account for about 80%</p>	 <p>√ A trend of constant growth of export and import of goods which has reached 16.5 billion EUR in 2021 or an increase of 68% compared to 2015. The growth dynamics of imports are higher compared to export.</p>

The Republic of North Macedonia is a country with a low development, performance significantly lower than that of the countries in the region. All indicators of the productivity of the Macedonian economy explicitly show that it has, for a long time, been maintained at an extremely low level. The integration of technological innovations, research and development, education, the social component (a more even distribution of income), and the ecological component (environmental protection) in long-term economic development are important assumptions for the improvement of the development performance of the Macedonian economy and Macedonian society. At the same time, the concept of so-called green growth, green investments, and the creation of green jobs can make a special contribution in this direction, because it is most directly related to the introduction of technological innovations in a large number of economic sectors and especially in the energy sector.

Agriculture, the key to utilizing domestic development resources and one of the areas employing the largest number of people, can be shown with the following parameters:

 <p>X Average participation of agriculture in GDP of 9% between 2011-2020</p>	 <p>X The average deficit of agri-foodstuffs in terms of foreign trade was about EUR 200 million in 2020.</p>	 <p>X The extremely low percentage of arable land under organic production (0.3%) compared to the EU (9.1%) (2020)</p>	 <p>√ The total use of freshwater as a percentage of renewable freshwater resources (groundwater and surface water) was about 3.2% in 2019 and it was almost on the same level as in the EU (3.6%). Countries where water consumption in agriculture is large have a high index, such as Greece (13.3%), Italy (7.3%)</p>
---	---	--	---


The key problems and challenges in the domain of the agricultural sector and food safety leading to a low productivity and competitiveness and low incomes for farmers are: the large fragmentation of agricultural land, with a tendency towards further fragmentation, resulting in a lack of economies of scale and the inability to use available machinery; unfavorable educational structure of the workforce in agriculture and the absence of managerial and entrepreneurial knowledge and skills among employees; low level of investment in agriculture; outdated infrastructure; poorly designed government support system for agriculture, which absorbs large budget resources and delivers unsatisfactory effects; tendency to reduce livestock, inadequate protection of forests; insufficient fulfillment of food safety requirements related to biosecurity measures, animal welfare criteria, raw milk safety standards, and veterinary public health; furthermore, the implementation of good production practices and the harmless disposal of animal by-products, as well as the proper protection of the plants, by the operators, and in the first place by the primary producers and a tendency towards a decline in the livestock population;


National Development Strategy – Conditions and Challenges

Balanced regional development is shown through various indicators in the area of economic development, tourism, and other areas. The following can be drawn as a conclusion:


In order to maintain the tendency of mitigating regional disparities in development and to ensure a further reduction of hypertrophy (economic, demographic, social, etc.) of the Skopje region and especially of the city of Skopje, resulting in numerous diseconomies and risks towards the resistance to crises and natural disasters, the following is necessary: a complete alignment of all strategic documents with the new Law on Balanced Regional Development from 2021; strengthening the coordination and inter-institutional cooperation of stakeholders in the area of balanced regional development; building and strengthening the institutional capacities of competent authorities, especially on a local level; establishing continuity in the monitoring and implementation of strategic documents from the area. Additionally, although when it comes to balanced regional development, the focus is primarily placed on economic growth, the economic development of regions incorporates other spheres of social life – environmental protection, social inclusion, quality education, culture, sports, dealing with risks and disasters, connectivity (road and railway infrastructure and digitalization) etc.

Tourism has a significant potential of increasing the economic growth of the state and many other benefits, such as regional development, development of agriculture, food production, etc. However, information on the state of tourism in Macedonia is summarized as follows:

 X The participation of tourism in the formation of GDP in RN Macedonia is almost the lowest in the region, i.e. tourism in 2018 contributed 3% to GDP (3.9% in EU).


 X Half of the total overnight stays are in the Southwest planning region (2019). Skopje is the second one, with 21%, while the third one is the Southeast with 17%. The other planning regions have insignificant participation.


 X A constant growth of the number of foreign tourists is noted, reaching a peak in 2019 when 1.58 million overnight stays of foreign tourists were recorded. The Covid-19 pandemic caused enormous damage to Macedonian tourism and led to a drop in international tourist arrivals of around 85% in 2020 compared to 2019


 X Low bed utilization - 27% in 2019, compared to the EU, where the average is 50%


It is necessary to pay special attention to the diversification of the tourist offer and to raise its quality to a much higher level. It is particularly important that tourism includes numerous aspects of the country's rich cultural and historical heritage and the specifics of Macedonian cuisine and Macedonian food in its offer, taking into account the peculiarities of individual tourist regions, the infrastructure and services. This orientation will have a significant impact on the development of agriculture and food production, as well as the development of rural tourism as a sub-sector with significant, but unused potential for now.

Youth and sports can be high-level ambassadors of the country, but the challenges this area is facing are huge, and some of them are shown below:

 X A low level of doctors of science (0.64 per 1000 inhabitants up to 35 years old), 3.5 times lower than the EU average (2.1 per 1000 inhabitants)

 X 70% of young people have never been consulted by the authorities, neither on a local nor on a central level, for creating policies related to solving the problems they face

 X High obesity rate according to body mass index (BMI) (55.7, 2017), which is somewhat higher than the rate in the EU (52)

 X Half of young people (50%, 2014) aged 15 to 29 do not play sports and do not do any physical activity. Only 1% are actively involved in sports.

In the field of youth and sports, an increase in investments in the development of sports, as well as the provision of opportunities and conditions for better education are more than necessary. Introducing a merit system in the sphere of public administration (on a local and central level) so that we can retain young and highly educated staff

in the country is necessary. Strengthened campaigns for the acquisition and practice of healthy habits by young people should be carried out.

Cultural heritage and its specifics such as archeology, music, literature, language, and other national features (multiethnic and multicultural society) are what make our country different from others. As a country, we have a large offer, but the question is whether it has been used.



recorded

✓ About 6000 archaeological sites have been



✗ There is low attendance at cultural events, three times less compared to the EU average

In the area of Culture, one of the main challenges is primarily the preservation of cultural heritage, language and tradition and the inclusion of cultural events and locations in the tourist offer. To achieve this, financial support and regional and international cooperation are needed, as well as an increase in managerial abilities.

2.3 The environment and energy

The environment and energy are interrelated and key aspects of the economic, social, and environmental well-being of a country. The way a country produces and uses energy has a significant impact on the environment and climate change. On the other hand, a healthy environment is important for human well-being since it provides clean air, proper waste management, contributing to a fertile soil for food production, and the conservation of natural resources important for economic development. The following are individual areas that are considered in this context:

- **Nature protection and biological diversity** – key to maintaining the balance of ecosystems, preserving natural resources, and promoting sustainable economic development. Also, preserving biodiversity helps to ensure the survival of various species, which play a very significant role in maintaining the health of the planet, such as pollination, climate regulation, and pest control.
- **Climate change** – one of the most critical aspects that must be included in a national development strategy, because it is a global problem and each country reflects its readiness to deal with this problem in its strategy. The introduction of appropriate policies and measures of mitigating climate change contributes to environmental protection, economic stability and growth, and dealing with the social implications.
- **Air quality** - of particular importance for promoting public health and well-being, social justice, as well as economic stability, and environmental preservation
- **Waste management** - an important aspect because it affects ecological, economic, and health systems and contributes to sustainable development. Appropriate investment and waste management contribute to a cleaner, healthier, and more sustainable future, with preserved resources and reduced emissions.
- **Energy** – of crucial importance in several aspects. On the one hand, it can significantly contribute to climate change. That is why energy can be considered to have the greatest potential for reducing emissions, and green transformation, contributing to green jobs, that is, economic benefits. A reliable and sustainable energy system is key to ensuring the steady growth of industries and businesses, improving the standard of living, and reducing poverty. A secure energy system also improves the country's independence, reducing the impact of energy price volatility and enabling access to energy in times of crisis.

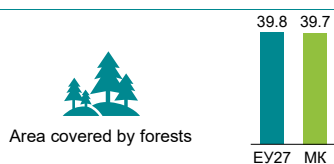
To understand the current situation in terms of the environment and energy, it is of particular importance to single out the most important **legal acts** regulating this area, as well as the applicable **strategic documents** representing the planned development of the state, which are shown in Table 3. In this thematic unit, several legal acts which are in the stage of being written or adopted are noted, but there are also those whose drafting has yet to begin. One of the more significant laws that have been drafted for a long time and are awaiting their adoption is the Law on Climate Action and the Law on Biofuels. Of the strategic documents, a key document that is outdated for this thematic unit is the Waste Management Strategy, which has not been renewed (it was valid for the period until 2020), as well as the Program for the Implementation of the Energy Strategy until 2040 (which has been developed but not adopted). The Air Pollution Reduction Plan needs to be renewed as well.

