



THE NATIONAL DEVELOPMENT STRATEGY

2024 - 2044





The National Development Strategy 2024–2044 sets a clear direction for the long-term development of the Republic of North Macedonia. For the first time, our country has a document that stems from a process involving a wide range of stakeholders—citizens, experts, academics, the business community, and civil society organizations. Through their contributions, the strategy identifies the challenges we face and provides specific guidance for overcoming them.

The document is also based on a broader societal consensus, achieved through collaboration between various political entities and sectors. This openness to diverse perspectives has contributed to the creation of a strategic framework that encompasses economic development, societal stability, demographic revitalization, green transition, as well as the strengthening of human capital and innovative capacities.

The National Development Strategy is designed to be more than just a document on paper. Its content includes mechanisms for monitoring and evaluating its implementation to ensure transparency and accountability. In this way, the strategic commitments should be translated into long-term policies and initiatives that will be carried out by future governments, institutions, and societal actors.

Although the strategy sets ambitious goals, we are aware that its implementation requires time, resources, and coordination. Nevertheless, through joint efforts and continuous commitment, we believe that a stronger foundation can be established for economic progress and a better quality of life for all citizens.

The preparation of this strategy reflects our commitment to a responsible and inclusive approach to planning the country's future. I hope it will contribute to stability, development, and greater opportunities for every citizen, as well as to consistent public policy implementation over the next two decades.

Sincerely,

Prof. Hristijan Mickoski, PhD,
President of the Government of the Republic of North Macedonia

Skopje, January 2025



The National Development Strategy 2024–2044 is not just a visionary document but also a symbol of unity and shared purpose for all of us – building a stronger, more developed, and more successful Macedonia. This strategy is not merely the result of technical analyses and statistical data but a living reflection of the aspirations, needs, and goals of every citizen. It embodies true inclusiveness, making it unique and authentic.

The General Secretariat of the Government played a key role in preparing the strategy and actively involving all stakeholders with great dedication and professionalism. From the very beginning to the final text, the strategy was developed through a transparent and open process, involving over 200 representatives from ministries, more than 60 Members of Parliament and mayors, over 1,000 young people, more than 100 civil society organizations, as well as numerous academic and research institutions and representatives from the business sector.

The outcome of this extensive consultation is a consensus on our shared vision – progress that will shape Macedonia's future over the next two decades. The National Development Strategy lays new foundations for long-term, inclusive growth focused on economic, social, and environmental sustainability.

The commitment to an open and inclusive approach which engages all stakeholders at every stage of its implementation is at the core of this strategy. The establishment of an operational structure that brings together state institutions, representatives of the academic community, the civil sector, and legal entities is a guarantee for the effective realization of these ambitious goals. Inclusiveness and consensus will remain our guiding principles, not only in adopting the strategy but also in its application.

We are committed to keeping this process transparent and close to the citizens. The www.nrs.mk platform will continue to serve as a tool for continuous information, monitoring, and active public participation. Through the implementation of this strategy, we are laying the groundwork for long-term progress and a better future for all of us, especially for our children.

This is not just a strategy. It is our shared commitment – to build a brighter, more prosperous, and stronger Macedonia for everyone. We invite you to join us on this journey toward our shared goal because we can achieve more together.

Sincerely,

Igor Janusev,

Secretary General of the Government of the Republic of North Macedonia

Skopje, January 2025



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INTRODUCTION

Pursuant to Article 5, paragraph (3) of the Law on the National Development Strategy ("Official Gazette of the Republic of North Macedonia" no. 30/24), the Assembly of the Republic of North Macedonia adopted the National Development Strategy 2024–2044 at its session held on October 29, 2024.

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

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

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

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

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

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



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

Each strategic area has its defined mission that outlines its place, purpose, and value in the NDS, and provides guidance to all stakeholders. The strategic areas contain defined goals focused on

key sectors where substantial progress is needed. These goals are supported by a series of systemic decisions. The NDS also defines the priorities for achieving each strategic goal, which encompass a range of activities, processes, and initiatives. The core structure of the NDS is shown in Figure 1.

The development of human capital and the digitalization of society are central elements and fundamental prerequisites for progress in each strategic area.

The preparation of the NDS was guided by several key principles, which makes it particularly significant:

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

These principles are recognized as key to the successful implementation of the NDS itself.

The NDS, along with the 2030 MKD Development Framework adopted by the President of the Republic of North Macedonia, is supplemented and lays the foundation for long-term economic, social, cultural, and institutional progress. Together, they constitute a comprehensive political and systemic framework aimed at guiding the country toward a new approach and continuously building consensus for development that transcends individual political agendas.

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



THE PROCESS AND METHODOLOGY OF DEVELOPING THE NDS

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

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

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

Also, **the involvement of more than 14,000 citizens through 35 visionary workshops ("Dream Labs") throughout the country provided significantly valuable input into the preparation of the NDS**. These workshops allowed participants to contribute to shaping the strategy based on different development perspectives. Furthermore, these workshops enabled participants to actively contribute to the creation of **24 thematic baselines covering various sectors**. **The key findings from these analyses were summarized in the *National Development Strategy - Conditions and Challenges* report, prepared by the Macedonian Academy of Sciences and Arts (MASA)**. This report presents the current state and identifies numerous challenges, weaknesses, and opportunities in the areas of human capital, environment, energy, infrastructure, digitalization, social inclusion, governance, resilience, gender equality, and human rights.

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

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

One of the most important advantages of this significant national document is the political consensus surrounding its preparation. For this purpose, **more than 50 MPs** from the Assembly of the Republic of North Macedonia actively participated in the preparation process along with numerous other representatives of all political parties and stakeholders. Additionally, in order to take into account the

views, reflections, and proposals of key institutions at central and local levels, workshops and roundtable discussions with over 250 representatives from ministries, agencies, regulatory bodies, local self-government units, etc., were organized.

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

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

In this regard, the National Development Council, as a permanent advisory body to the Government, reviewed the draft version of the 2024-2044 National Development Strategy and submitted it as a proposal to the Government of the Republic of North Macedonia to be reviewed and forwarded to the Assembly. The implementation of the Strategy is operationalized through a five-year program, which is adopted by the Assembly of the Republic of North Macedonia.



2. TRENDS AND CHALLENGES FOR LONG-TERM DEVELOPMENT

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

The most significant challenges the Republic of North Macedonia is facing are:



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



2. **Migration pressure** was created as a result of global political instability and humanitarian crises, climate change, natural disasters, and economic factors. This challenge is primarily linked to

potential migrant waves to Europe through or toward the Republic of North Macedonia. Internal migrations from rural to urban areas which create excessive population concentration and economic activity in larger cities are equally important. The migration challenge, particularly emigration of working-age citizens and the brain drain phenomenon, which continuously undermines the country's production and cultural potential, is exceptionally important. Successfully managing this challenge and promoting balanced local and regional development will be extremely significant in the next two decades.



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



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



5. **Energy security** is linked to the high import dependency on energy sources. Solutions need to be sought in smart and long-term investments in sustainable, diversified, and economically viable energy sources. The rise of renewable energy sources, including hydrogen, as well as energy storage

options and increasing energy efficiency, have the potential to significantly improve energy security and ensure a safe energy supply. However, these solutions also pose new challenges, particularly in the realm of cybersecurity.



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



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



8. Technological changes and digital transformation. Currently, and in the next two decades, revolutionary technological changes primarily related to artificial intelligence (AI), remote work technologies, interoperability, blockchain technologies and digital currencies, telemedicine, augmented and virtual reality, financial technology (fintech), quantum computers, and others, are expected.

Simultaneously, the hyper-connectivity of economies is expected to reshape the labor market, international trade, and international finance further, as well as impose continuous changes in legal regulations.

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

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



3. VISION

People in the Republic of North Macedonia have a high standard of living and thrive in an economy that is sustainable, competitive and provides equal opportunities for all.

Institutions are efficient, accountable, responsible, innovative and open to civic participation. The communities we live in are green, safe, resilient to modern risks and dangers, infrastructurally connected and digitized.

These conditions contribute to laying the foundation for prosperous young people and satisfied, happy, healthy, and actively aging individuals.

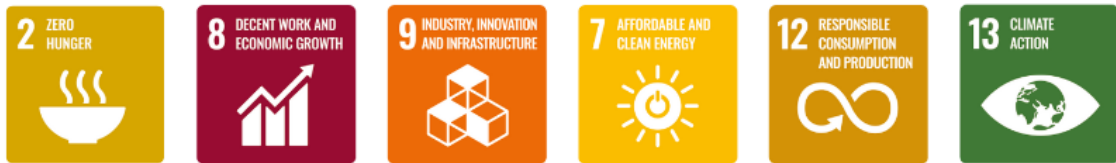
Art and culture are the pillars of our society and contribute to improving collective well-being and the international perception of the country.

Our country is an active and respected member of international organizations and regional initiatives, promoting values, norms, and processes whose result or intention is to improve the lives of all people.

4. NATIONAL DEVELOPMENT GOALS AND KEY FACTORS

4.1. NATIONAL DEVELOPMENT GOALS

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



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

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



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

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



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

4.2. KEY FACTORS THAT ENABLE PROSPERITY

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

1. Maintaining macroeconomic stability

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

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

Later, with the onset of the recession caused by the COVID-19 pandemic (February 2020), the country's fiscal space was additionally tightened. Fiscal and monetary policy and good coordination thereof play a significant role in maintaining a stable and favorable macroeconomic framework. In the medium and long term, the Republic of North Macedonia will continue reforms in the fiscal sphere, focusing on increasing efficiency and effectiveness in collecting public revenue at central and local levels; effectively addressing the informal economy; optimizing the tax system while simultaneously increasing its fairness, including minimum wages, pensions, and social transfers aimed at protecting vulnerable categories of the population; introducing environmental taxes to support the green transition; rationalizing and redesigning the structure of public expenditures by cutting non-essential and unproductive costs and increasing capital expenditures; gradual fiscal consolidation, and so on. The constant fixed exchange rate regime, i.e., the pegging of the denar to the euro, ensures clear linkage and correlation between the growth of money supply in the domestic economy and the European Central Bank's monetary supply policy, maintaining high price stability. Good coordination of key macroeconomic policies is extremely important for maintaining and strengthening macroeconomic stability.

Continuing reforms in the fiscal sphere and strengthening fiscal policy discipline are necessary prerequisites for conducting efficient monetary policy, given that fiscal policy plays a significant role in maintaining price stability. The successive shocks over the past 15 years (the Great Recession of 2007-2009, the crisis caused by the pandemic, and the energy crisis) had notable repercussions but did not threaten macroeconomic stability. Policymakers in the Republic of North Macedonia gained significant experience in establishing and maintaining macroeconomic stability in the post-1995 period. Utilizing and upgrading the acquired experience in the future is a strong guarantee that policymakers will ensure continuity in creating a favorable, stable, and sustainable macroeconomic framework. Continuous development of human capital in line with demographic revitalization is the primary creative factor in a country's development.

The quality and quantity of human capital are crucial for the development of each strategic area. Therefore, investing in human capital (education, healthcare, social security, safety, equal opportunities, etc.), taking into account its specifics and demographic trends, will enable this factor in a small and open economy with other limited resources/factors of development to become a major comparative advantage ensuring the country's long-term prosperity. Demographic revitalization is strongly linked to the possibility of continuous development of human capital, hence, it is a focal point of many priorities in the NDS.

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

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

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

5. Climate change adaptation and successfully addressing environmental issues actually means ensuring long-term sustainability and resilience of the economy, protecting the well-being of its citizens, and fulfilling responsibilities as a stakeholder in global change. The country needs to strengthen its adaptation capacities, upgrade infrastructure, and build capacities for preventive policy-

making and efficiently implementing economic and social practices that enhance climate change resilience. This necessitates strengthening public awareness, educating the population, and forging strong global partnerships. The Republic of North Macedonia will need to improve environmental regulations and promote sustainable practices with specific adaptation and mitigation strategies, taking into account all social groups in the process. Protecting and restoring ecosystems acting as natural buffers against climate impacts will become a high priority, and improved financial mechanisms supporting adaptation and mitigation measures will need to be developed.

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

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



5. STRATEGIC AREAS

5.1. STRATEGIC AREA: SUSTAINABLE, INNOVATIVE AND COMPETITIVE ECONOMY

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

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

This shows why the country remains an emerging innovator with a performance at 46.3% of the EU average. In fact, this indicator (the summary innovation index of 46.3%) falls below the average of countries included in the group of emerging innovators (70%)².

Innovation is an essential characteristic of entrepreneurship and entrepreneurial culture. Although the Republic of North Macedonia has developed a relatively rich population of small and medium-sized enterprises (SMEs) from its independence to the present day, the average number of active SMEs per 1,000 inhabitants is 39, which is still below the average for a well-functioning market economy (the average is around 50 to 60 SMEs per 1,000 inhabitants)³.