National Development Strategy – Conditions and Challenges

TABLE 3. OVERVIEW OF LEGISLATION AND MORE IMPORTANT STRATEGIC DOCUMENTS IN THE THEMATIC UNIT ENVIRONMENT AND ENERGY

Area	Legislation	Status	Strategic documents	Status	
Environment, Climate Change, and Habitats	Nature Protection and Biological Diversity	Law on Nature Protection		NATIONAL STRATEGY FOR: 1. Nature Protection (2017– 2027) 2. Biodiversity with an Action Plan (2018-2023)	
	Air Quality	Law on Ambient Air Quality		1. National Plan for Ambient Air Protection 2. National Program for Emission Reduction 3. National Plan for the Reduction of Air Emissions for Large Combustion Plants (2018-2027)	
				Air Pollution Reduction Program for 2019 Air Pollution Reduction Plan 2019-2020	
	Climate Change	1. Law on Environment 2. Law on Nature 3. Law on Environmental Inspection		1. Long-term Strategy for Climate Action with an Action Plan (until 2050) 2. National Energy and Climate Plan 3. Revised Nationally Determined Contribution to Climate Change 4. Fourth National Climate Change Plan	
		1. Law on Nature 2. Law on Environmental Inspection 3. Law on Climate Action			
		1. Law on Wildlife Trafficking 2. An integrated framework and system for effective monitoring of land degradation and biodiversity 3. Fully transposing the changes to the EU air directives			
Waste Management	LAW ON: 1. Waste Management 2. Management of Packaging and Packaging Waste 3. Extended Producer Responsibility of Producers for Managing Specific Waste Streams 4. Management of Additional Waste Streams in the Extended Producer Responsibility System (textiles, rubber, oils, and vehicles) 5. Management of Electrical and Electronic Equipment and Waste Electrical and Electronic Equipment 6. Management of Batteries and Accumulators and Waste Batteries and Accumulators 7. Environment		1. National Waste Management Plan (2020-2030) 2. Regional Plans for Eight Planning Regions 3. Municipal Waste Management Programs		
			Strategy for Waste Management (2008-2020)		
Energy	LAW ON: 1. Energy 2. Energy Efficiency		STRATEGY FOR: 1. Energy Development until 2040 2. Climate Action until 2050 National Energy and Climate Plan Fourth National Action Plan for Energy Efficiency (NAPEE)		
	Law on Biofuels		Program for the Realization of the Energy Strategy until 2040		

For the thematic unit environment and energy, analyzes of the current situation were carried out and mentioned in the following text, and the positive aspects were outlined, i.e. the prerequisites, and the negative aspects, noted as challenges. In relation to the environment, several main parameters are given below:



✓ The percentage of forest coverage is at the same level as the EU average (~40%, 2018)

National Development Strategy – Conditions and Challenges



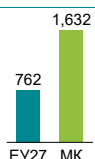
Protected areas



✗ Low percentage of protected areas from the total territory (12.5%), two times less than the EU average (26%, 2021)



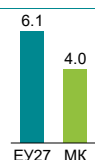
Years of life lost due to exposure to PM 2.5



✗ Macedonia (1632, 2019) has lost twice as many years of life compared to the EU (762) due to exposure to PM 2.5



Greenhouse gas emissions per capita



✓ RN Macedonia has about 35% lower greenhouse gas emissions per capita compared to the EU-27 (2019).

Maintaining forest coverage, but increasing the protected areas while simultaneously ensuring economic growth in those areas. The low energy consumption, however, and the years of life lost due to exposure to PM2.5, indicate that Macedonia is more than two times worse than the EU-27, however, it is not so different from the countries in the Western Balkans and Bulgaria, which is mainly due to the large consumption of biomass in these countries, also considered a renewable source of energy, and it enables a higher percentage of RES participation. It is necessary to replace the inefficient biomass stoves with efficient ones, but also with heat pumps (inverter air conditioners) which are also considered a renewable source, due to their high efficiency. The low greenhouse gas emission level should be maintained and decreased with various renewable energy sources.

The energy situation, as an area with a very significant impact on the environment, can be analyzed based on the following information:



✗ Low consumption of primary energy per capita (1.2 toe, 2020), more than two times lower than the EU (2.8 toe).



✗ Low consumption of final energy per capita (0.9 toe, 2020), two times lower than the EU (2 toe).



✗ Low household final energy consumption per capita (248 kgoe, 2020), more than two times lower than the EU (555 kgoe).



✗ Macedonia did not achieve the goal of 23% for the share of renewable sources in gross final energy consumption in 2020 (when it reached ~19%), unlike the EU, which exceeded the set goal by 2% and reached 22% in 2020.



✗ Low productivity per unit of energy consumed, almost three times lower than the EU. Macedonia generates 3.3 euros (2020) with 1 kgoe, while the EU generates 8.8 euros with the same energy



✗ 24% (2020) of the population cannot heat their home due to the level of poverty, which is more than three times the percentage of the EU (7%)

The underdeveloped economy and energy poverty contribute to a consumption of primary and final energy which is almost two times lower, resulting in low greenhouse gas emissions per inhabitant. It is necessary to maintain a low level of consumption of primary and final energy per capita, but with an increase in economic growth, which means a higher productivity per unit of consumed energy, reduction of energy poverty, and implementation of energy efficiency measures

Waste is the sector with the fastest-growing greenhouse gas emissions in Macedonia and it has a negative impact on the environment and as such, it requires special attention. The main shortcomings of this sector, which can be singled out, are:



✗ A minor percentage of waste recycling of 0.7%, in contrast to the EU, where the percentage is 48%.



✗ A lack of sewage treatment plants



✗ A lack of standardized landfills for municipal waste

In the area of Waste, the immediate opening of landfills that meet the highest standards is necessary. However, in addition to that, work on reducing the amount of waste that is taken to landfills should also be done, primarily by increasing the rate of recycling. At the same time, the treatment of wastewater should not be neglected, primarily by building treatment plants.

2.4 Infrastructure and institutions

Infrastructure and institutions are important to a country because they provide the basis for economic growth and development. Infrastructure such as transportation systems, communication networks, and energy facilities enable the economy to function smoothly by facilitating the flow of goods, people, and information. Institutions, such as a well-functioning legal system, transparent government, and stable financial markets, provide a stable and predictable environment for businesses to operate in, which attracts investment and drives economic growth. In addition, strong institutions are necessary to promote good governance, reduce corruption and protect the rights and freedoms of citizens. In that direction, this thematic unit covers the following aspects:

- **Transportation infrastructure** - necessary for connecting people and goods, the competitiveness of the national economy, sustainable balanced regional development, and the improvement of the quality of life. All this can be achieved by proper planning of the transportation infrastructure, which will increase people's mobility, provide people with access to basic services and facilities, such as health care, education, and recreation, road traffic casualties will be reduced as well as the greenhouse gas emissions, and the access to markets, jobs, and services will increase, especially in rural and remote areas.
- **Water management and water management structure** - water is a vital natural resource and a key driver of social and economic development. It is an indispensable part of the food and energy production systems on which the economy and life rely as a whole. The degradation of aquatic ecosystems is the result of the combined impact of pressures related to development (e.g. demographic change, urbanization, agriculture, industrialization) and global change (e.g. climate change).
- **ICT sector and broadband infrastructure** - a vital role in promoting economic growth, improving education, health, good governance, and bridging the digital divide. Broadband infrastructure helps businesses increase productivity and competitiveness and enables individuals to access a variety of information and opportunities online. In education, they enable the use of digital learning tools and online resources, providing access to education for people who might not otherwise have it, in healthcare, it can improve patient outcomes by enabling remote consultations, reducing the need for in-person visits, and increasing access to health services for people in rural and remote areas. Furthermore, ICT and broadband infrastructure also play an important role in promoting good governance by increasing transparency, reducing corruption, and providing citizens with online access to government services.
- **Spatial planning** - helps ensure efficient and sustainable use of land and resources. It helps reduce the risk of uncontrolled urban sprawl, promotes compact and efficient land use, and protects natural areas and cultural heritage. Spatial planning can support economic development by identifying areas for investment and development, where the necessary infrastructure and services will be provided to support these activities. This can help create better communities, increase access to employment and services, and drive sustainable economic growth. In fact, the role of spatial planning is the promotion of long-term and sustainable socio-economic development and the prevention of its harmful impact on the environment.
- **Rule of law and fight against corruption** - implies a system of functioning of state and social institutions in accordance with legal provisions. The democratic government is based on the rule of law and judicial independence. In order for the institutions to work according to the law, it is necessary to have and effectively implement anti-corruption protection mechanisms. There is a strong connection between the rule of law and the security and stability of the country. The legal and transparent functioning of state institutions is a key prerequisite for the country's development.
- **Public finance and fiscal policy** - a key role in managing the economy and promoting economic growth. Public finance is about government revenue and expenditure and its management, while fiscal policy is about the use of government expenses and taxation to influence the economy. It helps to mitigate fluctuations in economic activity, especially in times of economic crisis, but also in periods of rapid economic growth. It also

National Development Strategy – Conditions and Challenges

plays an important role in tackling income inequality and promoting social welfare. The government can use tax policies to redistribute income from high-income individuals to low-income individuals, thereby reducing poverty and improving the standard of living. Additionally, fiscal policy can be used to support public goods and services, such as education, health protection, and infrastructure, which can lead to a more just and efficient distribution of resources.

- **Public institutions** - provide the basis for a functional and stable society, enforce the rule of law, promote good governance, provide basic services, and support economic development and social welfare. Public institutions include the legislature, the executive, and the judiciary, as well as government agencies and departments responsible for specific functions such as education, health, and defense.

In the thematic unit Infrastructure and institutions, the basic **legislation** regulating the area, as well as **the strategic documents** representing the planned development of the country in this direction are shown in Table 4. This thematic unit, unlike all the previous ones, has the largest number of strategic documents that have not been adopted, such as the ICT Strategy, River Basin Management Plan, Spatial Plan, and Justice and Public Administration Reform Strategy.

TABLE 4. OVERVIEW OF LEGISLATION AND MORE IMPORTANT STRATEGIC DOCUMENTS IN THE THEMATIC UNIT INFRASTRUCTURE AND INSTITUTIONS

Area	Legislation	Status	Strategic documents	Status
Transportation Infrastructure	LAW ON: 1. Public Roads 2. Road Traffic Safety 3. Transport in Road Traffic 4. Transport of Dangerous Substances in Road and Rail Traffic 5. Working Hours, Mandatory Rest Periods for Mobile Workers and Drivers in Road Traffic, and Devices for Registration in Road Traffic 6. Railway System 7. Safety in the Railway System 8. Aviation 9. Inland Waterways		National Transport Strategy	
Water Management and Water Management Structure, Insurance, and Healthcare	LAW ON: 1. Waters 2. Drinking Water Supply and Drainage of Urban Wastewater 3. Setting the Prices for Water Services, 4. Water Economies 5. Protection and Rescue 6. Crisis Management 7. Hydrometeorological Activity, 8. Local Self-Government, 9. Construction 10. Spatial and Urban Planning, 11. Implementation of the Spatial Plan of the Republic of Macedonia, 12. Health Protection		5. National Water Strategy 6. Development of the National Water Study - Supplement to the 1974 Water Management Basis 7. Investment Plan for the Water Infrastructure for the Period 2015-2025 8. National Strategy for Protection and Rescue	
			National Strategy for Agriculture and Rural Development for the Period 2014-2020	
			River Basin Management Plan	
ICT Sector and Broadband Infrastructure	LAW ON: 1. Electronic Communications 2. Central Population Register 3. Electronic Management and Electronic Services 4. Electronic Documents, Electronic Identification, and Confidential Services		STRATEGY FOR: 1. Cyber Security 2018-2022 2. Public Administration Reform 2018-2022	
			1. Open Data Strategy 2018-2020 2. National Cyber Security Strategy 2018-2022 3. Strategy for Public Administration Reform 2018-2022 4. 2020 Cyber Defense Strategy	
			National ICT Strategy 2020-2025	
Spatial Planning	LAW ON: 1. Spatial and Urban Planning 2. Implementation of the Spatial Plan of the Republic of Macedonia		1. Spatial Plan	

National Development Strategy – Conditions and Challenges

Area	Legislation	Status	Strategic documents	Status
Rule of Law and Fight Against Corruption	LAW ON: 1. Courts 2. the Judicial Council 3. Public Prosecutor's Office, Council of Public Prosecutors 4. The Academy for Judges and Public Prosecutors 5. the Bar Exam 6. Notary Public 7. Advocacy		STRATEGY FOR: 1. Information Communication Technology of the Justice Sector 2019-2024 2. Development of the Penitentiary System 2021-2025 3. Prevention of Corruption and Conflict of Interest 2021-2025 4. Open Data 2018-2026 5. Public Administration Reform 2018-2025 6. Gender Equality 2021-2026	
			STRATEGY FOR: 1. Reform of the Judicial Sector 2017-2022 2. Free Legal Aid 2020 (Communication Strategy) 3. Transparency 2019-2021 4. Promotion of the Whistleblower Protection System 2019 5. Cooperation of the Government with the Civil Sector 2018-2020 6. Countering Terrorism and Countering Violent Extremism of RNM 2018-2022 7. Fight Against Money Laundering and Financing of Terrorism 2017-2020 8. Control of Small Arms and Light Weapons 2017-2021 9. Cyber Security 2018-2022 10. Defense of the Republic of North Macedonia 2020 11. Police Development 2016-2020 12. One Society for All and Interculturalism 2020-2022 13. Equality and Non-Discrimination (2016-2020)	
Public Finance and Fiscal Policy	LAW ON: 1. Budgets 2. Public Debt 3. Excise Duty 4. Value Added Tax 5. Corporate Tax 6. Personal Income Tax 7. Property Taxes 8. Utility Fees 9. Administrative Fees 10. Registering Cash Payments 11. Financing Local Self-Government Units 12. Public Internal Financial Control 13. Public Procurement		STRATEGY FOR: 1. Public Debt Management (2022-2024 with 2026 prospects) 2. Tax System Reforms (2021-2025) and 3. Revised Fiscal Strategy of the Republic of North Macedonia (2022-2024 with prospects until 2026) • Economic Reform Program for 2022-2024 • Plan for Accelerated Economic Growth 2022-2026	
			Strategy for the Formalization of the Informal Economy 2018-2022 with the Action Plan on the Eradication of the Informal Economy (2021-2022).	
Public Institutions	LAW ON: 1. Courts, 2. Court Service, 3. Advocacy, 4. the Ombudsman, 5. the Judicial Council, 6. Public Prosecution, 7. The Council of Public Prosecutors, 8. Organization and Operation of State Administration Bodies, 9. Institutions 10. Public Enterprises, 11. Public Sector Employees 12. Administrative Servants 13. The Assembly of the Republic of Macedonia 14. The Government of the Republic of Macedonia, and others		Strategic Plan of the Assembly for the Period 2023-2027 STRATEGY FOR: 1. Reform of the Judicial Sector 2017-2022 2. Public Administration Reform 2018-2022, 3. Transparency of the Government 2019-2021 4. Open Data 2018-2022 5. Prevention of Corruption and Conflict of Interest	
			STRATEGY FOR: 1. Reform of the Judicial Sector 2017-2022 2. Public Administration Reform 2018-2022 3. Transparency of the Government 2019-2021 4. Open Data 2018-2022	
			STRATEGY FOR: 1. Reform of the Judicial Sector 2023-2027 2. Public Administration Reform 2023-2030	

The basic **transportation infrastructure** in the country is relatively well established (in an acceptable manner) and can be considered a good basis for further development and modernization.

X 81st place in the world in total length of roads and highways per capita (7.2 meters per capita)

X 50th place in the world in terms of length of railway network per capita





X 2.7 times smaller number of cars per capita compared to the EU

X From 2007 to 2021, there was almost no reduction in the number of victims in traffic accidents (around 6500)

National Development Strategy – Conditions and Challenges







The transportation system does not have all the characteristics of a fully functional, well-developed, and modern transportation system. Policies in this sector should be aimed at optimizing the economic, social and environmental benefits and investments of the sector. In addition, it is necessary to increase transportation safety and improve efficiency and passenger comfort.

Water management and water management structure are key elements of the socio-economic development of the country. In this area, the following are singled out as the most significant parameters:

 <p>√ The available annual water resources per capita are about 3.074 m³/year, which is close to the limit of available water resources necessary for sustainable development</p>	 <p>√ The use of fresh water as a percentage of the renewable fresh water resources amounts to 11.29% and is about 3 pp higher than the EU-27 average (8.39%)</p>	 <p>X There are extremely high losses in the water supply network, 62% in 2020</p>	 <p>X There is a high percentage of water pollution, unregulated discharges (not purified) - 75%.</p>
---	--	---	--

The degradation of aquatic ecosystems is increasing as a result of the combined impact of pressures related to development (e.g. demographic changes, urbanization, agriculture, industrialization) and global changes (e.g. climate change). Water pollution is a major problem in the country, especially in (parts of) water bodies near urbanized and industrial areas, as well as areas with concentrated and intensive agricultural production. However, despite the importance of water, the institutional and broader societal response seems to be keeping up with the growing complexity of the challenges in an insufficient manner.