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

Furthermore, despite significant improvements in business access to development financing, nowadays, in comparison to the early transition years, innovative forms of business financing, such as informal venture capital (business angels), formal venture capital (official venture capital funds), leasing, etc., are lacking. According to the size of enterprises, the most innovative ones are large companies

¹ SSO (State Statistical Office – News Release: Innovative Business Entities (stat.gov.mk))

² SSO (State Statistical Office – News Release: Innovative Business Entities (stat.gov.mk)); European Innovation Scoreboard 2023 – Country Profile North Macedonia

³ Blue Ribbon Commission Report - Macedonia (Team Leaders Josef Brada and Taki Fiti) Towards 21 Dynamic and Sustainable Economic Growth – Growth Supportive Policies, United Nations Development Programme (UNDP), Skopje 2006

with over 250 employees, followed by medium-sized enterprises with 50 to 249 employees, while the least innovative ones are small enterprises with 10 to 49 employees. The relative share of innovative enterprises in the group of large enterprises is 61.5%, 51% in the group of medium-sized enterprises, and 47% in the group of small enterprises. In the Republic of North Macedonia, 33.9% of employees are working in the medium-high and high technology sectors and the knowledge-intensive services sector, which is significantly lower than the EU-27 average, where this share is 46.3%. The country is facing challenges in the field of digitalization of the economy, which is a prerequisite for keeping pace with the so-called Industrial Revolution, which has the potential to fundamentally change the economy through technologies such as Big Data, Cloud Computing, the internet, machine learning, and others. In 2023, 91.6% of businesses with 10 or more employees had access to broadband internet.

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

Similar gender statistics are observed among self-employed individuals. 78% of them are men, while the rest, 22%, are women. According to official statistics, only 2.6% of existing enterprises are managed by women⁴.

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

According to the World Bank's estimates, total factor productivity continuously declined, i.e., had a negative contribution to economic growth during the period from 1993 to 2017, except for the period from 2002 to 2008. The latest World Bank estimates from 2023 confirm that total factor productivity has remained low and negative throughout the period after 2011. The contribution of total factor productivity to driving growth remains small, indicating that labor and physical capital are the main drivers of GDP growth⁵.

This is primarily due to the low innovation capacity of the economy and the downward trend in the quality of human capital⁶.

Two other unfavorable trends related to the productivity of the Macedonian economy need to be highlighted. One points to the existence of unusually large *disparities between the most productive and the least productive firms in the country* (the most productive firms are almost seven times more productive than the least productive firms), in contrast to the situation in developed countries where these differences are much less pronounced. The other points to the widening gap between *productivity*

⁴ https://www.stat.gov.mk/publikacii/2023/ZeniteMazite_2023.pdf

⁵ Ministry of Finance (2022). Economic Reform Program 2022 – 2024.

⁶ World Bank Group (2018) FYR Macedonia Systematic Country Diagnostic: Seizing a Brighter Future for All, November 29; World Bank Group (2023) North Macedonia Systematic Country Diagnostic update – Navigating challenges, embracing opportunities / North Macedonia Systematic Country Diagnostic Update 2023

growth and wage growth, the increase in wages and labor productivity in the real sector of the economy. Such conditions in the areas of innovation and productivity also result in low competitiveness of the Macedonian economy. According to the Global Competitiveness Report by the World Economic Forum, the Republic of North Macedonia is ranked 82nd out of 141 countries, with a score of 57.3 (the score ranges from 0 to 100, with 100 being the best), which is the poorest result among the countries in the broader region included in the study⁷.

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

The value of the Human Capital Index (HCI)⁸ for the Republic of North Macedonia was 0.56 in 2020, which is at the global average level but lower than the average for Europe, Central Asia, and countries with high middle-income levels (0.63), and significantly lower than the EU average (0.74). The low productivity of human capital and high emigration rates, especially among the working-age population, have strong distorting effects on the labor market. Despite the improvement in the labor market conditions in the recent period, the country still faces numerous weaknesses in this area. According to the State Statistical Office (SSO) data from the 2021 Census, the labor force participation rate was only 55.2% in 2022, the employment rate was 47.3%, and the unemployment rate remained relatively high at 14.4% (especially among the youth), which is significantly higher than the EU average and regional countries⁹.

Informal employment is still prevalent, with over 96,000 employees (12%) being informally employed in 2021, without pension and health insurance coverage¹⁰.

High emigration rates among the working-age population result in a mismatch between the labor supply and demand in the labor market. This is particularly true for professionals with higher education in certain areas (doctors, IT specialists, mechanical engineers, civil engineers, etc.) and for individuals with secondary vocational education (nurses, mechanical, construction, and electrical technicians, etc.)¹¹.

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

The poor innovation capacity of the Republic of North Macedonia is primarily due to the very low or negligible share of investments in R&D, weak competitive pressure in the economy, and the absence of a well thought-out and structured innovation policy, including the surroundings/environment (innovative ecosystem) that supports or provides conditions and opportunities for building an entrepreneurial or innovation culture. Additionally, the high prevalence of the informal economy in the

⁷ World Economic Forum (2019)

⁸ See a more detailed methodological explanation of the HCI: <https://www.worldbank.org/en/publication/human-capital#Index>

⁹ Active Population in the Republic of North Macedonia 1) Results from the Labour Force Survey from 2022, SSO 2023, https://www.stat.gov.mk/pdf/2023/2.1.23.05_mk.pdf

¹⁰ SSO database on informally employed by economic status and sectors of activities, https://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat__PazarNaTrud__TrimesecniARS/098_PazTrud_NefVRab_Sektori_kvartalno_ml.px/

¹¹ IOM (2021). Migration in North Macedonia: A Country Profile 2021.

Republic of North Macedonia (33% of GDP, as opposed to 15% in developed countries)¹², has a strong negative effect on the business climate and, more broadly, on the country's development potential¹³. The described conditions in the fields of innovation, productivity, and competitiveness have significant implications for the country's trade exchange, especially concerning the structure of the Macedonian exports and imports. There are several key characteristics that describe the state of international trade in the Republic of North Macedonia. First, the total export and import of goods between 2015 and 2022 show a consistent growth trend - from 9.8 billion euros in 2015 to 20.4 billion euros in 2022, representing an increase of over 100% (the openness index of the Macedonian economy exceeds 160%).

Additionally, the import growth dynamics is greater than that of export, resulting in a growing trade deficit for the Republic of North Macedonia from 1.7 billion euros in 2015 to 3.8 billion euros in 2022 (source: NBRNM 2023). Second, the structure of external trade in products for both imports and exports, is low in diversification. Regarding exports, the top 25 exporters contribute 66% to the country's total exports.

The import structure by products is somewhat more diversified - the top ten imported products in 2020 accounted for about 30% of total imports. Third, since 2008, foreign companies located in industrial development zones have made a significant contribution to increasing the country's exports and improving its structure in the sense of establishing a bigger presence of export products with value added.

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

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

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

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

The risks of deep and severe recessions are real, as seen in the major recession between 2007 and 2009 and the crisis caused by the COVID-19 pandemic, as well as the recent price and energy crisis. Since 2008, the Republic of North Macedonia has doubled its public debt in less than six years, and with the onset of the COVID-19 pandemic, it further increased to 60% of GDP. Such fiscal space limits the possibilities of fiscal, and consequently, monetary intervention policies to cope with crises in the event of new severe recessions in the future. Certain changes have been implemented with the improvement of regulatory laws, introduction of fiscal rules, and taking certain steps towards fiscal

¹² REDUCING THE INFORMAL ECONOMY IS A KEY COMPONENT OF THE TAX REFORMS AND THE ECONOMIC GROWTH - Ministry of Finance (finance.gov.mk)

¹³ In the Strategy for the Formalization of the Informal Economy in the Republic of North Macedonia 2023-2027, according to the latest calculations of the degree of the informal economy in North Macedonia using the Electricity Consumption Method, economic activities within the informal economy accounted for approximately 24.7% of GDP in 2021. Source: Trpeski et al. (2022), What Determines Informal Economy and Informal Employment – the case of North Macedonia, Shaping Post-COVID World – Challenges for Economic Theory and Policy.

consolidation. However, fiscal risks remain relevant, and their management is of paramount importance for achieving the long-term development goals set out in the country's National Development Strategy.

5.1.1. Mission

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

5.1.2. Goals

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

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

Goal: Economy based on Knowledge, Innovation and Digitalization

One of the goals in the upcoming period will be to build an economy based on knowledge and innovation by developing an economic system where the production of goods and services will rely more on knowledge-intensive activities that significantly contribute to the promotion of technological innovations. The Republic of North Macedonia will have a green, digitalized, and innovative economy based on knowledge in which innovations will dominate as an essential characteristic of entrepreneurship and entrepreneurial culture. All of this will ensure an increase in the contribution of total factor productivity, as well as its most significant subcomponents (technological progress and the educational structure and knowledge of the labor force) in driving growth and development in all parts of the country. In addition, innovation policy and smart specialization highlight the advantages of sustainable growth in sectors with high development potential, such as agriculture and the food industry, electro-mechanical and metal industries, tourism and ICT, by supporting the digitalization of the economy and society, smart construction designs, sustainable materials, including the concept of a circular economy and recognizing the importance of gender differences. It is necessary to support an energy sector based on eco-friendly solutions, renewable sources, and energy efficiency, which drive green transition. To accelerate the country's economic development and ensure its long-term sustainability, the focus will be placed on the development of sectors with high development potential.

Priorities

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

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

technologies; electro-mechanical industry (4.0); and sustainable materials and smart buildings, while horizontal sectoral priorities include energy of the future and tourism.

1. RESEARCH, DEVELOPMENT AND INNOVATION RESULTS AS THE BASIS FOR ACCELERATED AND GREEN ECONOMIC GROWTH

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

2. ESTABLISHED COOPERATION BETWEEN THE SCIENTIFIC RESEARCH SECTOR AND BUSINESS

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

3. ECOSYSTEM THAT SUPPORTS ENTREPRENEURSHIP AND START-UPS

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

Goal: Highly Integrated Economy in International Trade and Finance

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

Priorities

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

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

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

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

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

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

3. DOMESTIC COMPANIES INVOLVED IN REGIONAL AND GLOBAL VALUE CHAINS

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

4. ACCESS TO COMPETITIVE AND DIVERSIFIED FINANCIAL SERVICES AND CAPITAL

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

5. THE COUNTRY'S EXPORT STRUCTURE, FEATURING HIGHLY FINALIZED GOODS AND KNOWLEDGE-INTENSIVE SERVICES

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

6. HIGH DEGREE OF FORMALIZATION OF THE ECONOMY

Increasing the capacity and efficiency of the tax administration to detect informal businesses and reduce evasion as one of the conditions for increasing the country's fiscal capacity without additional fiscal burdens. Improving regulation in all segments, especially in the labor market, while

following new trends created by and enabled thanks to the digitization process, can also help formalize economic flows. Embedded measures in policies to encourage and expedite the formalization process.

Goal: Labor Force Meeting Current and Future Labor Market Needs

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

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

Priorities

1. CROSS-CURRICULAR SUBJECTS AND INNOVATION- AND ENTREPRENEURSHIP-RELATED CONTENT

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

3. MANDATORY INTERNSHIPS IN SECONDARY AND HIGHER EDUCATION

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

3. CAREER DEVELOPMENT FOR PUPILS AND STUDENTS

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

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

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

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

5. LABOR FORCE MOBILITY WITH A FOCUS ON BRAIN GAIN

Creating conditions that will make the process of young and highly educated individuals who leave the country reversible and will ensure that some of those individuals will return to the country.

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

6. REGULATED LEGAL IMMIGRATION TO ADDRESS LABOR MARKET SHORTAGES

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

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

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

8. INVESTMENTS IN TALENTED PUPILS AND STUDENTS

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

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

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

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

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

By 2044, our country will transition into an environment where business entities will primarily operate in the digital domain, and economies will be interconnected within complex virtual networks¹⁴.

¹⁴ The National Operational Broadband Plan 2019 sets the national broadband targets to be achieved in the coming period and defines measures and activities for achieving them: by the end of 2029, everyone should have access to the internet via 5G with a minimum access speed of at least 100 Mbps; by the end of 2029, all households should have affordable access to a network with download speeds of at least 100 Mbps, with the option to upgrade to gigabit speeds. By the end of 2029, at least 50% of all household subscription agreements across the country should be for internet access of at least 100 Mbps, etc.

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

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

Energy corridors present both a challenge and an opportunity for a more optimal energy connection in the common regional energy market. On the other hand, the network of water supply channels for agricultural land irrigation represents a special problem for rural and compact agricultural regions that lack this significant rural development resource.

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

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

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

The ICT infrastructure is well-developed, with a solid degree of penetration across the entire territory of the country¹⁵. Despite the developed infrastructure, the growth potential of the ICT sector is still untapped. The use of ICT infrastructure remains modest, with a 15% use of high-speed broadband internet and only 1.2% of ultra-fast broadband networks.

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

¹⁵ The National Operational Broadband Plan 2019 sets the national broadband targets to be achieved in the coming period and defines measures and activities for achieving them: by the end of 2027, all towns in the country should be covered by continuous 5G signal; by the end of 2029, all public institutions (schools, universities, research centers and other educational institutions, healthcare facilities, ministries, courts, local self-governments, and other state bodies and agencies) should have symmetrical internet access with a speed of at least 1 Gbps.

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

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

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

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

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

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

5.2.1. Mission

All citizens of the Republic of North Macedonia, regardless of their place of residence, have equal access to opportunities for a high quality of life. Partnership and collaboration with local communities result in strengthened infrastructure and services that foster economic growth and social progress, as well as addressing potential gender disparities. Given the approach of systemic change upon which the NDS is based, this strategic area should be addressed together with all other strategic areas.

5.2.2. Goals

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

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

Goal: Reduced Disparities between and among Planning Regions

Bridging the gap between urban and rural areas, as well as between different regions in the Republic of North Macedonia. By promoting targeted investments, making policies and infrastructure development, the Republic of North Macedonia strives to create an environment in which every citizen can enjoy a decent quality of life, regardless of where they live, taking into account the specific needs and experiences of men and women in different geographical locations. Through this strategic goal, internal migration (from village to city) will be reduced and social cohesion will be improved, which will contribute to greater national stability and sustainable growth.