The ICT sector and broadband infrastructure, as the fundamental driving force of the promotion of economic growth and improvement in all strategic areas, through the digitization process, can be analyzed through the following data:

 <p>√ A moderate number of households (30%, Q1 2021) with broadband with a download speed between 30-100 Mbps</p>	 <p>X Extremely low number of households (2%, Q1 2021) with ultrafast broadband with a download speed of at least 100 Mbps (in the EU, it is 34%)</p>	 <p>X Low utilization of infrastructure 15% on fast broadband and 1.2% on ultra-fast broadband</p>
 <p>√ Portals for e-services and open data have been created</p>	 <p>X 35% of the citizens have basic and advanced digital skills, while the EU average is 54% (2021)</p>	 <p>X Labor shortage in ICT</p>

For Macedonia to adequately deal with the digitization challenge, it is necessary to invest significantly more in the development of digital skills and cybersecurity, especially in order to bridge the gap between required jobs and skilled staff on the market. Policies in the field of ICT and broadband should be systematized by adopting a National ICT Strategy.

Insufficient transparency and inclusiveness in the procedure of strategic documents stand out as the main drawback in the area of spatial planning. Also, the sectoral nature of individual strategies can often be the cause of discrepancies in their goals and tasks, as well as solutions and measures that are drawn up as a result of research in individual sectors.

The lack of rule of law and corruption seriously prevent the general development of the country in a way that contributes to the decline of democratic values and the legal security of citizens. The perception of citizens is considered a relevant indicator of the situation in this thematic area:

 <p>X The general perception is that corruption is on a high level (39 in Macedonia, 64 in the EU, with 100 in countries without corruption) and that the conflict of interests, nepotism,</p>	 <p>X The general conclusion is that the citizens are highly disappointed with the manner of operating of judicial institutions</p>	 <p>X Citizens identify strong links between the rule of law and the security and stability of the country and believe that the legal and</p>
---	--	--







National Development Strategy – Conditions and Challenges

politicization, and partisanship of public institutions represent a significant social problem.

transparent functioning of state institutions is a key prerequisite for the economic growth of the country





The general conclusion is that people's perception of the operation of judicial institutions and the level of corruption is at a very unfavorable level. Despite the alignment and inclusiveness of the strategic documents from the thematic area Rule of law and fight against corruption, there are difficulties in the implementation, as a result of the lack of financial resources to complete all the activities envisaged in the action plans of the strategies, and as a result of the fact that politicians get away with it.

The management of public finances provides macro-financial sustainability, smooth execution of the vital functions of the country, as well as an efficient and successful implementation of strategic government priorities. The most important indicators of public finances and their management are highlighted below:

 <p>X Budget deficit (as a percentage of GDP) in times of crisis in 2020 and 2021 reached 8.2% and 6.4% respectively. The Maastricht criteria for fiscal convergence recommend that the annual budget deficit not exceed 3% of GDP (also stated as a limitation in the Law on Budgets too).</p>	 <p>X The realized capital expenditures as a percentage of the planned total capital expenditures of the consolidated central budget range between 70 - 80% (2011-2021), with the exception of 2018 (50%)</p>	 <p>X The participation of capital expenditures in the total expenditures of 14% in 2012 was reduced to 8.6% in 2021</p>
 <p>X Salaries and benefits as a percentage of total budget expenditures were reduced from 22% in 2011 to around 18% in 2021</p>	 <p>√ Roughly 5% of local budget revenues as a percentage of GDP. The higher the percentage, the more independent the municipalities are</p>	 <p>X There is around 60% participation of intergovernmental transfers in the total local revenues. The greater participation reduces the SGU's motive for collecting its revenues and creates dependence on the "generosity" of the central government.</p>

Fiscal policy should continue to support economic recovery, restructuring, and accelerated economic growth of 4% to 4.5% annually, which would reduce public debt as a percentage of GDP, even with an unchanged tax burden. Regarding the way of financing the budget deficit, it is advisable to rely more on external sources and increased supervision of public enterprises, especially those generating significant financial loss and accumulating debt. In the creation of policies, they must be based on evidence and scientific/expert analyzes. The rationalization of budget expenditures and excessive institutionalization is necessary.

The public institutions are the ones that should serve as an example of the rule of law, promote good governance, provide basic services, and support economic development and social welfare. The main characteristics of the situation in this sector are the following:

 <p>X serious problems with the application of the merit system in the public sector</p>	 <p>X gradual growth from 1,291 institutions in 2016 to 1,346 in 2021 (a one-way process of creation of new institutions, without occasional revision and abolition of existing ones)</p>
 <p>X the Macedonian political and legal system is qualified as a "hybrid regime" and unconsolidated democracy, according to the "Nations in Transition" Report by Freedom House 2020</p>	 <p>X concrete policies in practice do not correspond to strategic acts. The 2018 Public Administration Reform Strategy does not mention the establishment of new ministries. On the contrary, it speaks of optimizing the public sector; however, the Ministry of Political System and Inter-Community Relations was established after its adoption.</p>

The entire institutional infrastructure should undergo reforms, which will be followed by serious and in-depth functional analyzes that will reveal, based on scientific methodology, which institutions should exist and what

changes they should undergo, as well as which institutions should no longer exist. In addition, it is necessary to monitor and align the policies that are implemented with the policies proposed in the strategic documents.

2.5 Crossing the subject areas


The brief overview of the conducted analysis of the conditions in the country (which is based not only on statistical data, but also on a wide-ranging dialogue, mainly with the interested experts in the community) in the four thematic areas: human capital, economic development, environment and energy and infrastructure and institutions (which were considered in interdependence and correlation due to their multiple dependencies and interconnectedness), and the consolidated results within it, provide indicators for fundamental reflection about the level of national development which has been achieved, as a necessary starting point in building a strategic framework, by preparing and adopting a National Development Strategy, which should trace the path of the country's development in the upcoming 20 years, by projecting possible scenarios of action in expected, but also in unforeseeable situations, for example, like the emergence of a pandemic (the COVID-19 pandemic) and other natural disasters (floods, earthquakes, etc.), martial law (the war in Ukraine), etc.


At the same time, the aspects through which all development areas are considered: digitization, social inclusion, good governance, resistance to crises, gender equality and human rights are summarized individually in the text below due to their relevance in understanding the challenges and the way of overcoming them in the context of the current situation in the country.


2.5.1 Digitization and innovation


The necessity of digitization and innovation is emphasized, in general, in all spheres of action which were observed in the subject analysis, from human capital, growth, the environment, and energy to infrastructure and institutions.


Digitization is one of the basic prerequisites for social and economic development with huge potential for improving the well-being of citizens, reducing social polarization, and strengthening social cohesion. More specifically, achieving a higher degree of digitization is a factor of essential importance for increasing the efficiency and capacity of action of institutions and increasing the effectiveness of business processes, including the offer of a large number of e-services for the needs of citizens and the needs of economic subjects. So, when it comes to the sustainable development of the economy as a whole, the digitization of services and business processes has the potential to create a synergistic effect in reducing and rationalizing the operation costs of the companies and saving labor and energy.

 ✓ In 2021, a staggering 84% of households use computers and the Internet, compared to 2007, when 19% of households did so. A fast dynamic of creation of one of the basic assumptions for the growth of the digitization process

 ✗ Uneven regional distribution of the use of computers and the Internet by households. The Vardar Region (71 %), the Southwest Region (75 %), and the Southeast Region (77 %) are below the country average.

 ✗ Macedonian business entities (enterprises) practice e-commerce and digitization of services for starting and running a certain business activity a lot less compared to the EU average.


 ✗ Digitization is represented in agriculture the least. It is the result of the exceptionally unfavorable age and educational structure of employees in the sector and, more broadly, of citizens in rural areas


 ✗ Additional investment in the digital capacities in the country is necessary. 35% of the citizens have basic and advanced digital skills, while the average for the EU is 54%


National Development Strategy – Conditions and Challenges


In brief, special attention should be paid to accelerating the digitization process in all thematic areas, starting with the automation of the process of data collection and processing, as well as their electronic exchange, and e-services to their users, which will enable further sustainable communication and interaction.

Innovations are also one of the most significant factors for increasing labor productivity and the total factor productivity for restructuring the economy towards sectors with higher added value, higher competitiveness, and accelerating the dynamics of economic development as a whole.

 ✓ in the period between 2018 – 2022, approx. 48% of the Macedonian business entities were innovative, as opposed to 36% in the period between 2012-2014

 ✓ Around 48% of Macedonian businesses are innovative (between 2014-2022), and there is especially an **above-average innovation** of companies related to the green economy (energy and water supply, wastewater disposal, and waste management)

 ✗ Macedonia is ranked on 59th place out of 132 countries, but the European Commission estimates that it is a burgeoning innovator with an innovative performance of 45.6% of the EU average

 ✗ the created added value per worker in the small and medium-sized enterprises that dominate in the total number of business activities in the country is 4-5 times smaller than the EU average and 2-2.5 times smaller in the agriculture and livestock sub-sector. According to the competitiveness, The World Economic Forum ranked RN Macedonia in 82nd place among 141 countries in 2019, and according to this indicator, the country ranks the worst in the Region.

These indicators indicate that technology parks, startup companies, and universities should be the leaders in developing innovative solutions and products. However, the only national entity that continuously supports innovation projects in the country at the moment is the Fund for Innovations which was established in 2013.

As is emphasized in the National ICT Strategy 2021-2025, it is necessary to build an entire digitization and innovation ecosystem and to provide adequate technical and informational infrastructure for the system in order to create an adequate environment and conditions for action and incentives, which would ultimately lead to and stop the process of "brain drain", encourage and attract the young talented people who left the country in order to enjoy the benefits of their activity.

2.5.2 Social inclusion

Social inclusion and non-discrimination are the basis for improving the well-being of civil society, and they should be based on the following three key components: promoting inclusion for vulnerable and disadvantaged social groups, integrating ethnic communities, and strengthening the role of social actors in the field of social inclusion.

Hence, social inclusion appears as a significant part of **the regulations** related to all activities, and there are individual laws regulating the equal inclusion of citizens in activities that can contribute to their development. Although social inclusion poses a big challenge in a multicultural society like the Macedonian one, important efforts are still being made to reduce discrimination and enable equal access to the systems and participation in the processes of different social groups, through action plans, strategies for social development and interculturalism and other documents advocating to ensure equality, accessibility, social justice, fairness, equal opportunities for women and men, inclusion and participation of citizens in decision-making and achieving social cohesion, increased opportunities for a better life and involvement in social processes. Enabling fair treatment is a vital prerequisite for building inclusive and sustainable economies and societies, which implies ensuring coordination and cooperation between stakeholders, institutions, and different levels of governance. In that context, starting in 2018, the Government started working on the development of the concept of "One Society for All", i.e. on interculturalism. However, there are no specific reports on the implementation of this strategic document, which is why no adequate conclusions can be drawn about its implementation so far.

National Development Strategy – Conditions and Challenges

On the other hand, in addition to economic growth, economic development, by default, also includes the social and environmental component of the development process, and one of the most pronounced forms of social exclusion is the existence of high unemployment and especially **long-term unemployment** by gender, age, nationality, and level of education, noting that the unemployed cannot actively participate in economic development, which is why it emerges as an extremely significant issue from this aspect as well. Although RN Macedonia has significantly reduced the unemployment rate in the last ten years (from 31% in 2012 to 16.2% in 2020), it is still high and it generates high social exclusion of the working-age population, while long-term unemployment additionally emphasizes social exclusion. In the country, in 2020, almost half of the unemployed persons, i.e. 48.5% are long-term unemployed, i.e. they have been unemployed for four or more years. On the other hand, the employment rate of the young population is extremely low (33.4%), that is, lower by 14 pp than the indicator for the total employment in the country. This indicator, together with the existence of long-term unemployment, especially when it comes to educated and highly skilled staff, has devastating consequences on human capital, i.e. it leads to its **depreciation** due to the long wait for their first employment **and**, what is even worse, to **a loss of human capital** due to the migration of staff abroad, as well as aging of the population. Other forms of social exclusion relevant to economic development are the existence of **regional differences** in the degree of economic development, the existence of an informal economy, and the uneven distribution of income. Regional imbalances in the development, measured by GDP per capita, in 2020, are strongly emphasized in three planning regions: Polog, whose GDP per capita is only 48% of the national average, the Northeast (56.5% of the national average) and the Southwest (73.6% of the national average). The uneven distribution of income, according to the Gini coefficient, which was 31.4% in 2020, is still maintained within tolerable limits due to the high participation of social transfers in the structure of the country's budget expenses, among other things.

Finally, it would be useful to note that all the mentioned forms of social exclusion which are relevant to one specific area have negative implications in a number of other spheres of society.

2.5.3 Good governance

The term "good governance" refers to the commitment of the government to the creation of a system based on justice and peace that protects the human rights and civil liberties of the individual. There is a direct link between good governance and human rights. Good governance is necessary to prevent corruption, illegal and negligent work, as well as the abuse of administrative law norms. Based on these indicators, the World Bank calculates the composite index Worldwide Governance Indicators (WGI), which is an indicator of the quality of governance and the quality of institutions.



✓ WGI for Macedonia for 2020 is 0.05, as opposed to -0.7 in 2016, which points to **certain progress** in the country for this sphere. It is **significantly weaker** than that of Bulgaria (0.22), Croatia (0.37), and, especially, Slovenia (0.84) (-2.5 is the weakest, while 2.5 is the best)



✗ **The biggest weaknesses** were ascertained in the sphere of rule of law and corruption, especially at a high level



✗ the corruption control indicator amounts to -0.42, and in the period after 2016 (-0.29), which points to **a deterioration of the condition**. It is **significantly weaker** than that of Bulgaria (-0.27), Croatia (0.2), and Slovenia (0.81).



✓ **more significant progress** is registered in the sphere of transparency. The self-initiated publication of data by the institutions amounts to **79%** in 2021, which points to good transparency, but it is lower in municipalities and amounts to **60%**. The highest transparency from all planning regions was registered in the Eastern Region (74%), while the lowest one was registered in the Skopje Region (49%), with only two institutions, the Ministry of Defense and the Municipality of Karposh, reaching active transparency of 100%.

The United Nations, on the other hand, established eight principles of good governance (consensus orientation, participation, rule of law, effectiveness and efficiency, equity and inclusiveness, responsiveness, transparency, and accountability), and their progress can best be seen through the data from the Ombudsman, and then through the data from the State Commission for Preventing Corruption and from the Commission for Protection Against

National Development Strategy – Conditions and Challenges

Discrimination. The eight principles (which largely coincide with the sub-indicators for calculating the WGI) are also accepted by the European Union and are relevant to all areas of the analysis of the subject.

According to the Report of the EC on the progress of the Republic in the EU integration process for 2022 and the Annual Report of the Ombudsman on the degree of respect, promotion, and protection of human rights, there is significant progress in terms of the realization of the eight principles of good governance.

Consensus Orientation	on the one hand, there is minimal progress in terms of the general communication environment of state institutions, especially in some areas; on the other hand, there is a deterioration of the supportive environment for public participation in the preparation of laws, public e-debates and in the inclusion of the public in certain specific processes.
Participation	largely neglected, especially from the aspect of the representation of the general public in the creation of public policies, decision-making and their implementation.
Rule of law	there is a high degree of citizen dissatisfaction with the quality of the services of public institutions, their adherence to laws in the performance of their functions, and the existence of effective supervision over the legality of their actions.
Effectiveness and efficiency	many instances of not being up-to-date when it comes to decision-making for requests made by citizens, dissatisfaction with the decisions made, and the possibilities for appealing them or achieving effective judicial protection have been observed.
Equity and inclusiveness	it is not achieved at the required level, especially in the fields of protection against discrimination, adequate and fair representation and employment rights.
Responsiveness	there is some progress achieved by shortening the deadlines by which institutions respond to requests made by citizens
Transparency	a different degree of progress is observed, which results in a higher ranking of individual ministries (the Ministry of Defense and the Ministry of Finance) and the Government in comparison to other institutions whose transparency must be significantly improved
Accountability	it is below the level of the principles of the rule of law, threatened by the emergence of endemic corruption, the practice of criminal impunity, and the lack of political accountability of public officials due to the partisanship of the public sector.

The failure to overcome the existing weaknesses in the implementation of the postulate of good governance arises as a result of not having reached a political consensus regarding the adoption of the legislation on the organization and operation of the state administration bodies and the new legal framework for human resources management (a new Law on the Organization and Operation of the State Administration Bodies, revision of the Law on Administrative Servants and the Law on Public Service Employees and a new Law on Senior Civil Service). The new legal framework should ensure optimization of the number and type of administration and state bodies in general. This means revising, first of all, the organization of the ministries and, if necessary, changing the outlined departments. Furthermore, the new legal framework should limit the possibility of establishing state administration bodies with special laws. Namely, the number and type of all organs of the state administration, i.e. the ministries, the bodies in their composition, the independent organs of the state administration, and administrative organizations should be regulated by a systemic regulation, which is the Law on the Organization and Operation of the Bodies of the State Administration for the adoption of which a two-thirds majority is required in the Assembly. In that way, the possibilities of randomly forming administration bodies will be decreased. In addition, when it comes to institutions in the public sector in general, it is necessary to revise the number and type of public enterprises, especially on a local level. This matter should be addressed in the Law on Public Enterprises, whose provisions should contribute to more frequent utilization of the possibility of forming mutual public enterprises of municipalities.

The new legal framework should also guarantee an effective implementation of the system of employment, promotions, and dismissals based on merit, including higher management positions, implementation of the Law on the General Administrative Procedure with a focus on the electronic exchange of documents and improvement of managerial responsibility by ensuring financial and other types of supervision by independent supervisory bodies, especially the State Audit Office, the State Commission for the Preventing Corruption and the Ombudsman.