The reduction of regional and inter-municipal disparities is an instrument for utilizing the full potential of the human capital and resources of the Republic of North Macedonia, carried out with a gender-responsive approach that promotes equal access to opportunities for women and men to contribute to a more equal, inclusive, and competitive society. This strategic goal also promotes a more even distribution of economic activities, preventing excessive concentration in large urban centers and thereby mitigating social and environmental challenges. The Republic of North Macedonia's focus on reducing disparities between and among regions not only contributes to a fairer and more inclusive society, but also positions the nation for greater resilience and competitiveness on the global stage.

Priorities

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

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

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

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

3. QUALITY AND INCLUSIVE PUBLIC SERVICES

Emphasis on quality in the provision of services such as healthcare, education, social welfare, child protection, and infrastructure, while ensuring conditions where marginalized and vulnerable communities are not left out.

Integrating digital solutions will improve the efficiency and effectiveness of service delivery, bridging geographic gaps and ensuring that even hard-to-reach communities benefit from quality healthcare, social welfare and child protection services, as well as conditions for business development. This approach encourages inclusivity and reflects forward-thinking on public welfare.

Goal: Capital Infrastructure in Function of a Better Life

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

Priorities

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

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

2. DIGITIZED AND FUNCTIONAL SPATIAL AND URBAN PLANNING

By aligning its institutional infrastructure and utility infrastructure with European standards, the Republic of North Macedonia aims to efficiently manage its urban and spatial development, ensuring that projects are designed in an inclusive manner, are focused on sustainability and fully consider the needs of citizens and the gender perspective.

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

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

Goal: *Functional and Fiscally Sustainable Municipalities*

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

Priorities

1. LOCAL SELF-GOVERNMENT UNITS EFFECTIVELY EXERCISE THEIR COMPETENCIES

Encouraging decentralized governance, improving local public service delivery, and promoting community development will lead to more responsible and efficient local governance, creating a solid foundation for participatory democracy, satisfied citizens, and sustainable local and regional growth. Establishing sustainable good governance systems and creating corruption-resistant local self-

government units will further contribute to more efficient service delivery and accelerated socio-economic development.

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

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

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

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

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

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

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

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

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

The NDS highlights the fact that data and technologies are crucial drivers for achieving local and regional development that ensures cohesion in different geographical areas and communities. With the help of sophisticated data analysis, individual local and regional strengths and weaknesses across the country can be identified, enabling targeted interventions to develop underdeveloped areas without hindering the growth of developed areas. Digital platforms play a key role in sharing best practices, strengthening collaboration, and mobilizing resources across regions. Their task is to equip all local communities with the necessary tools and knowledge to prosper. With the emergence of digital technologies, the definition of infrastructure expands. Smart cities integrated with IoT devices can optimize traffic flow, improve the efficiency of public transportation, manage water supply and waste more effectively, and even monitor environmental conditions in real time. Digital finance and blockchain

technology can change the fiscal decentralization process. Digitalization, in every sense, is not just an engine but also a game-changer. It seems to have the ability to transform the fabric of local and regional areas in the Republic of North Macedonia.

5.3. STRATEGIC AREA: DEMOGRAPHIC REVITALIZATION AND SOCIAL AND CULTURAL DEVELOPMENT

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

Addressing the economic well-being and social inclusion of citizens in the Republic of North Macedonia presents a multifaceted challenge. Despite progress in reducing long-term unemployment, with the rate decreasing from 26% in 2010 to 13.1% in 2023¹⁶, this figure remains significantly higher than the EU average of 2.5%. This indicates that despite improvements, there is much work to be done to align the Republic of North Macedonia with European labor market standards. Additionally, a concern arises from the high percentage of socially vulnerable individuals, with a high poverty rate of 21.8% in 2020. Before social transfers, 42.1% of the population is at the poverty threshold. The Republic of North Macedonia has approximately 50% more socially vulnerable people than the EU, placing the country in a challenging position, with only Albania, Montenegro, and Bulgaria facing similar or worse situations in the region.

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

However, it is worth noting that the number of employees in these sectors does not always correspond to their contribution to the economy. There is a gender pay gap in the Republic of North Macedonia, with women earning less than men for the same job. Additionally, women disproportionately engage in unpaid care work within the family, limiting their professional development. In 2021, the highest number of unpaid family workers were rural women, totaling 18,634. Furthermore, 59% of women aged 20 to 64 are inactive in the labor market due to household obligations, compared to 2.3% of men¹⁷.

An analysis of the Macedonian healthcare system paints a mixed picture. On the positive side, the country has made significant progress in providing healthcare coverage to its citizens, with approximately 90% of the population being covered by the social health insurance scheme, which ensures that the majority of citizens have financial protection when accessing healthcare services. However, high private payments, or the so-called "out-of-pocket" payments made by insured individuals in the Republic of North Macedonia, accounting for 41% compared to the EU average of 15%, present a concerning financial situation. Such disparities indicate that a significant portion of the population

¹⁶ SSO news release on the Active Population in the Third Quarter of 2023, the unemployment rate (age 15-74) is 13.1%. Source SSO <https://www.stat.gov.mk/PrikaziSoopstenie.aspx?id=98&rbr=14599>

¹⁷ Statistical Office data, available at: <https://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbrtxt=24>

bears a heavy financial burden when seeking medical care, which potentially leads to unequal access and financial burdens, as well as public health deterioration.

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

These data clearly indicate significant disparities in healthcare outcomes for the youngest members of the population. Education in the Republic of North Macedonia has certain positive aspects but also significant areas of concern. The percentage of children aged 3 to 5 years who participate in preschool education is extremely low, nearly three times below the EU average – according to UNESCO, the enrollment rate for children aged 0-6 is 27%, while according to the World Bank, the enrollment rate for children aged 3-6 is 46%. The recent National Study on the Quality of Early Learning and Achievement in Preschool-Age Children, conducted using the MELQO methodology, revealed gaps in early childhood that correspond to learning challenges at later ages and confirms the need for investments to improve the quality and accessibility of preschool education. The Republic of North Macedonia can boast a relatively high percentage of students completing compulsory education (90%), although it falls slightly below the EU average. However, the results of the latest international PISA study from 2022 are concerning, showing an alarmingly high percentage of 15-year-olds, almost 55%, with minimal levels of literacy in reading, mathematics, and science. Such indicators rank the country at the top of the notorious rankings, both in the region and in the EU, necessitating urgent improvement. Additionally, the country shows a low rate of early school leaving compared to the EU member states, indicating that most individuals aged 18 to 24 are engaged in some form of education or training. Furthermore, there is a significant portion of the population aged 25 to 34 with higher education, which places North Macedonia among the countries with better outcomes in the region. In the field of science and research, there are concerning figures, with a significantly low percentage of individuals engaged in research and development activities, along with the low, inadequate percentage of funds allocated for research and development, which falls significantly behind EU averages.

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

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

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

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

5.3.1. Mission

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

5.3.2. Goals

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

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

Goal: Balanced and Sustainable Demographic Movements

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

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

Priorities

1. BALANCE BETWEEN FAMILY AND PROFESSIONAL RESPONSIBILITIES

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

2. INSTITUTIONAL COOPERATION, COORDINATION, AND PROMOTION OF DIASPORA REINTEGRATION

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

3. DEMOGRAPHICALLY REVITALIZED RURAL ENVIRONMENTS

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

4. ACCESSIBLE AND QUALITY HOUSING

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

5. SYSTEMIC INTERNAL AND EXTERNAL MIGRATION FLOW MANAGEMENT

With data collection and analysis, the country can understand migration trends better, identify key drivers, and proactively respond to internal and external migration challenges, as well as manage challenges related to young people, including their migration potential and intentions, along with the factors that have influenced such decisions.

Goal: Healthy and Happy People



An efficient and sustainable healthcare system in the Republic of North Macedonia is crucial to ensure the well-being of its citizens. By improving the accessibility and quality of healthcare services, which recognize the specific health needs of men and women, the country can guarantee that its citizens receive the necessary healthcare when requested. In this regard, special focus is also placed on persons with disabilities, who are included as a priority within each aspect of this goal. A sustainable healthcare system promotes economic stability by reducing the financial burden on both the state and citizens.

Significant emphasis within this goal will also be placed on the development of sports and sports infrastructure as a universally recognized value with considerable social and health benefits, while also enhancing the country's international profile.

Priorities

1. CITIZENS PRACTICING A HEALTHY LIFESTYLE

By focusing on preventive measures, such as education on nutrition, sports and the importance of an active lifestyle, the country can combat increased obesity rates and related health issues. These efforts can lead to a healthier and more active population, reducing the burden on the healthcare system. Additionally, implementing comprehensive substance abuse prevention programs and raising awareness of the negative consequences of addiction can significantly reduce the social and health consequences of cigarette, drug, and alcohol use. Sports should be one of the fundamental aspects of citizens' daily lives and a way of life, bringing significant benefits to the quality of life in our country.

2. CITIZENS FOCUSED ON PREVENTIVE HEALTHCARE FOR ALL RISK FACTORS

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

3. CITIZENS WITH A GOOD MENTAL WELL-BEING

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

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

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

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

Goal: Inclusive and Efficient Social Protection and Social Security System

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

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

Priorities

1. PROACTIVE SOCIAL RISK PREVENTION

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

2. FAIR SOCIAL PROTECTION SYSTEM THAT APPROPRIATELY TARGETS VULNERABLE GROUPS OF CITIZENS

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

3. DEVELOPED PUBLIC SOCIAL SERVICES ACCESSIBLE TO ALL

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

4. SOCIAL TRANSFERS ALIGNED WITH THE STANDARD OF LIVING

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

5. INTEGRATED AND ACTIVATED VULNERABLE CATEGORIES IN SOCIETY IN LINE WITH INDIVIDUAL ABILITIES

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

6. FINANCIALLY STABLE AND SUSTAINABLE PENSION INSURANCE PILLARS

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

7. PRESERVATION OF THE PURCHASING POWER OF PENSION INCOME

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

8. IMPLEMENTED ACTIVE AGING CONCEPT

Developing active aging programs and creating conditions for the elderly to participate in all professional and social aspects of life, encouraging and empowering them to lead active and engaged lives, whereby the country can leverage their extensive experience, wisdom, and skills. Improved conditions in retirement facilities, as well as a supportive professional and social environment, will stimulate their activity, foster connections, and enable meaningful participation. In this way, the quality

of life will significantly improve for the elderly, fostering intergenerational harmony and a cohesive community.

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

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

Goal: Society Based on Knowledge, Critical Thinking and Values

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

Priorities

1. MANDATORY PRESCHOOL EDUCATION

Access to early childhood education for all children aged three to five, with consideration for the needs of persons with disabilities, is gradually provided by adopting policies and regulations that mandate participation in preschool programs. These policies emphasize the importance of early learning, socialization, and skill development, accounting for gender-related factors that affect equal opportunities and outcomes for both boys and girls. Mandatory preschool education ensures that all children have a strong basis of education, reduces disparities in access to early learning, and improves overall preparedness for school, ultimately contributing to improved academic performance and social development in later years.

2. LEARNING OUTCOMES IN FORMAL EDUCATION ALIGNED WITH INTERNATIONAL STANDARDS

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

3. INTERNATIONALLY RECOGNIZED AND COMPETITIVE HIGHER EDUCATION AND SCIENTIFIC INSTITUTIONS

Streamlining the extensive network of higher education institutions, introducing strict accreditation, reaccreditation and evaluation criteria, and encouraging the interest of higher education and scientific institutions for external accreditation. This includes involvement in European associations for promoting quality in education.

4. RECOGNITION OF INFORMAL EDUCATION IN THE SKILLS SYSTEM

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

5. EDUCATIONAL SYSTEM FOSTERING AND DEVELOPING DEMOCRATIC VALUES IN SOCIETY

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

Goal: Recognizable Cultural Identity and Values



By preserving and nurturing the national cultural heritage, traditions, Macedonian historical identity and the multi-ethnic character of the state, the foundation for building a strong belonging to the country and fostering a sense of unity and shared history is laid. In this context, it is necessary to recognize the contribution of women and men in the cultural heritage in order to guarantee a complete representation of the national history and tradition. Cultural wealth and creative industries strengthen the social fabric and reinforce the national pride of individual ethnic backgrounds, but also ensure their strong cohesion, shaping a vibrant and distinct identity that interweaves and promotes the multicultural and multi-ethnic characteristics of the state. Additionally, by enriching the offer in the country's tourism sector, it will encourage visitors to explore its picturesque history, traditions, and natural beauty, while fostering greater cultural exchange and economic opportunities. Furthermore, emphasis will be placed on affirming national potential through the development of sports, which significantly impacts the country's representation on the international stage.

Priorities

1. DEVELOPED CULTURAL, CREATIVE INDUSTRIES AND SPORTS

Entrepreneurs in the cultural sector, creative industries and sports, including female entrepreneurship, will be strengthened, and cultural heritage and sports will be showcased to a global audience. This fortifies the creative sector, fostering innovation, creating jobs, and preserving cultural heritage. The development of sports infrastructure, support for talented athletes, and the promotion of sports at all levels—from amateur to professional—will also be prioritized. Through these efforts, sports

will play a vital role in building a healthy and active society while promoting national pride and fostering international collaboration.

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

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

3. RISK-RESILIENT CULTURAL HERITAGE

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

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

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

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

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

5.4. STRATEGIC AREA: RULE OF LAW AND GOOD GOVERNANCE

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

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

The rule of law and good governance are of crucial importance for the overall long-term development of North Macedonia. These categories have been established as the foundation of the political, economic, and legal system provided for in Cluster 1 of negotiations for the country's EU integration - Fundamentals (primarily Chapters 23 and 24), which open and finalize the negotiation process. The rule of law and good governance are fundamental values enshrined in the Treaty on European Union that must be fully accepted. Moreover, democracy, economic growth, and well-being can only be achieved in a society where the rule of law is highly respected. Furthermore, the implementation of these principles in Macedonia's political, economic, and legal systems, along with strengthening the capacities of the state, public institutions, and other sectors of society to function effectively in line with the Copenhagen political criteria, are key prerequisites for successfully achieving the strategic priorities outlined in all areas of the NDS.

According to relevant international reports and assessments, the Republic of North Macedonia is currently facing serious challenges in terms of weak adherence to the rule of law, limited efforts to combat corruption and organized crime, the capture of public institutions by political parties through extreme politicization, and the dominance of the "spoils" system in appointing public office holders, as well as an extremely dysfunctional public administration.

According to the latest measurements summarized in the Rule of Law Index (2023), the country ranks 67th out of 142 countries, retaining the same score of 0.53 index points as in the classifications from previous years (2020, 2021, and 2022). According to the criterion Constraints on government powers, the country is ranked 97th with a score of 0.47, 75th in terms of the Absence of corruption with an index of 0.45, 70th in terms of Open government with a score of 0.50, and 56th in terms of Fundamental rights with a score of 0.60. In terms of the criterion of Order and security, North Macedonia is ranked 43rd with a score of 0.80, 94th in terms of Regulatory enforcement with a score of 0.46, 75th in terms of Civil justice with an index of 0.52, and 72nd in terms of Criminal justice with a score of 0.44 points.

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

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

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

The Republic of North Macedonia has achieved some level of preparedness, meaning, it is moderately prepared to enforce EU law and European standards in the field of the rule of law, covered by Cluster 1 (Fundamentals, Chapters 23 and 24). Progress has been made in strengthening the independence of the judiciary, achieving multiple goals of the 2017-2022 Strategy for Reform of the Judicial Sector (with an action plan for its implementation), and more effective functioning of the public prosecution, which means that the implementation of the recommendations from the Venice Commission and the Senior Experts' Group on Systemic Rule of Law Issues continues. The goals of the strategy have not been achieved to a large extent due to the incomplete implementation of the principle of financial independence of the judiciary and the public prosecution, in relation to the budget obligation to allocate 0.8% of GDP for the judiciary, as only 0.3% has been realized. Due to poor planning of the required and vacant judicial positions, it is estimated that the Macedonian judiciary lacks more than 150 judges, and in 2022 only, the number of judges has decreased by 44. Now, we have 449 judges.

Therefore, courts cannot cope with the influx of new cases, resulting in a total of 700,000 active court cases in 2023. Among these, over 109,000 have carried over from the previous year because they remained unresolved. The public prosecution continuously faces a labor shortage, an insufficient number of public prosecutors and public prosecution officials. Despite its extensive legal competences and workload, in recent years, the public prosecution has experienced a staff turnover for various reasons, so, from the planned number of public prosecutors, which should total 262, as of the end of 2022, only 174 public prosecutor positions have been filled, i.e. the public prosecution fulfills its duties with 88 fewer public prosecutors than planned. The inadequacy of the public prosecution is also influenced by the lack of auxiliary staff such as investigators and officials. Out of the total planned 1,126 positions in the public prosecution service, only 385 job positions have been filled. The situation with these two institutions, which are of crucial importance for the rule of law, reflects the overall neglect of the role of law enforcement agencies, such as inspection services at the local and state levels. Their capacities fall far below the minimum tolerance for the effective enforcement of laws and oversight of public institutions and citizens in their enforcement. The new 2024-2028 Strategy for the Development of the Judiciary (adopted in December 2023) is aimed at overcoming the discrepancies between the laws in this area and their effective enforcement, as well as strengthening the role of the judiciary in protecting human freedoms and rights and common values further through consistent application of the constitutional principle of the separation of powers and ensuring the independence and autonomy, efficiency and effectiveness, quality, transparency, and accountability of institutions in the judiciary. One of the key areas of strategic development planning for the Republic of North Macedonia by 2044 is the reform and development of public institutions. The large number of public institutions and enterprises, in addition to state authorities, is the result of extensive efforts to establish a network through a one-way process of creating new institutions. This process has been insufficiently coordinated, with no periodic reviews or the abolition of existing ones. The result of this trend is the constant increase in the number of employees in the public sector. According to the data available from the Ministry of Information Society and Administration, the situation of public institutions is as follows: in 2016, there were 1,291 institutions, while their number increased to 1,354 active institutions by 2022. Unlike the reforms in the judicial system, the public administration reform is progressing even more slowly, so its status is far below the Copenhagen political criteria for stable institutions that guarantee democracy, the rule of law, human rights, and the protection of minorities.

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

- **rule of law, fairness, legality, and impartiality in decision-making; strategic leadership and accountability, which include policy-making and their ex-post and ex-ante evaluation, and law-based decision-making, while accepting the consequences that will arise from them;**
- **efficiency and effectiveness, which include achieving the best work results and making the best use of available resources;**
- **integrity and ethics, which include independent, professional conduct, integrity in achieving goals, acting in accordance with high moral and ethical principles in the interest of citizens, prioritizing the public good over individual interests, and applying effective measures to prevent and combat all forms of corruption and conflicts of interest;**
- **sound financial management, which necessitates careful financial management, including contract and credit arrangements, assessment of funds, revenues and reserves, as well as the use of special revenues;**
- **openness and transparency in decision-making, adopted and implemented in accordance with the rules and regulations, public access to all non-classified information (according to precise criteria established by law);**

- **accountability**, which necessitates a secure control system in the execution of functions and creates an obligation to submit reports on the work done, ensuring quality in the work of the institutions, making decisions that can be published, explained and sanctioned;
- **accessibility and participation**, with greater involvement and collaboration in the decision-making processes with all relevant actors;
- **inclusiveness**, where services for citizens are available to all without discrimination; **innovation, creativity, and openness** to change;
- **continuous learning and excellence** in work as the basis for action;
- **partnerships and networking** with universities, the business community, the civil sector, and all relevant factors from all spheres of social life; equality and fair treatment, as well as respect for individual differences;
- **fair representation** based on competence and expertise;
- **social responsibility**, which necessitates an ethical framework that encourages every individual or institution to act in the best interest of society as a whole.

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

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

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

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

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

Political (party) influences on the judiciary, public prosecution, and public administration, along with the influence of other lobby groups, directly contribute to the emergence of endemic corruption, or systemic corruption that permeates all spheres and levels of society. In terms of fighting corruption, the European Commission assessed that the country has achieved some level of preparation/is moderately prepared in the prevention and prosecution of corruption in its Progress Report on North Macedonia in 2022.

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

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

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

It should be emphasized that no systemic solutions are being implemented to overcome the critical situation in prisons, nor are the 2021 recommendations from the European Committee for the

Prevention of Torture (CPT), being acted upon. The situation in penitentiary-correctional facilities can be improved by providing adequate access to healthcare, education, suitable living conditions, resocialization and reintegration programs, conditions for their implementation, and post-penal assistance—all of which remain unimaginable for those currently serving prison sentences.

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

5.4.1. Mission

The Republic of North Macedonia will be developed as a community based on the rule of law and good governance, serving as the strongest guarantee for respecting citizens' right to happiness and a better quality of life. By 2044, as a new EU member, the country will ensure all freedoms and rights for Macedonian citizens that are granted to EU citizens. All branches of power—legislative, executive, and judicial—will perform their functions based on European values and standards, with a highly effective, accountable, transparent, and fully digitized judiciary; a strong, highly professional, depoliticized, and efficient public administration; citizens who are genuine participants in political decision-making; and protection for vulnerable groups at all levels. There will be significant involvement from the business community, civil society, and political parties in shaping public policies through continuous improvement of democratic relations and dialogue at all levels, with responsible public officials and service providers. The state will create an environment where conditions are established for greater social justice and security for all citizens, who will enjoy a standard of living comparable to that in economically developed states with functional democracies.

5.4.2. Goals

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

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

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

The principle of the rule of law and the respect for natural human freedoms and rights complement the demand for a new approach to politics and parties as its protagonists. First, the state must strive to accelerate the EU integration process and start EU membership negotiations. The primary focus of all state actors should be directed towards the perspective of EU membership, considering the strong support from citizens. To achieve this priority goal, it is imperative to consistently

apply the principle of separation of powers and establish a robust institutional framework for the rule of law. The realization of this postulate is a necessary condition for establishing balance, mutual coordination, and oversight of the legislative, executive, and judicial branches as a crucial prerequisite for the rule of law through which the state of supremacy of the executive branch and its influence over the other two authorities will be overcome. In addition to constitutional and legal constraints on the executive branch, this objective can be achieved through a fundamental reform of the judiciary and public administration.

Priorities

1. ACCELERATION OF THE EU INTEGRATION PROCESS

Over the past years, the Republic of North Macedonia has made significant progress in restoring and advancing democracy and democratic processes, warranting its inclusion in the European Union at the earliest opportunity. Consequently, activities aimed at intensifying processes to advance the country's European trajectory, including steps and decisions ensuring ongoing European integration and fully-fledged EU membership, are of paramount importance.

Fulfilling obligations related to the European integration process serves as a catalyst for all economic and social development processes necessary for aligning Macedonian society with European standards of living.

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

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

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

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

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

The principle of the rule of law is intricately tied to the establishment of a transparent, independent and accountable judiciary. The court and its judges play pivotal roles in upholding the rule of law. In the context of the principle of separation of powers, they are tasked with ensuring adherence to and enforcement of the law, among other responsibilities. They must also exert effective oversight

over the executive branch and state administration in the administration of justice and the protection of human freedoms and rights. Consequently, the advancement of reforms in courts, public prosecution offices (as well as the Judicial Council and the Council of Public Prosecutors) across the transition system serves as a genuine gauge of the Republic of North Macedonia's progress in the European integration process.

Goal: Transparent, Accountable and Efficient Public Sector

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

Priorities

1. TRANSPARENT AND DEMOCRATIC PROCEDURE FOR ADOPTING LEGITIMATE LAWS AND OTHER DECISIONS

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

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

Adopting and implementing measures to oversee the application of laws, an established mechanism and system to monitor the consistent and continuous application of laws, as well as adherence to obligations arising from international and national agreements through enhanced inter-institutional cooperation and trust.

3. MERIT-BASED SELECTION, APPOINTMENT, EMPLOYMENT AND PROMOTIONS IN THE PUBLIC ADMINISTRATION

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

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

Public trust in state and local government institutions has been cultivated, and an environment marked by transparency, accountability, responsibility, and trust has been fostered to support the EU integration process.

5. JUDICIAL CONTROL OVER THE LEGALITY OF PUBLIC ADMINISTRATION ACTS

Enhanced judicial oversight of the constitutionality of laws and the legality of regulations issued by public authorities. A streamlined and optimized public sector and a stable legal framework has been established, ensuring that new administrative bodies cannot be continuously created through special/material laws outside those provided for in the systemic regulation.

6. DIGITIZATION OF PUBLIC SERVICES AND OFFICES WITH FREE CITIZEN ACCESS TO INFORMATION ON THEIR OPERATIONS

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

7. RESULT-ORIENTED PUBLIC ADMINISTRATION

Good governance of public institutions is intricately linked to the goal of the public administration reform, that is, the existence of an efficient, effective, quality, transparent and responsible public administration that offers citizens predictability and quality public services. Fair competition among political parties vying for power is essential, along with the presence of democratic institutions, effective and true separation of power, a clear horizontal and vertical hierarchy of responsibilities, as well as a higher quality of policies. This is achieved through a democratized and result-oriented policy-making process.

8. POLICIES MADE WITH CIVIL SOCIETY ORGANIZATION, CITIZEN AND OTHER STAKEHOLDER PARTICIPATION

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

Goal: Strong Civil Society and Free and Independent Media

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

Priorities

1. STRONG CIVIL SECTOR AS THE BASIS FOR AN ACCOUNTABLE, TRANSPARENT AND DEMOCRATIC SOCIETY

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

2. MEDIA FREEDOM FOR OBJECTIVE INFORMING

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

Goal: Zero Corruption, Legal Certainty, and Impartial Justice

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

Priorities

1. IMPLEMENTATION OF UNIVERSAL GOOD GOVERNANCE STANDARDS

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

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

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

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

The consistent adherence to the principles of legality, transparency, professionalism, accountability and responsibility is a guarantee of the effective functioning of state institutions. Inter-institutional coordination and cooperation are two of the important prerequisites for functional institutions.

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

In legislative terms, the Republic of North Macedonia fulfills its international obligations in terms of the respect and protection of human freedoms and rights by ratifying international conventions on human rights. The respect and protection of human rights and gender equality in practice also poses a challenge. This is especially true for the protection of marginalized groups, whose rights are often violated without adequate and effective safeguards. Additionally, the recommendations from national and international institutions that monitor the implementation of human rights are not properly applied in the area of their protection. To effectively protect environmental rights, which are constitutionally guaranteed fundamental freedoms and rights, the Republic of North Macedonia should become a society that develops policies, legal provisions, and decisions in the field of environment in order to address global climate changes and environmental challenges, recognizing this problem not only at the central but also at the local level. This goal means strengthening the instruments for protecting human rights before the courts and the public administration, including the Constitutional Court, through constitutional reform and reform of substantive and procedural laws. It also requires reinforcing the social responsibility of authorities and organizations dedicated to caring for and protecting vulnerable groups. Strengthening environmental justice necessitates the establishment of a new constitutional and legal framework aligned with the concept of a green economy and intergenerational justice, and solidarity.