National Development Strategy – Conditions and Challenges

In the context of good management, the digitization of the administration bodies and the public sector, in general, is key too, especially with regard to the creation of conditions and opportunities for providing services to citizens electronically. It implies serious investments in the improvement of the National Portal for e-Services and the Platform for the Interoperability of Public Institutions.







2.5.4 Resilience to crises and natural disasters

The preparation of any long-term strategy implies incorporating scenarios for overcoming possible risks and uncertainties, because they are, nonetheless, a part of social life. Macedonia has adopted a large number of strategic documents that directly or indirectly regulate the resistance to crises and natural disasters. Several strategies have been adopted in the area of defense and security only, namely:

Strategic documents	Status
1. Defense Strategy of the Republic of North Macedonia 2. Long-term Defense Capability Development Plan 2019-2028	
1. National Counterterrorism Strategy of the Republic of Macedonia 2018-2022 2. National Strategy of the Republic of Macedonia for Countering Violent Extremism 2018-2022 3. National Strategy for the Fight Against Money Laundering and Financing of Terrorism 2017-2020 4. 2017-2020 5. National Strategy for the Control of Small Arms and Light Weapons 2017-2021 6. Cyber Security Strategy 2018-2022 7. Police Development Strategy 2016-2020	

In the National Waste Management Plan of RNM 2021-2031, it is outlined that the flood risk should be taken into consideration when determining locations for regional landfills. On the other hand, the objectives in the Draft Environmental Assessment Report refer to the adjustment of waste management to climate change, including floods, extreme temperatures, etc., as well as to measures for protection against flood risk.

The risks of deep and severe recessions (such as the Great Recession from 2007 to 2009 and the crisis caused by the emergence of the COVID-19 pandemic) are real because business cycles are an inherent law of modern economies and repeat themselves constantly, basically, in irregular and unpredictable periods, i.e. in inconsistent amplitudes of replacing recessions with expansions and vice versa.

 <p>✓ The Crisis Management Center (CMC) has established the most comprehensive and systematized ICT system in the country, consisting of various web applications and databases for all elements of risk (the implementation of the Sendai Framework)</p>	 <p>✗ The Law on Critical Infrastructure has not been adopted, but an inventory has been made of the critical infrastructure and other elements of risk, demographic data (population), register of capacities and resources of the Crisis Management System, the database for information and documentation, the module for nature-based solutions (including risks of erosion, landslides, torrents).</p>
 <p>✗ The country and the municipalities have a mandatory reserve of 3% within their budgets (too small), which is used in case of emergency or disaster response.</p>	 <p>✗ Public debt doubled in the period from 2008-2014, while during the pandemic, it reached over 60%, as a share of the GDP, which means that the fiscal space of the country limits the possibilities of fiscal and monetary policy for intervention and overcoming crises in the event of new, more severe recessions in the future</p>
 <p>✗ In the past two decades, 12 catastrophic events that took 72 human lives and caused great material damage happened, especially in the agriculture and forestry sub-sector</p>	 <p>✗ Floods are the number one danger profile in the country. During 2015 and 2016, 31 human lives were lost and damage of 177.4 million USD was caused, indicating that water management, and therefore water infrastructure, as part of critical infrastructure, can be considered a key segment of disaster risk reduction</p>

This is precisely why the Sendai Framework for Disaster Risk Reduction 2015-2030, integrated into the Sustainable Development Goals, refers to the prevention of new and reduction of existing disaster risks through the implementation of integrated and inclusive measures of reducing exposure and vulnerability and increasing the readiness for response and recovery. In order to make progress, the implementation should include promoting

National Development Strategy – Conditions and Challenges

disaster risk research and knowledge on all levels, campaigns, and social media. Such an approach will lead to the strengthening of the resilience of social systems and the community, which, in turn, will help to significantly reduce damage from disasters and provide services to users.

In the sphere of fiscal policy, it is more than necessary that the Government apply the so-called tax smoothing principle, which implies the creation of budget surpluses in "good times", creating space for fiscal stimuli in times of recession. It is also crucial to point out that the most important stage in risk management is early warning (prevention), which is especially effective if appropriate measures are taken on time before it turns into a tangible danger. The significance of the operation of competent institutions during the state of emergency declared in the country due to the COVID-19 pandemic, which was characterized by insufficient preparedness (also expressed in the first phase of the refugee crisis declared on the northern and southern borders of the Republic in 2015) and their reaction (dissolution of the Assembly, enactment of regulations with legal force, including decrees which are disputable from the perspective of human rights, a lack of a more precise legal regulation on the state of emergency), as well as from the perspective of the implementation of regulations with legal force, emphasizes the necessity for strategic planning in order to overcome the risks.







2.5.5 Gender equality

RN Macedonia recognizes gender equality as one of the key aspects for the prosperity of the entire society and has set a solid framework for its advancement. This framework is in line with the principles of the UN, EU, Council of Europe, OSCE, and national commitments and policies, which points to the fact that the legislation and strategic documents have been strengthened. The following documents have been adopted:

- The Strategy for Gender Equality 2022-2027, which is the fundamental strategic document of the Republic of North Macedonia establishing a comprehensive framework of activities for the promotion of gender equality and the status of women in society, implying equal rights, access to resources, opportunities for protection in all spheres of life, that is, a society in which women and men will have the same privileges and responsibilities and will realize them in a real joint partnership.
- Action Plan for the Implementation of the Convention on Preventing and Combating Violence Against Women and Domestic Violence in the Republic of Macedonia 2018-2023.

Additionally, the 2021 Country Progress Report of the European Commission recognizes improvements in gender mainstreaming and respecting women's rights. The achievement of some progress in gender equality has been noted by aligning the legislation with the Istanbul Convention, as well as the Law on Prevention and Protection from Violence Against Women and Domestic Violence, predicting a significant improvement of the institutional and all-encompassing support for victims of gender-based violence.

The situation with gender equality is completely different when it comes to its implementation in different sectors and activities (remarkably slow progress in agriculture).

 <p>X the total number of female agricultural holders is only 10.4%, and only 12% of them are land owners</p>	 <p>X Low participation in making relevant business decisions</p>	 <p>X Only 16.6% of women are employed in the electricity, gas, steam and air conditioning supply</p>
 <p>X ICT, the energy sector and technical faculties are dominated by men, also largely in management positions</p>	 <p>√ In 2021, RN Macedonia was noted as a leader in Europe, with 53 % of women researchers</p>	 <p>√ There is a higher percentage of women employed in state institutions, i.e. 75%, of which 36% are in management positions</p>

National Development Strategy – Conditions and Challenges

However, when it comes to scholarships (MEPSO, ESM, and EVN) for students from technical faculties, women showed better results, which is a result of their better academic performance, because the criteria are identical regardless of gender difference.

The country is also taking measures for gender-responsive budgeting, providing budget funding under the mentorship of UN Women, and it is already being implemented by 14 line ministries, 3 state agencies that have submitted gender budget statements and specific budget programs to support women's activities (e.g. DG Support for the Development of Small and Medium Enterprises). The institutions recognize gender inequalities and address them through sectoral programs, and the Law on Budgets includes a gender perspective that enables the allocation of funds to address gender inequalities. The process of ensuring gender-responsive budgeting is of particular importance, along with highlighting the role of the civil sector and the support of international organizations for incorporating the gender perspective.

The aforementioned uneven situation emphasizes the importance of actively monitoring the gender perspective in all spheres of social life, but there is a lack of systematic data collection on gender equality, including data on gender violence. Some activities are yet to be implemented, such as the adoption of the amendments to the Criminal Code that are foreseen in relation to gender-based violence. The strengthened capacities of the professional structures in the institutions for the promotion of gender equality and the raised public awareness of the recognition of the various forms of violence against women should be applauded.

2.5.6 Human rights

In accordance with the Sustainable Development Goals, it is necessary for the analysis of the condition of social development to be based on the principle of respect for human rights. Broadly speaking, human rights in the development process presuppose a long and healthy life in a healthy environment, good education, and a decent standard of living. Through these three dimensions, UNDP calculates the Human Development Index ([Human Development Index – HDI](#)). According to this indicator, RN Macedonia is ranked 82nd among 189 countries.

The principle based on respect for human rights in the various public services is guided by the priority that refers to the creation of equal opportunities for access to services, which will further result in the improvement of the capacities and the well-being of citizens, and will thus affect the reduction of inequalities and poverty.