Priorities

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

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

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

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

3. PROTECTION OF MINORITY COMMUNITIES, THE IMPOVERISHED, AND INDIVIDUALS WHO ARE PART OF MIGRATION FLOWS

Building a society with inclusive development is intricately linked to respecting human rights in its broadest sense and safeguarding against all forms of discrimination. Social cohesion is an essential element of a successful society and often serves as an indicator that a country is a desirable place to live and work. The state endeavors to uphold and promote the rights of non-majority communities, primarily by ensuring their rights in areas such as employment, education, culture, and other domains regulated by law. By realizing this priority, the implementation of community rights will be strengthened, the monitoring of their realization will be improved, and oversight of their enforcement by institutions at both the central and local levels will be ensured. Furthermore, integration policies for foreigners with regulated residence in the country, asylum seekers and refugees should include state policies and measures that facilitate their integration into the educational process and other social activities. This approach aims to help these groups become active participants in the country's economic, social, and political life, while fully respecting cultural and social differences and upholding human rights and dignity.

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

This priority area guarantees the enhancement of the status and protection of the rights of sentenced persons, including women, by improving the conditions in which sentences are served, as well as the treatment, living, and working conditions of sentenced persons. It underscores the importance of treating individuals humanely with the utmost respect for their dignity and personal autonomy, while safeguarding their physical and mental well-being, taking into account the goals of separate sanctions that will ultimately contribute to the successful resocialization and reintegration of individuals into society following their sentence completion. The Republic of North Macedonia ought to

prioritize the well-being of juvenile offenders, at-risk children, and those in conflict with the law by instituting mandatory educational programs and initiatives that foster positive character development and personality growth. Additionally, providing training opportunities for resocialization and reintegration into society is crucial.

5. EFFECTIVE PROTECTION OF THE RIGHT TO A HEALTHY ENVIRONMENT

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

6. ACCESS TO JUSTICE

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

Digitization strengthens the rule of law and good governance, offering significant opportunities to enhance efficiency, effectiveness, transparency, accountability and responsibility, which are crucial for the flourishing of a democratic society. Technology plays a vital role in enhancing parliamentary oversight by providing digital platforms that enable real-time monitoring and seamless communication among government bodies. Digital tools are indispensable in the Republic of North Macedonia's efforts to achieve a transparent, accountable, and efficient public sector. E-government initiatives modernize citizens' interactions with the state, making services more accessible and streamlining processes. Open data platforms not only provide access to public sector data for all citizens but also ensure that the data is presented in an understandable format, thereby enhancing government accountability.

Digital advancements provide a significant advantage in the pursuit of legal certainty and impartial justice. Online legal services and digital courts enhance access to justice and expedite legal proceedings. The Republic of North Macedonia's dedication to upholding fundamental human freedoms, rights, and community protection takes on renewed significance in the digital era.

5.5. STRATEGIC AREA: SECURE, SAFE AND RESILIENT SOCIETY

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

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

From 1999 to 2021, an average area of 8,837 ha was affected by forest fires with an average damage of approximately 7.8 million EUR on an annual basis¹⁹. Frequent and severe droughts, particularly in the south and east parts of the Republic of North Macedonia, exacerbate socio-economic conditions. For instance, a prolonged drought in 1993 caused extensive crop damage and led to a 7.6% national income loss²⁰. Over the past two decades, there have been 14 disasters of this nature, resulting in 79 human casualties. Approximately 1.3 million inhabitants were affected, with eight of these disasters causing damages totaling half a billion USD. The highest number of human casualties occurred during the torrential floods in Skopje in August 2016 (22). Forest fires in July 2007 impacted nearly half of the country's population, while the floods in 1995 resulted in the highest damage amounting to 245 million USD.

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

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

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

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

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

witnessing fighting (48%), unable to find work because of the conflict (30%) or having to leave their home (27%).²²

The World Bank's assessment²³ indicates that the Republic of North Macedonia's emergency preparedness and response system is fairly functional but faces significant challenges. The main issue is the presence of multiple actors with overlapping roles and unclear responsibilities. To enhance efficiency, the system should shift from a reactive, ad hoc approach to a more organized, consistent, and integrated one, guided by a long-term strategic vision. The diagnostic report identifies gaps and suggests prioritizing fundamental aspects such as floods and wildfires. It also acknowledges emerging challenges such as climate change, migration, pandemics, and tourism, recommending improvements in equipment, capacity building, and technology.

During recent years, the resilience of Macedonian society and communities have been affected by a series of new and emerging risks and threats i.e., the migrant crisis since 2015, air pollution in Skopje and other bigger towns across the country or the COVID-19 pandemic crisis. The pandemic toll until September 2023 is 348.411 confirmed cases, and 9,941 deaths (0.54% of the total resident population as per the census from 2021)²⁴ and cumulative output losses for 2020 and 2021 are estimated at 3.7 billion USD (25)²⁵ (27.29% of the GDP for 2021). However, all of these risks contribute to weakening the overall resilience of the country, as well as spending its finite resources. In addition, the effects of air pollution are of increased magnitude, i.e. in 2017, 13.7% of deaths in Skopje were related to air pollution²⁶.

The Republic of North Macedonia, like other nations, faces cyberattack vulnerability, targeting critical sectors like infrastructure, government, education, and businesses, causing service disruptions and economic harm. An example of this would be the DDoS[9] (Distributed Denial of Service) attacks to the State Electoral Commission site during the July 2020 elections, email threats of placing bombing devices in 76 educational and 42 other institutions in 2023 and ransomware attacks to governmental institutions (Health Insurance Fund in 2023). Additionally, the Council of Europe's anti-money laundering body, MONEYVAL, urged the Republic of North Macedonia to bolster measures against money laundering, terrorism and proliferation funding, particularly in investigations and prosecutions²⁷.

According to the Organized Crime Index, the state has a score of 5.32, ranking it 74th out of 193 countries assessed globally, or 11th out of 44 countries in Europe. In terms of resilience, the RNM has a score of 5.21, placing it 76th out of 193 countries globally and 32nd out of 44 countries in Europe²⁸. According to state data, there has been a significant decrease of 28.2% in violent deaths in the Republic of North Macedonia²⁹. Last year, the number of individuals who lost their lives in this manner was 486, accounting for 2.2% of the total number of deaths.

The RNM aligns with the Sendai Framework for Disaster Risk Reduction 2015 - 2030³⁰, which emphasizes mobility as a potential risk, especially concerning people and their surroundings. Managing the migrant crisis since 2015 highlighted the need for integrating these issues into disaster risk management within the National Crisis Management System. As a result, the National Risk

²² https://www.osce.org/files/f/documents/3/5/419264_1.pdf

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

²⁴ <https://popis2021.stat.gov.mk/>

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

²⁶ <https://tinyurl.com/y48dbjba>

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

²⁸ https://ocindex.net/country/north_macedonia

²⁹ https://www.stat.gov.mk/PrikaziSooopstenie_en.aspx?rbtxt=12

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

Assessment now includes migrants as a risk element, assessing their impact on the country's security³¹.

Disability inclusion in disaster risk management is insufficiently integrated into existing systems. Persons with disabilities are often overlooked and treated as part of a broader vulnerable population. Consequently, they aren't considered in climate and disaster risk reduction efforts and lack fair access to policy-making, decision-making, and resilience-building activities. The current disaster risk reduction approach remains primarily reactive rather than proactive, focusing more on response than prevention and mitigation. The 2023 - 2030 Convention on the Rights of Persons with Disabilities and related policies aren't adequately recognized as a foundation for developing inclusive policies, regulations, practices, and actions to enhance the resilience of persons with disabilities³². Work is underway on the National Adaptation Plan (NAP) that uses nexus approaches in various sectors, including water, food, energy, health, biodiversity, tourism, forestry, disaster risk reduction, loss and damage, and infrastructure³³.

To address some of the above-mentioned issues, the country has developed its defense and security strategy through the Strategy for Defence and Long-term Capability Plan for 2019-2028. To ensure effective digital transformation and enhanced security, the Republic of North Macedonia needs to invest much more in the development of digital skills and cybersecurity. This is especially important for bridging the gap between the available qualified workforce and the available jobs – ICT, broadband, and cybersecurity policies need to be systematized, which implies the adoption of the National Cybersecurity Strategy and the National ICT Strategy, both of which are being prepared. Numerous other key areas such as the fight against terrorism and violent extremism, money laundering and terrorist financing, arms control, cybersecurity, and police development strategies contain outdated strategic documents that need to be revised. On the other hand, the country has not adopted a National DRR Strategy yet, which should outline the strategic framework for building the resilience of the society and communities in the period until 2030. The Republic of North Macedonia adopted a comprehensive Strategy on Climate Action³⁴ that is consistent with the EU 2030 framework. It regularly prepares the documents under the UNFCCC and in line with the Paris Agreement, i.e. the Fourth National Communication³⁵, the Third Biannual Report on Climate Change³⁶, and the Enhanced Nationally Determined Contribution³⁷.

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

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

³² [1] Vasko Popovski. Policies for Disability-Inclusive Disaster Risk Reduction in the Context of the Republic of North Macedonia. UNDP. 2023. p. iii. Available at: <https://tinyurl.com/mrtyw34d>

³³ United Nations in North Macedonia, Government of the Republic of North Macedonia. Sustainable Development Goals. Voluntary National Review North Macedonia. 2020. p. 76. <https://tinyurl.com/zu5pskrz>

³⁴ <https://tinyurl.com/ykdr3fz8>

³⁵ <https://tinyurl.com/yc3kzt35>

³⁶ <https://tinyurl.com/5n6sa27f>

³⁷ <https://tinyurl.com/y9fwtmav>

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

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

The Republic of North Macedonia's international politics center around two key aspirations. The state made significant progress in its international partnerships. Becoming a NATO member in March 2020 provides security and access to humanitarian aid and scientific collaboration via the NATO Science for Peace and Security Program. The country applied for EU membership in March 2004, becoming a candidate in 2005. In March 2020, accession negotiations began, and in July 2022, the RNM held its first intergovernmental conference with the EU. On the other hand, prolonged process for EU negotiations can be considered as a risk which, coupled with the ongoing situation, hazards and other risks, can lead to further complex situations. The Republic of North Macedonia's involvement in regional organizations like the Western Balkans Six is crucial. It promotes stability, economic cooperation, and diplomacy, strengthening cultural bonds, facilitating access to foreign aid, and enhancing security partnerships. The Berlin Process, a vital regional platform, focuses on infrastructure, business, science, and youth exchange (mobility), but also on the harmonization of policies yielding tangible results through agreements like the Regional Roaming Agreement, benefiting the region's people. The Open Balkans initiative has also accelerated part of the integration processes at the regional level through the harmonization of standards and procedures that facilitate the common and single market of people, products and services. This initiative has notably aided in addressing challenges stemming from concurrent crises (COVID-19 pandemic, energy price fluctuations, and food shortages). The RNM is a member of various international organizations, including the United Nations (UN), the Organization for Security and Cooperation in Europe (OSCE), and the Council of Europe.

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

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

5.5.1. Mission

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

5.5.2. Goals

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

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

Goal: A Society that is Resistant to Crises and Disasters

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

Priorities

1. TRANSFORMED AND PREVENTION-FOCUSED DISASTER RISK MANAGEMENT SYSTEM

Further decentralization of the disaster risk reduction competencies in order for parts of the system (e.g. local governments) to focus on proactive measures rather than solely reacting after a disaster has transpired. The key is to build resilience, first of all through prevention and mitigation of the consequences of existing and anticipation of potential risks, as well as preparedness and timely, efficient and effective response to disasters and resilient recovery. The crux lies in disaster risk management, not in disaster management. This includes a systematic and comprehensive assessment of risks and hazards, prevention and mitigation measures, preparedness, effective and efficient response and resilient recovery from disasters and crises, building a culture of resilience, responsibility

review, necessary legislative and regulatory changes, and effective coordination with national and international partners. A gender-sensitive approach and inclusive consideration of disability at every stage are imperative, acknowledging diverse vulnerabilities and capabilities. It's essential to actively engage women, as well as vulnerable and marginalized groups, in policies and measures for prevention, preparedness, response, and recovery.

2. FUNCTIONAL MULTI-HAZARD EARLY WARNING SYSTEM

Transformation of the existing early warning system through enhanced risk understanding, improved monitoring and forecasting, timely and accurate early warnings, and alerting the entire population, with clear guidelines for the public, emergency responders, and relevant stakeholders on behaviors and procedures for responding to various hazards, addressing the specific needs of the population in risk communication that will be gender sensitive and disability-inclusive.

This system incorporates various technologies, solutions, data sources, and communication channels to mitigate the impact of disasters and save lives by enabling preparedness and response actions. Accordingly, impact-based forecasting will be the main foundation of this system and related processes.

3. PLANNING PREVENTION AND RISK REDUCTION

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

5. INTEGRATED AND ADEQUATE FUNDING FOR RESILIENCE

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

6. SCIENTIFIC AND TECHNOLOGICAL INNOVATION FOR DISASTER AND CLIMATE RESILIENCE

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

7. RESILIENT INFRASTRUCTURE AND SERVICES – NATIONAL AND REGIONAL LEVEL

Mainstreaming resilience-building policies and practices for critical infrastructure facilities, assets, services and resources. Design, preparation, building, reconstruction, and operation of prevention infrastructure, as well as infrastructure and services necessary for resilience - with

immediate reevaluation of currently designed infrastructure to meet resilience standards and to ensure accessibility for all.

Goal: Climate-Resilient Communities

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

Priorities

1. CLIMATE ADAPTATION ASSESSMENT, MAPPING AND PLANNING

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

2. PREPAREDNESS AND RESPONSE TO CLIMATE RISKS

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

3. CLIMATE-RESILIENT LOCAL AND REGIONAL INFRASTRUCTURE AND SERVICES

Ensuring gender-responsive financial mechanisms that prioritize the preparation, construction, and reconstruction of climate-resilient infrastructure, as well as the operation of climate-resilient infrastructure and services at regional and local levels. In addition, reevaluation of the existing designed infrastructure to meet resilience standards. Establishing a framework and review of the compliance of capital investment and infrastructure for climate change adaptation.

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

The concept of integral security is the key to achieving systemic solutions to security challenges, defining security development and tracing the perspectives of society at the regional and

international level in the field of security, defense and foreign policy. This includes recognizing the different gender impacts of security challenges and promoting inclusiveness in the development and implementation of security, defense, and foreign policy initiatives. Through its construction, we are preparing for the so-called overall or complete security from all forms of armed and unarmed threats and the realization of complete and comprehensive security at all levels and segments of life. The concept of integral security of the Republic of North Macedonia will enable an adequate response to new and broader potential security threats, and economic development, environmental destruction, human rights violations and migration movements above all.

Priorities

1. MODERN CONCEPT FOR SECURITY POLICY MAKING

Implementing a new security and defense system through the adoption of a special law on integral security that recognizes and addresses gender-specific security needs and risks, keeping the segment of connection with collective defense through NATO and cooperation with the EU.

Creating a model of an integrated security and defense system that has a single point of convergence for national security policies, a point that ensures coordination between the various security and intelligence services. The expansion of the concept of security in the Republic of North Macedonia enables prevention, early warning and dealing with new and broader potential security threats, primarily economic development, environmental destruction, human rights violations and migration movements.

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

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

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

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

4. NATO'S RELIABLE AND EQUAL ALLY

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

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

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

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

5.6. STRATEGIC AREA: GREEN TRANSFORMATION

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

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

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

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

Water pollution is a major problem in the country, especially in areas near urbanized and industrial zones, as well as regions with concentrated and intensive agricultural production. Available annual water resources per capita amount to around 3,074 m³/year, which is close to the limit of available water resources necessary for sustainable development. Freshwater use, as a percentage of renewable freshwater resources, stands at 11.29% and is about 3 pp higher than the EU-27 average (8.39%). The rate of water pollution is high, reaching 75%, due to unregulated discharges and lack of

water treatment. However, despite the importance of water, it seems the institutional and broader societal response appears to be insufficient in addressing the growing complexity of these challenges.

The identified vulnerable groups facing energy poverty and using firewood for household heating include single mothers living in households with children under 18, single fathers living in households with children under 18, women over 65, individuals with monthly incomes under 12,000 denars, single women, divorced or widowed single women who live alone, men over 65 years of age, individuals with monthly incomes under 12,000 denars, single men, widowed or divorced single men who live alone. Conversely, women bear a higher share of the unemployment rate and poverty compared to men, which correlates with their (financial) purchasing power and behavioral patterns. Studies on gender and climate change suggest that women exhibit more concern about climate change issues and are more willing to adopt new behavioral practices contributing to emission reduction. However, they are less involved in decision-making positions and have limited control over family budgets due to cultural norms and dependence on family income³⁸.

5.6.1. Mission

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

5.6.2. Goals

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

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

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

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

³⁸<https://api.klimatskipromeni.mk/data/rest/file/download/07015e39ea890385d9fb9786be635fa574f1313f56f64879be43002c9a8f6b7c.pdf>

Priorities

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

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

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

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

3. AN INDUSTRY WITH WELL-DEVELOPED CLEAN TECHNOLOGIES

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

4. JUST TRANSITION FROM POWER PLANTS THAT USE FOSSIL FUELS

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

5. ENERGY POVERTY REDUCED WITH TARGETED SUPPORT

Implementing policies and support mechanisms is crucial to ensure access to clean and sustainable energy for all, with particular attention to those experiencing economic hardship. By catering to the energy requirements of vulnerable groups, the country aims to alleviate energy poverty,

enhance social inclusion, and bolster citizen well-being. This effort contributes to fostering a socially equitable society wherein everyone has access to fundamental energy resources and services.

Goal: Clean and Healthy Environment



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

Priorities

1. THE CIRCULAR ECONOMY IS FULLY IMPLEMENTED

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

2. SMART AND SUSTAINABLE SETTLEMENTS

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

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

3. CONSERVED BIODIVERSITY AND SUSTAINABLY MANAGED HABITATS

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

4. AGRICULTURE AND FOOD SYSTEM WITH SUSTAINABLE AGRICULTURAL PRACTICES, EFFICIENT RESOURCE MANAGEMENT, AND THE USE OF ECO-FRIENDLY TECHNOLOGIES

This multifaceted priority includes the adoption of environmentally responsible agricultural practices, resource waste reduction, and the integration of cutting-edge technologies to enhance agricultural productivity while mitigating environmental impact through the active involvement and recognition of the specific role of women farmers in the use of resources, the implementation of ecological technologies and raising awareness of environmental protection in agricultural management. Sustainable use of pesticides and other chemical agents, as well as favoring the application of ecological agro-technical measures and organic production. Cultivating organic production is especially important as a holistic approach to farm management and food production, integrating best practices for environmental sustainability and climate action while promoting high biodiversity, conserving natural resources, and ensuring adherence to rigorous standards of animal welfare and production quality. This aligns with the growing demand for products grown using natural substances and sustainable processes.

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

5. RATIONAL USE OF NATURAL RESOURCES AND HIGH ENVIRONMENTAL AWARENESS

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

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

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

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

Developing digital infrastructure for collecting, processing data and policy-making to effectively monitor and tackle environmental changes, especially in response to climate. A well-structured and

efficient system will protect natural resources and provide valuable insights for sustainable decision-making and policy development.

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

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

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



6. POLICY RESPONSE - SYSTEMIC CHANGES

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

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

1. New value is increasingly grounded in entrepreneurship and innovation-led processes

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

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

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

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

A fundamental reinvention of the manner of performing business activities by using new technologies and business models in order to improve efficiency and constantly monitor modern business trends. Adopting new technologies will be a result of acquiring new knowledge and skills, as well as new business models that require thinking outside the box. To assess risks, strategically allocate innovation resources and strengthen adaptability to future changes, an in-depth analysis of the industry and a clear definition of challenges and directions for action will be necessary. Integrating new technologies, reinventing business models, utilizing advanced tools for data and analytics management, and automatizing business models decrease human errors, accelerate the speed of task execution and contribute to the overall efficiency. Furthermore, improving efficiency and utilizing resources (time, people, money) in the most efficient way enables businesses to become globally competitive, which is particularly important in today's knowledge-based digital economy, where boundaries are expanding, and the competition is relentless.

4. Cooperation between different stakeholders allows for better results

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

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

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

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

A characteristic of this change is the active involvement of beneficiaries in creating public services and focusing on the needs of the beneficiaries. Beneficiary-focused services ensure that businesses and individuals have access to greater value through adjusting and harmonizing the offer with their specific needs. In order to realize this potential, an analysis on all public service aspects, as

well as strong partnerships among several stakeholders, including the connection between the government, civil society, academia and private sector are necessary. Together, these subjects can ensure the creation of public services tailored to the needs and expectations of the beneficiaries. This collaborative approach ensures responsible public resource management, more efficient and faster service delivery which fulfills the diverse and evolving social requirements through process optimization and the use of new technologies and innovative methods.

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

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

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

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

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

A resilient food system based on high-quality products, localized production and responsible consumption, focusing on environmental sustainability, food safety and social justice. Creating food production systems based on sustainability principles, including balanced resource utilization, protection and optimal usage of soil, water and energy. Hence, the goals should be minimizing food and energy waste throughout the supply chain. Increased investments for modernization of food and agriculture sectors, rural area sustainability, regulation of markets for agricultural products. Taking actions to address structural problems – age structure/young farmers, land fragmentation, economic scope of farms, disorganization of small food producers etc. Our primary goal is to provide accessible, nutritious and safe food options to all social classes, prioritizing the well-being of children and the youth. In addition, our policies will be designed to handle gender-specific challenges, promoting gender equality in agricultural practices and ensuring access to resources and opportunities for all. Sustainable

food production systems directly influence the quality of life and improve the country's resilience to climate change, pollution and other challenges. Furthermore, the policies support local communities by promoting local farmers and producers, which contributes to greater economic stability and social connection in the society. This systemic change supports the concept of global cooperation for sustainability, where stakeholders are encouraged to share good practices and technologies in order to globally improve sustainable food production systems and organize food production in harmony with nature and with support of general well-being and sustainability.

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

Implementing social protection measures aimed at improving the condition of targeted social groups and stimulating birth rates creates a positive community balance and promotes social integration. To enhance the reach of social measures, a paradigm shift is necessary, introducing employment-linked benefits, phased benefit structures, and anti-discrimination measures. An integrated system of measures that stimulate birth rate growth, financial stability, parental aid and education, social inclusion, service availability and support for independent living may significantly impact the condition of targeted subjects. Cross-sectoral cooperation is key for creating an ecosystem that instigates independence and job opportunities among beneficiaries. These partnerships should involve stakeholders from the Government, private sector, and civil society in a cohesive, collaborative process toward shared goals. By redirecting the focus on reskilling and employment, the redesigned social protection measures may serve as catalyst for personal and societal growth.

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

Decision- and policy-making should be based on trustworthy and quality databases and analysis. Such systemic change will facilitate consensus building and ensure unbiased decision-making, transparent explanation of the justification for certain decisions and policies, as well as increased public trust in institutions. Quality statistical data and analyses enable constant monitoring of the results of decisions and policies, periodic evaluation, more efficient resource distribution, possibilities for continuous innovation and improvement. An essential prerequisite for this systemic change is strengthening the capacities of the public and private sectors to collect, systematize, and publish high-quality data, as well as to conduct or utilize scientifically-based analyses and research. Certain job positions in the public sector require greater expertise in making informed decisions and policies and should be valued more highly. Additionally, some decisions and policies should be based on more sophisticated analysis and research prepared in collaboration with the academia, international developmental partners and civil society. Assessing the fiscal implications and the impact of new regulations should be a substantive, rather than merely formal, responsibility of institutions.

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

Strong political will and critical level of social support are needed for thorough systemic changes in the governance of the public sector. Political will should ensure an environment where all branches of power—legislative, executive, and judicial—will perform their functions based on European values and standards, with a highly efficient, effective, accountable, transparent, and digitized judiciary; a strong, highly professional, depoliticized, and efficient public administration; citizens who are genuine participants in political decision-making. At the same time, significant involvement from the business community, civil society, and political parties in shaping public policies through continuous improvement of democratic relations is necessary. The critical level of social support should be built through political parties as promoters of the rule of law and good governance, civil society activism, free and independent media, as well as upbringing and education. In the medium and long term, quality

education, knowledge, and the development of critical thinking skills with integrated moral values should also contribute to building an efficient, effective, and responsive need-oriented public sector. Eliminating corruption, along with strengthening transparency and accountability, is essential for assessing public sector performance, analyzing and evaluating public policies, and fostering an inclusive approach and responsiveness in delivering quality public goods and services.

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

Modern safety and resilience of society encompasses collective and individual, social and external factors (including ecological factors and climate change). These components also include the global safety dynamic, the national context and the activities of all subjects in disaster risk reduction. In order to address this complex environment, the need for creating transformative and proactive risk management systems increases. By doing so, negative consequences of existing risks will be prevented and mitigated, while new and potential risks will be anticipated. This integrated approach combines all stakeholders from different sectors. With this cooperation, society can prevent, prepare for and tackle natural and man-made disasters, climate change, safety challenges and threats better.

14. Utilization of the benefits of digitalization

Economic, environmental, educational and broader social changes will increasingly become dependent on the utilization of the benefits of digital transformation. Improving connectivity infrastructure, digitizing data, processes, and the quality of digital services should be among the key cross-sectoral priorities. The interoperability of private and public sector services—the ability to functionally connect, be compatible, and share information—holds great potential for improving efficiency and enhancing access to beneficiaries. Individuals, businesses and institutions that harness the advantages of the exponential AI future will reduce the digital gap, boost innovation, and enhance productivity.

15. Integration and international reputation

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

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

In order to stimulate a more balanced local and regional development, infrastructure and services should be beneficiary-oriented and tailored to the specific needs and requirements of the local population. Functional decentralization and new economic opportunities (among others, by attracting investments, stimulating innovations and building infrastructure) should be aimed at supporting sustainable socio-economic development and reducing local and regional disparities. It is necessary for planned regions and local self-government units to prioritize unique opportunities and competitive advantages in their development strategies. This approach not only provides directed and effective

resource allocation, but it also maximizes social value. Thus, planned regions and local self-government units will support sustainable, inclusive and economically stronger communities.