On the one hand, adherence to the principle in the sphere of public finance implies its implementation from the process of collection of public fees to the way funds are distributed and spent; on the other hand, from the process of monitoring and evaluating the distribution of income to the effects from the implemented policies. [Poorly designed tax policies](#) can exacerbate socioeconomic inequality and disproportionately place the burden on taxation. [Insufficient involvement](#) in making decisions leads to [improper distribution of funds](#) for fulfilling the obligations of the country for the protection of human rights. Although fiscal transparency has significantly improved in the last few years, efforts are still necessary to bring relevant data closer to citizens, especially to the most vulnerable groups.

Access to justice is the right of citizens to freely exercise their rights with free access to judicial and other instances and to act on their complaints. The instruments, which countries can and should use in order to achieve access to justice, include legal protection (recognition of legal, business, and procedural capacity), strengthening of legal awareness and information, free legal aid, fair judicial and administrative procedures, efficient enforcement and an increased role of parliament, ombudsman and civil society. There is a need [of expanding the legal framework and conducting a public campaign to raise awareness of the realization of the rights of citizens, especially the vulnerable categories](#). RN Macedonia, compared to other European countries, stands out as one country with [the lowest amounts of budget resources for free legal aid per capita](#) of 0.16 euros/per capita in 2020, and thus significantly lags behind the median (average) value of €3.1 euros/per capita of member states of the Council of Europe.

The measures that should be taken by each country in order to fully realize the rights of citizens also include programs of technical and professional orientation and training, policies and methods for achieving permanent economic,

social, and cultural development, and quality conditions that guarantee humans the enjoyment of fundamental political and economic freedoms.

2.6 Summary overview of situations, contradictions, and gaps

Based on the overview of the current condition and the challenges and opportunities presented by thematic units in the previous chapters, as well as the cross-analysis of the thematic units, a summary overview of the situations is presented in this chapter, where the main emphasis is placed on the extracted contradictions and gaps that were noted.

The world economic crisis, the European debt crisis, the pandemic, the energy crisis, as well as the military conflict in Ukraine are shocks of external nature that have a negative impact on all spheres of social life. This is particularly significant for Macedonia, as an import-dependent country, primarily in the area of energy, that directly feels these external influences which cause strong fiscal implications, thus, **the fulfillment of the short-term and long-term goals outlined in the strategic documents is made impossible**. In addition, the non-fulfillment of the goals also results from the non-alignment of the policies adopted with those defined in the strategic documents in certain areas. The fact that the preparation of strategic documents is financed by national and foreign donors (which often causes delays in the development of strategic documents until a donor is found) is considered a systemic problem, and so is the lack of transparency and inclusiveness in the procedure of adopting strategic documents and legal acts, as well as the insufficient coordination between institutions. The financial aspect has a considerable impact on the failure to fulfill the strategies through the unfavorable structure of the Macedonian economy, i.e. the high participation of traditional sectors (trade, construction, agriculture, processing industry) in the Macedonian GDP, characterized by low added value and low productivity, compared to the modest participation of modern economic sectors that absorb technological progress (knowledge and technological innovation), represents a serious limiting factor for promoting growth and development.

A fundamental gap between low budget revenues and inefficient and more extensive budget expenditures, in which government investments have low participation and are under-realized, has been recorded. Foreign direct investments, on the other hand, are not followed by the inclusion of local companies in the production of inputs for the needs of foreign companies, which means that their inclusion in the value chains of foreign direct investments is missing. The total factor productivity shows a continuous decline, that is, it contributes negatively to the growth of the economy due to a low innovation ability and a downward trend in the quality of human capital. A special problem, characteristic for all areas, is the lack of institutional memory (transfer of experiences and knowledge to new staff, documents, mentoring system, etc.), which has a negative influence on the continuity on which the planning and the realization of strategic plans is based in these new socio-economic conditions and the change of stakeholders.

As a long-term and ongoing problem, **unemployment**, inadequate education quality for today's **labor market** needs, and erosion of human capital have been identified. The unfavorable age and educational structure are particularly pronounced in one of the sectors that has the largest number of employees, namely, agriculture.

The existence of high private costs for certain services (e.g. healthcare, court fees, and other extra fiscal costs of citizens and legal entities) is complemented by administrative barriers, while the poor quality of services is the result of the slowness of procedures and their insufficient or non-functional digitization. These high private costs, especially in healthcare, bridge **the gap between the private and public sectors** even further. The country has not established a clear division of responsibilities between competent institutions and efficient cooperation between all relevant stakeholders. There is a lack of trust between the public and private sectors, inadequacy of institutional capacities on a national and local level, and especially low staffing with potential for expert staff and inefficiency of the inspection services on a national and local level. In addition, the corruption shown through figures in the previous chapters, as

National Development Strategy – Conditions and Challenges

well as employment due to party affiliations, increase the distrust of citizens and the private sector in public institutions even more. The ministries and bodies of the state administration, as well as the public services, aren't sufficiently functional and efficient also due to the non-existence of the merit system in the public administration.

The particular approach to the development of individual areas results in the overlapping of strategic goals and inadequacy of specific policies and measures and the activities for their realization, so, the overemphasis of the sectoral aspect makes it difficult to perceive the higher common goals and policies and measures for their implementation. The fundamental anomaly of all areas is the non-existence of [an integral national strategy for development](#), which is reflected in the disconnection of the goals, as well as the measures and activities for their realization, the different time frame for their realization, and the inconsistency of the basic indicators and assumptions on which the individual strategic approaches are built. Thus, for example, the planning of the development of certain economic areas, such as the development of construction, does not sufficiently consider the projected goals for environmental protection, the strategic approach to the reform of public services does not always correspond to the needs of economic development that impose new requirements for public administration, etc.

The possibilities for [better synchronization and improvements to the strategic approach](#) in the individual areas should be identified based on a deductive approach, implying the determination of the fundamental objectives of the NDS, their priorities, and the dynamics of their achievement, as well as the setting of a consistent methodological basis for the creation of individual strategic areas through the use of compatible databases and policies, laws and other measures that are aligned with EU policies and European and international objectives and standards of the long-term sustainable development of the country.

The general agreement that there is no realization of accelerated economic growth and development without the human capital available to the country must be taken as a fundamental postulate in the creation of the NDS. Stopping the departure of young and capable staff and workers, as well as the depopulation of a growing number of settlements must be taken as a fundamental idea in its conception and implementation. Also, the NDS should effectuate all currently neglected potentials of accelerated economic development, such as the possibilities for the development of tourism, the modernization of agriculture and the increase of the domestic production of healthy food, the increase of the productivity and competitiveness of the Macedonian external sector and its integration into global value chains, the development of "smart", circular and green economy with energy transformation and increasing the share of renewable energy sources by maintaining a low level of energy consumption. At the same time, environmental protection and promotion is a priority that requires the introduction and use of new technologies, as well as the advancement of spatial planning and balanced regional development.

The energy transition brings with it a number of challenges and special emphasis needs to be placed on the regions where electricity is produced by coal-fired thermal power plants in which the energy transition must be fair and allow the affected citizens from these regions to retrain for other jobs places.

The strengthening of human capital should overcome the problems of lack of staff in several areas, as well as structural unemployment. In order to overcome these problems, it is necessary to pay attention to the reform of the education system - depoliticization in all spheres of education, continuity in reforms (finishing one reform, then starting another), profiling education bearing in mind the real needs of the economy in the country, social inclusion in the contents of educational programs, more conditions for the career development of teachers, etc. within the framework of the NDS. It is also necessary to anticipate measures for the advancement of science and research, that is, it is necessary to start with a comprehensive overview of the legal and strategic acts that regulate the scientific-research area. Then, it is necessary to intervene in the respective documents in order to enable international cooperation, increased interaction between the academic and industrial spheres, enable the building of centers of excellence, innovation technology parks, and specialization of staff. It is especially important to overcome the lack of staff in the ICT sector with regard to human capital.

National Development Strategy – Conditions and Challenges

To improve the quality of life, it is also necessary to reform the health system. RN Macedonia is one of the countries in Europe that spends the lowest amount of resources for public financing of healthcare, and citizens are burdened with a high degree of private payments despite paying for health insurance benefits. It is necessary for the NDS to single out healthcare as a priority and to determine specific measures and activities aimed at overcoming important systemic weaknesses. A new health map of the RN Macedonia is necessary, with established needs of medical staff in the short and long term. In order to operationalize all the strategic goals established in the Health Strategy 2021-2031, it is necessary to quantify the fiscal implications, define detailed action plans for all objectives, ensure wide support for change, and place a strong focus on these major reforms. A special focus should be placed on the establishment of a mechanism for monitoring, measuring, and unifying the quality of health services throughout the territory and the quality of medicines in order to raise the level of healthcare of the population.