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

The sustainability of the environment and ecological well-being impose the need for important systemic changes, which will largely determine the quality of life of current and future generations. Moving away from the traditional linear model, according to which products are designed, manufactured, sold, used and discarded, and embracing circular economy principles will minimize negative impacts on ecosystems and natural resources. Sustainable technologies and materials, such as renewable energy sources, waste recycling and water-saving measures must be integrated in development projects in order to support decarbonization and reduce the ecological footprint. The involvement of local communities and the wider public are also significant for the design and implementation of development projects. Initiatives that are environmentally sustainable and socially acceptable are especially useful. Such an approach creates sustainable and harmonious interaction between people and nature, ensuring long-term resilience and social well-being.

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

Long-term indicative planning is an important factor for efficient resource allocation, policy and result sustainability and the realization of the national development vision. A deep systemic change is required, whereby short-term planning, and especially reliance on ad hoc decisions, should increasingly be replaced with medium- and long-term planning based on broad social consensus. Long-term planning is particularly significant for policies and reforms requiring commitment across successive governments and with results visible in the medium and long term (e.g. investments in quality education and physical infrastructure, safe access to and availability of energy, climate change mitigation and adaptation, biodiversity protection, etc.) is particularly important. Building capacities for greater predictability and risk integration ensure timely adaptation to contextual changes and greater resilience of society to new crises and challenges.

19. Systemic approach to preparation and implementation of strategies

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

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

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



7. COORDINATION AND IMPLEMENTATION

The National Development Strategy (NDS) is adopted for the period up to 2044. The Assembly of the Republic of North Macedonia adopts the NDS as the leading long-term strategic planning document for development. The NDS enables synergy between development needs and opportunities, development areas, general goals, priorities of each general goal, while also taking into account all internationally accepted standards and obligations of the country.

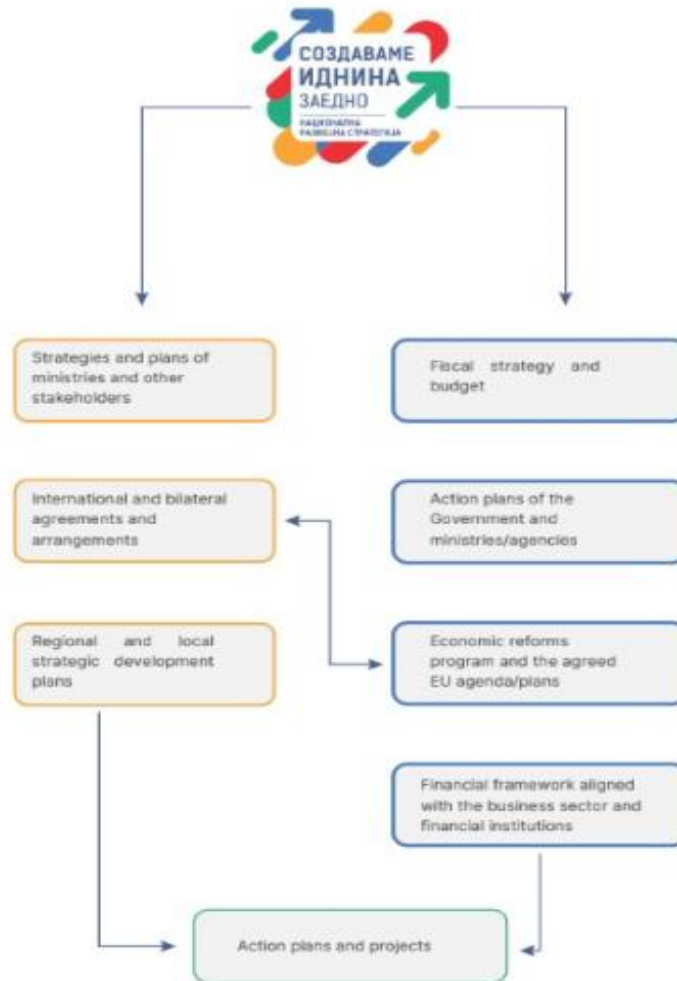
The NDS reflects the fundamental values of the constitutional order in the Republic of North Macedonia, the United Nations Sustainable Development Goals, as well as the core values of the European Union and other international organizations, supporting and enabling reforms for the Republic of North Macedonia's integration into the EU. Achieving this requires an integrated development planning process, consistent policies, multi-level collaboration, and the involvement of key stakeholders in the planning, implementation and monitoring of the NDS.

The Government of the Republic of North Macedonia is in charge of monitoring the implementation of the NDS through the existing implementation system and in collaboration with other stakeholders and partners.

The NDS is a national framework that integrates the sectoral development strategies, programs and plans of the relevant national/local institutions in coordination and cooperation with other stakeholders. This systemic approach is intricately linked to the continuous contributions of the business sector, NGOs, the academia, media, political actors, etc.

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

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



The Government of the Republic of North Macedonia should ensure that the implementation of strategies, plans and programs is carried out with a consistent long-term vision for the country through a continuous process of cross-sectoral coordination. All development plans authorized by the Government of the Republic of Macedonia and programs approved by other public institutions should be in line with the goals, priorities and activities established in the NDS framework. Furthermore, the Government, with its NDS implementation infrastructure, should provide periodic evaluation and assessment of the NDS, organize critical discussions among stakeholders, and ensure transparent reporting of the achieved results. The evaluation and monitoring are of particular importance in the context of the EU Agenda, other international partners and the Sustainable Development Goals.

The framework for efficient and effective coordination and implementation of the NDS, in addition to the Government, includes the National Development Council and the Working Committee.

Implementation Framework of the NDS

✓ **The Assembly of the Republic of North Macedonia** adopts the Strategy and the Implementation Program of the NDS (5-year) at the proposal of the Government of the Republic of North Macedonia.

✓ **The planning of the implementation of the NDS and the Implementation Program of the NDS** is carried out by the Government through its Annual Work Program. The municipalities, the City of Skopje and the municipalities within the city of Skopje ensure the implementation of the NDS within their respective jurisdictions.

✓ **The Government establishes the National Development Council** as a permanent advisory body to the Government which organizes the preparation of the Strategy and the Implementation Program of the Strategy. The Council is chaired by the Prime Minister or, in their absence, a Deputy Prime Minister proposed by them. Members of the Council include: a representative of the Cabinet of the President of the Republic of North Macedonia; coordinators of MP groups; The Prime Minister and their deputies; the Minister of Finance; the Minister of Defence; the Minister of Economy and Labor; the President of MASA; the General Secretary of the Government; representatives of the Economic Chamber of the Republic of North Macedonia, the ICT Chamber, the Economic Chamber of North-West Macedonia and the Macedonian Chambers of Commerce; the President of the Association of the Units of Local Self-Government; the Presidents of the eight Councils for Development of Planned Regions; one representative of the representative trade unions; representatives of higher education institutions; representatives of associations nominated by the Council for Cooperation of the Government with Civil Society; youth representatives nominated by the National Youth Council.

✓ **The Steering Committee is an auxiliary body to the Council** that provides strategic and partnership cooperation of the Council with the international community, international financial institutions, and donors. Members of the Steering Committee include the Prime Minister, or a Deputy Prime Minister proposed by them, and the Minister of Finance.

✓ **The Working Committee** is an auxiliary body of the Council that provides expert and technical support to the Council. The Working Committee is organized and operates in groups and subgroups according to the Quadruple Helix model, ensuring the representation of experts from government bodies, other public institutions, associations, the economy, and higher education institutions.

✓ **The Monitoring of the Implementation of the Strategy**, in accordance with the Implementation Program of the NDS and the Annual Work Program of the Government, is carried out by the General Secretariat of the Government through an Annual Report on the Implementation of the Strategy, which contains an overview of activities realized in the current year. The City of Skopje and the municipalities within the City of Skopje carry out the monitoring of the implementation of the strategy in accordance with municipalities' planning acts through a report adopted by a Municipal Council, or the Council of the City of Skopje.

✓ **The General Secretariat of the Government** evaluates the success of the implementation of the Strategy at least once every five years from the date of adoption of the Strategy.

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

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

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



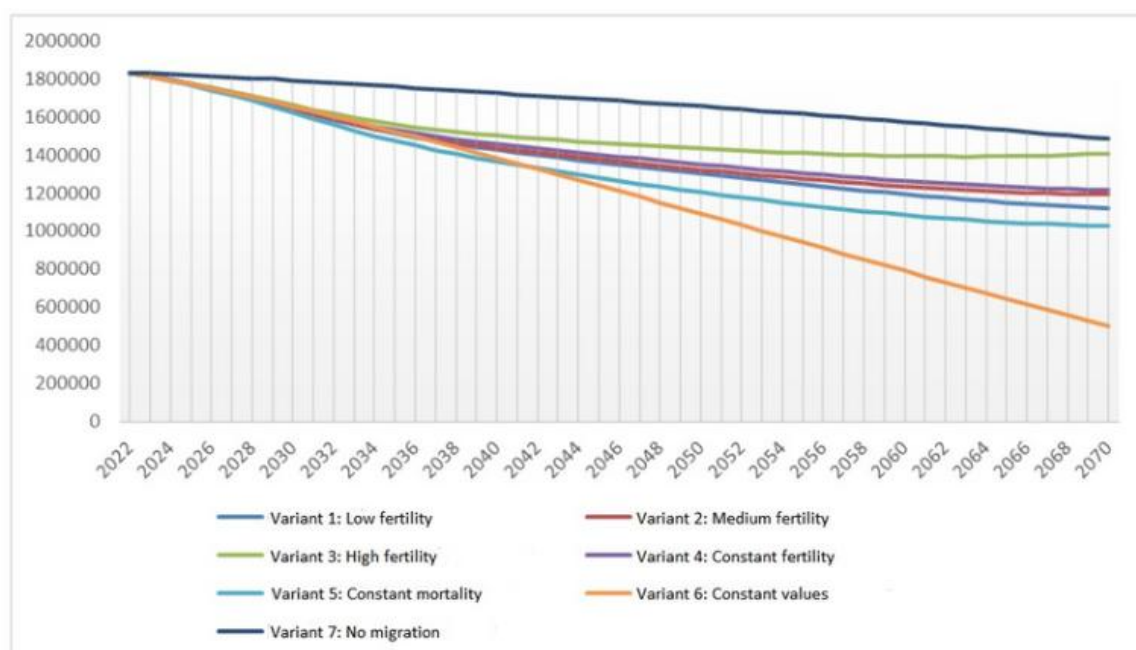
8. PROJECTIONS AND FINANCIAL FRAMEWORK

8.1. PROJECTIONS

The macroeconomic projections until 2024 have been carried out by using the International Futures Model of the University of Denver (USA). The projections are based on a global integrated model for 186 countries that contains over 1,700 variables, including the demographic projections for 2070 prepared by the State Statistical Office (SSO, 2023).

Demographic projections. According to SSO's projections (December 2023), depending on the assumptions on fertility and mortality rates and migration intensity, the demographic movements would follow one of the seven projections or variants (Figure 2). If extreme variants are excluded (Variant 7: No Migration and Variant 6: Constant Values), five demographic variants are feasible. Within that framework, the macroeconomic model integrates the assumption that the demographic structure of the population will follow the trajectory of the moderate scenario, or Variant 2: Medium Fertility. According to this variant, the Republic of North Macedonia's population would decrease from 1.8 million in 2023 to 1.4 million in 2044, which would represent a decline of 23.5%. Simultaneously, the share of the working-age population (15-64) is expected to decrease from 1.2 million in 2023 to 815,000 or, a decline of 31.1%. On a positive note, the average life expectancy would increase from 77.1 years in 2023 to 82.7 years in 2044. Unfavorable demographic trends will have serious implications on the economic activity, labor force market, pension insurance and health protection system, structure of public services and consumer preferences.

Figure 2. Population number in different demographic scenarios (1971-2044)

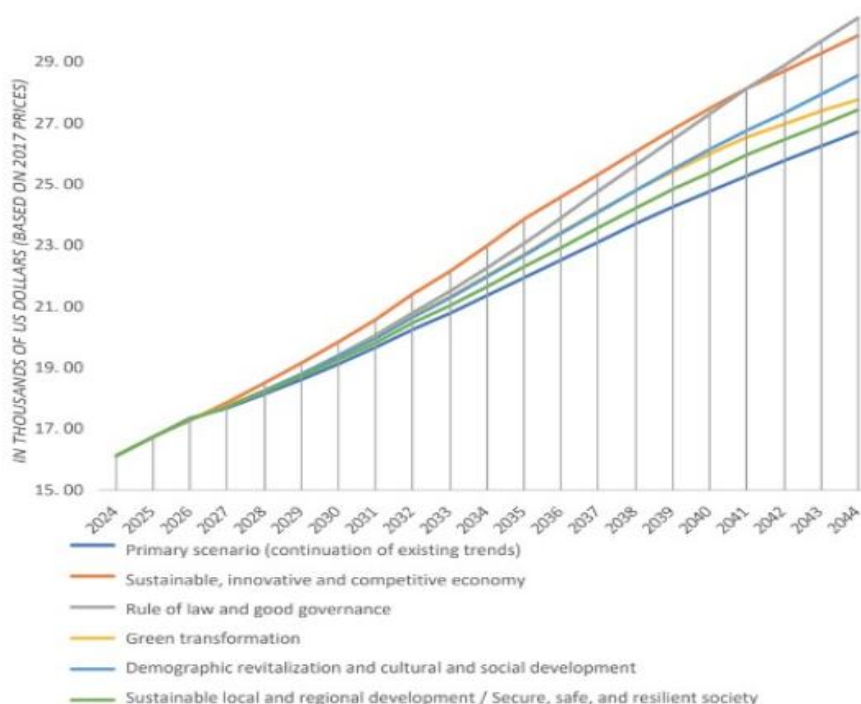


Source: State Statistical Office, December 2023.