Alongside the health system, the development of the social policy and the pension system in RN Macedonia requires the generation of dynamic plans in the areas of reducing poverty and social exclusion, improving the scope and adequacy of social and child protection benefits, the development of social services and their contextualization in the economic development by increasing the employment of vulnerable groups, radically increasing the scope of care and upbringing of children in kindergartens and centers for early childhood development, ensuring the sustainability of the pension system and transforming society towards greater responsiveness to the growing population of adults. Development plans must include strengthening decentralization and inter-municipal and regional cooperation, the promotion of extra-institutional social protection, the promotion of the availability of healthcare for socially vulnerable and excluded categories of people, the provision of equal access to high-quality, inclusive care, upbringing, and pre-school education, broadening and promotion of the network and capacities of institutional housing and care for adults, as well as a promotion the standard of living and all the conditions of living for adults.

The advancement of the rule of law and good governance through the improvement of the infrastructure and the strengthening of the stability, independence, and efficiency of the institutions is in direct interaction with the identified points of synchronization and improvement. The need to create infrastructure - energy, road, water supply, etc., is an imperative imposed by the concept of a society of equal opportunities. It refers primarily to the population in rural areas or smaller urban settlements that must have access to a road, which will also have an impact on the reduction of inequality between planning regions. The necessary infrastructure investments must be based on better spatial planning and alignment of national and local spatial plans, general and detailed urban plans, as well as coverage of the entire territory of the country with planning development documents. For easier communication, it is necessary to ensure more rapid development of ICT and broadband infrastructure. Also, the water infrastructure, related to the green economy, is essential to the quality of life, so it is important to adopt water management plans, as well as to invest in the infrastructure through specific activities. A significant variable of the development project which is embodied in the NDS, is the strengthening of the capacities of institutions in the public sector, through appropriate functional analyzes, optimization of the number of institutions and the number of employees, as well as raising the efficiency, transparency, accountability, and responsibility of the institutions. An integral element of this extremely important goal is the strengthening of the fight against corruption, which means strengthening the capacities of the anti-corruption institutions, which are key stakeholders of the NDS, but also of the educational institutions, especially those that educate specialist staff to fight against corruption and severe forms of crime. The development of institutions in this direction should be supported by greater financial investments in human resources, information systems, and other equipment.

3 Key stakeholders

Guided by the fundamental principle of the UN "Leave No One Behind", a methodology was developed for mapping all stakeholders who should be involved in the process of developing the strategy, as well as the process of its realization at the very beginning of the development of the National Development Strategy. As a result of the conducted stakeholder analysis and mapping research, the following main groups of stakeholders were identified:

1. Internal: institutions within the three branches of government (legislative, executive, and judicial).
2. External: the academic community, business associations, non-governmental actors, private sector, and others.

After identifying the stakeholders, the UNESCO methodology "Effective stakeholder engagement for the 2030 agenda" was used, which divides them further into four categories, according to the level of their involvement in the development and implementation of the Strategy:

1. Organization - Leaders at the forefront of making and implementing decisions.
2. Co-hosts - Key groups that assist the leaders at the forefront in the process of preparing the Strategy
3. Key groups that show enthusiasm, interest, or attitude towards certain problems or communities;
4. Public - people who are directly or indirectly affected by the measures and policies foreseen in the Strategy.

It is expected to carry out the involvement and cooperation with each stakeholder with a different intensity and not always at the same time. For this purpose, another division of stakeholders was made, namely:

1. Engaged - the most relevant stakeholders who contribute with their knowledge and expertise in the stages of planning, writing, implementing, and monitoring the implementation of the Strategy.
2. Informed, Consulted, and Critics - they have an overview and insight into the progress of the development of the Strategy because of their influence in the community and give advice and suggestions for improving the quality and easier adoption and realization.

An overview of all stakeholders that are expected to participate in the development, implementation, and monitoring of the Strategy is given in Figure 2.

The NDS is conceived, implemented, monitored, and evaluated as a fundamental strategic outlook for the future in cooperation and with a partnership of all social stakeholders by developing mutual coordination and assuming their share of obligations and responsibilities. In this way, the NDS becomes binding for all its stakeholders, regardless of changes in power holders or leading structures in institutions and other organizations. The overall positive effect, as well as possible failures in individual strategic areas, become a joint responsibility.

National Development Strategy – Conditions and Challenges

FIGURE 2. STAKEHOLDERS



4 Proposal vision

Based on the workshops that were held and the visions that the attendees expressed, a proposal of visions was drawn for each of the thematic areas. These visions have been summarized by the team involved in the development of this document and represent a starting point for discussions in the further process of developing the Strategy. The final visions will be defined after the consultation process with the working groups formed for the needs of the Strategy.

Human Capital

A high-quality, motivated, well-paid, and satisfied workforce with knowledge and skills that meet the needs of the labor market and ensure high total factor productivity in the production of goods and services.

Economic Development

Building a highly productive and competitive society, with economic growth rates close to the economy's potential, with a modernized economic structure and greater representation of sectors that incorporate technological innovations and create higher added value, with sustainable agriculture and an attractive tourist offer that integrates the rich cultural heritage, with an economy that follows the concept of green growth, produces new jobs and creates conditions for retaining the country's young population.

Environment and Energy

A low-carbon economy, with preserved biological diversity and natural resources, following sustainable development paths, strengthens competitiveness, and promotes social cohesion through the reduction of waste and air pollution, and greater use of renewable energy sources.

Infrastructure and Institutions

A developed infrastructure that enables constant sustainable economic growth, as well as democratic, legitimate, efficient, and strong institutions and a political and legal system guaranteeing social justice, equality of rights and duties of citizens, and a free, inclusive, and open society, based on universal and European values.

The visions of the individual thematic units can be summarized in the following vision:

20 years later, Macedonia is a coherent and inclusive, highly productive, educated, creative, digitized, healthy, and responsible society with a recognizable identity, culture, and language, with a high-quality standard of living and with equal conditions and opportunities for all, with developed infrastructure, with preserved biological diversity and natural resources, sustainable agriculture, tourist offer, and balanced regional development, with the use of renewable energy sources and with high energy efficiency, with an innovative and low-carbon economy with a motivated, qualified and satisfied workforce, with efficient and effective institutions resistant to partisanship and corruption.

That is:

20 years later, Macedonia is a coherent and inclusive, decentralized, green, innovative, and self-sustaining society with a recognizable identity and equal conditions and opportunities for all.

5 Recommendations

The analyzes carried out by the MANU team showed that the thematic units should be in close correlation with the vision of the Strategy. Bearing in mind the vision in this document, the team proposes replacing the current four thematic units with five thematic units. Just like the vision, these thematic units will be the subject of discussion with the working groups.

1. A united society with equal conditions and opportunities for all

A society in which we are united in achieving common goals

A common life, not a parallel one. A society with equality of freedoms, rights and duties, tolerance and non-discrimination on any basis, a fair judiciary, society resistant to corruption with meritorious, depoliticized and digitized administration and with meritorious and depoliticized management of state property.

2. Decentralized society

Macedonia is not only Skopje.

Development of the road, railway and telecommunication infrastructure, which will enable increased economic, social, political and cultural activity in the less developed regions above all, as well as digitized institutions that offer high-quality public services to all businesses and citizens of the country

3. Green society

A decarbonized society with a preserved environment.

A society with a circular economy and efficient use of available resources, with a high representation of renewable energy sources, with high energy efficiency, reduced energy import dependence, with a protected nature and biological diversity, with clean air and a healthy and preserved environment.

4. Innovative society

A highly educated society with developed science and research

A society with quality education, with high investments in science, research and development and with an innovative business sector, which will enable Macedonia to join the group of strong innovator countries in the next two decades.

5. A society with a recognizable identity

Internationally Affirmed Society

An internationally affirmed society with a recognizable language, culture, cultural heritage and cultural values.

National Development Strategy – Conditions and Challenges

The development of the outlined thematic units of the Strategy will take place through the development of appropriate areas that mutually complement and intertwine. Bearing in mind that new thematic units are being suggested, the following redistribution of current areas by thematic units is proposed:

1. A united society with equal conditions and opportunities for all

1. Rule of law and fight against corruption
2. Public institutions
3. Social policy and pension system
4. The health system, health insurance, and health infrastructure

2. Decentralized society

1. Balanced regional development
2. Transportation infrastructure
3. ICT sector and broadband infrastructure
4. Agriculture, agricultural infrastructure, and food safety
5. Water management and water infrastructure
5. Spatial planning

3. Green society

1. Economic growth
2. Economic development for creating a green economy and green jobs
3. Trade and competitiveness
4. Public finance and fiscal policy
5. Labor market
6. Environment, climate change, and habitats
7. Waste management
6. Energy

4. Innovative society

1. Education
2. Science and research

5. A society with a recognizable identity

1. Culture and cultural heritage
2. Youth and sport
3. Tourism

It is important to note that the distribution of areas by thematic units will be the subject of discussion by the working groups.

Bearing in mind that a large number of strategic documents cover a period that has passed or is expected to pass until 2024, it is suggested to develop individual strategies for each area after the adoption of the National Development Strategy of Macedonia.