Primary scenario (continuation of existing trends). In the absence of new, more significant reforms and the continuation of trends from the past three decades, the Macedonian economy would generate an average annual GDP growth of 2.6% in the next 20 years. This growth pace would not enable convergence with the average European economies or reach the economic development level of some recently admitted EU members (such as Croatia). Low growth rates would further widen the gap in the average GDP per capita in the EU. Energy production would struggle to meet rising energy demand, imposing the need for substantial energy imports due to low productivity per energy unit consumed. In such conditions, green transformation would be implemented at a slower pace, and reductions in GHG emissions would not be realized in accordance with the timelines outlined in international commitments. Under conditions of low growth and continued emigration, the poverty rate would gradually decrease to 11.0% in 2044, but 1.1% of the population would still live in extreme poverty. The proportion of the population with completed higher education (aged 25 to 34) would still remain below the EU average. Road infrastructure coverage in 2044 would progress moderately, but would still lag 23 percentile points behind the EU average. In the primary scenario, the Human Development Index is anticipated to grow moderately, from 0.89 in 2023 to 0.95 in 2044, but would remain below the EU average.

Impact of the NDS. By achieving the development goals and priorities of the strategic areas, the economy could generate higher GDP growth rates per capita, or an annual average of 4.7%. From the strategic areas, the achievement of the priorities of the area *Sustainable, Innovative and Competitive Economy* has the biggest impact on economic growth. However, in the long-term, during the following two decades, the achievement of the strategic priorities in the domain of *Rule of Law and Good Governance* will have an exceptionally strong impact on efficiency, institutional capacities and the level of economic growth. The implementation of the *Green Transformation*, which envisages fossil fuel phase out, greater utilization of renewable energy sources and a just transition, creates adaptation costs for companies and citizens and would result in a relatively low GDP growth per capita compared to the scenario of lack of reforms. The combined impact of priorities achieved in all six strategic areas would contribute to an increase of GDP per capita of 24.8% compared to the primary scenario for 2044 (Figure 3). Consequently, the GDP per capita in 2044 would increase from 42% of the average GDP per capita of the EU in 2022 to 56.5% of the projected average EU GDP per capita in 2044. With a consistent implementation of the NDS, the poverty rate would decrease to 5.4% in 2044. Consequently, the rate of extreme poverty in 2030 would fall below 3%, achieving the 2030 target defined in the Sustainable Development Goals.

Figure 3. The impact of implementing the NDS on GDP per capita compared to the current scenario of continuing existing trends (2024-2044)



In the next two decades, the informal economy (as a percentage of GDP) would decrease to around 5% by 2044, assuming that most processes, services and transactions are digitized. According to the current internationally defined threshold of 6.85 USD per person on a daily basis, in upper middle income countries (World Bank methodology), the achievement of strategic priorities would contribute to the decrease of the poverty rate to 5.7% of the total population. In both the primary and development scenario, due to unfavorable demographic changes, the pension insurance system should be reformed to strengthen its financial sustainability. The Human Development Index would almost achieve the average Human Development Index projected by the EU for 2044. Due to the fact that significant results of reforms become visible mid-term and long-term, coherent and consistent policies are needed, which will be implemented for a period longer than the election cycle and based on broader social consensus.

8.2. FINANCIAL FRAMEWORK

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

Public finances are characterized by a low level of budget revenues as a percentage of the GDP, a high threshold of public debt and a limited fiscal space for addressing future challenges and crises. In the primary scenario, the total budget revenues would gradually increase from 31.1% of GDP in 2023 to 35.0% of GDP in 2044 (projections by the University of Denver). With the implementation of the NDS, primarily as a result of the decrease of the informal economy, increased institutional capacity and structural reforms, the budget revenues could be increased to 44.8% of GDP in 2044. Irrespective of the dynamic of European integration, there is a need for a broader social and political consensus on the country's role, the level of public borrowing and an optimal tax system in the context of the defined strategic goals and priorities of the NDS. The formal public debt limits should be substituted with the optimal ones, i.e. the cost of additional borrowing should be lower than the additional economic growth that would be generated with such borrowing. Optimizing the tax system implies tax reforms, significant decrease of the informal economy and tax evasion, as well as an assessment of the needs of new revenue sources, such as environmental taxes and fees.

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

The application of fiscal regulations would facilitate the management of public finances and the realization of their developmental role. Annually, the budgetary deficit and public debt should not exceed 3% and 60% of GDP, respectively. In years of higher budget revenue collection, budget reserves would be created, which would constantly be utilized for larger public capital investments and addressing future challenges and crises. In addition to the legal fiscal regulations, the two golden rules should consistently be applied – public debt should not be incurred for current public expenses, and

capital investments should always exceed the total budget deficit. New borrowings in the public sector should increasingly rely on innovative financial mechanisms and instruments, such as thematic bonds that are based on economic feasibility analysis, orientation towards progress in the domain of the strategic priorities and high transparency and accountability for the funds used.

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

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

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

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

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

Financial institutions should provide significant support for the financing of the NDS by "greening" the financial system and developing financial services aimed at achieving the strategic priorities and goals. The reduction of the informal economy will additionally increase the financial institutions' potential. Moreover, there are numerous financial opportunities for attracting international, and in particular, European funds for entrepreneurship capital and start-up support. The development of sustainable entrepreneurship should be encouraged through increased access to financing, new knowledge, and a start-up culture, necessitating a much greater focus on entrepreneurship within both formal and informal education.

The finances, knowledge and skills of the diaspora are a significant, untapped potential for sustainable development. Taking into consideration that incoming monetary remittances from abroad are initially used for private spending, it is exceptionally important to create innovative mechanisms and

financial instruments to attract the capital of the diaspora, which presupposes a favorable business environment characterized by the rule of law and good governance, among other things. The diaspora finances have the potential to support entrepreneurship and small businesses (e.g. through projects that have a positive social impact), to encourage investments in the public sector (e.g. through special bonds for the diaspora), to stimulate human capital growth etc.

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



9. RISK MANAGEMENT

Risks are potential future deviations from the expected outcomes and point to the uncertainty that the Republic of North Macedonia may face in achieving its long-term and short-term goals while implementing the NDS. In developing the NDS, various aspects of challenges the country may face in achieving national goals were considered. Risks of different types and origins that stem from diverse conditions influenced by various factors, both internal and external, were examined. Identified risks may be assessed and grouped on the basis of their nature and the areas they impact. Implementing sustainable changes in each category requires a tailored approach involving various stakeholders, including the government, the private sector, and civil society.

The key risks, which were particularly emphasized in numerous analyses, discussions, and workshops with stakeholders, with a significant national importance and considerable potential to influence long-term development, are as follows:

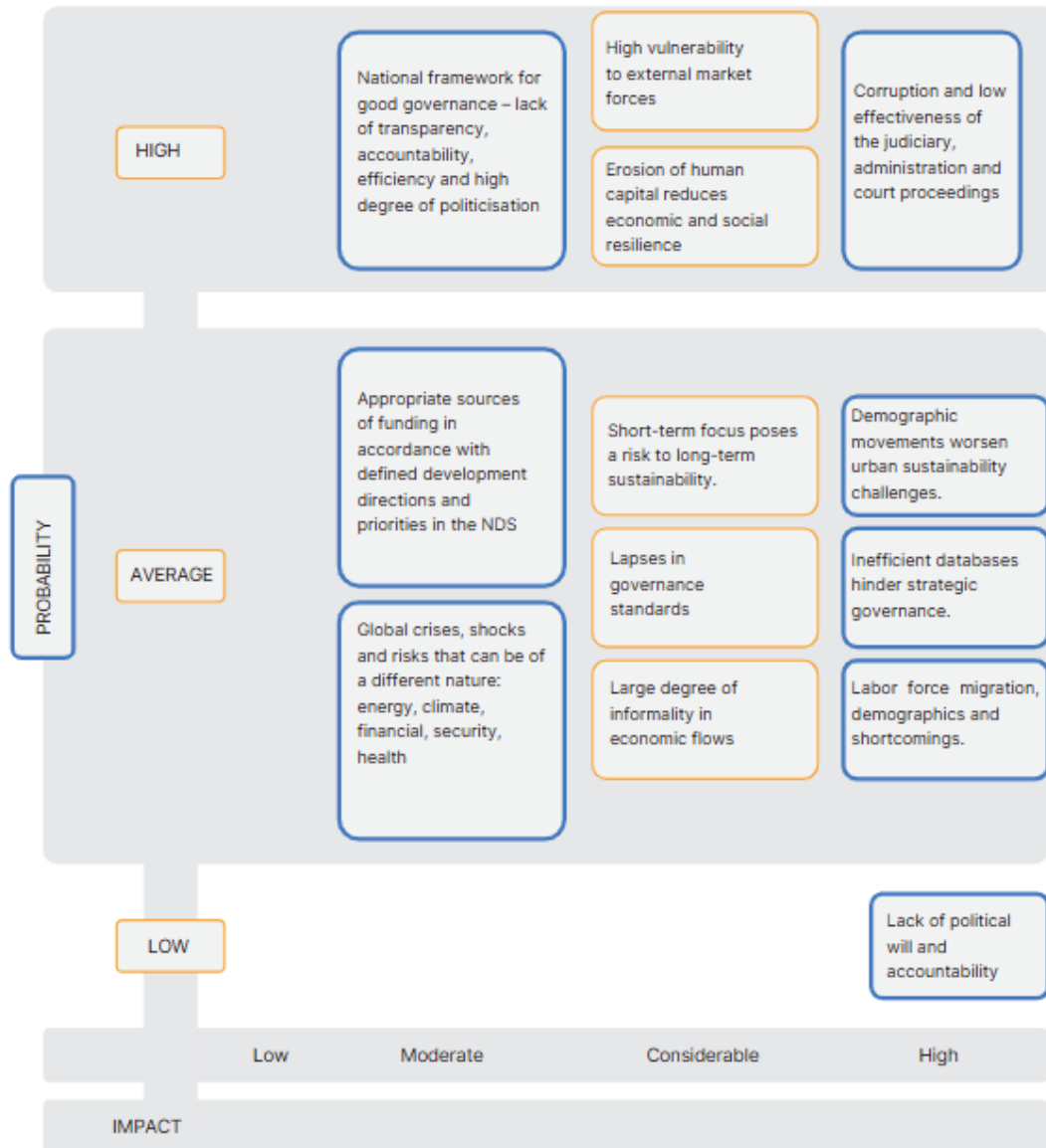
- Insufficient utilization and erosion of human capital is a long-term risk for the economy, as they reduce productivity and competitiveness, increase unemployment, and the response to global market changes is deteriorating.
- The national framework of good governance in certain aspects is still characterized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

The moderate risks, which also have an adequate political importance and considerable potential of influencing development, include:

- The current economic focus on short-term benefits may disrupt long-term sustainability and resilience and potentially lead to economic instability and environment degradation.
- Shortcomings in governance standards pose a significant risk for undermining public trust, lack of accountability, potential corruptive practices and reducing the efficiency of public policies, which will create limitations in the achievement of the goals and priorities.
- The risk of social imbalance and the increased burden on urban infrastructure as a result of demographic movements, combined with difficulties in creating a sufficient number of jobs may

potentially exacerbate inequality, heighten socio-economic tensions and overburden the urban systems.

- The lack of appropriate databases and registries poses a significant risk for effective decision-making and policy implementation. This may lead to inadequate information management, which results in bad planning, ineffective strategies and potential failure in managing and implementing policies.
- Changes in the demographic structure and growing migration trends of the labor force cause great concern due to the lack of qualified personnel in line with market needs in key sectors. They pose a threat to service delivery and operational efficiency.
- The high degree of informal economic flows reduces the trust in the market system, limits the efficiency of policies and reforms, prevents the establishment and management of national resources and influences the country's fiscal stability.
- Securing financing sources in accordance with the development directions and priorities outlined in the NDS, and particularly securing adequate financing and harmonization of the budget structure with reform processes in sectors in need of important sources of funds, such as healthcare, social protection, education, green transformation, infrastructure and regional development.
- Global crises, shocks and risks that can be of a different nature: energy, climate, financial, security and health.
- Low-probability risks that might significantly influence development were also identified:
- Lack of political will, accountability, as well as a well-established mechanism for evaluation/monitoring of the implementation of the NDS may lead to risk of erosion of the government's capacity and the fiscal responsibility. It may lead to inefficient implementation of reforms, jeopardize the country's harmonization with the EU Agenda and hinder its development.



Addressing risks

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

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

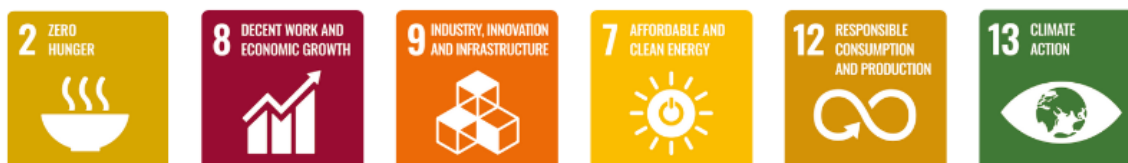
During the implementation of the NDS, each competent institution will identify and analyze the risks proactively and continuously and apply a risk management approach. Early risk identification is crucial for minimizing their impact. Hence, it will be necessary to integrate assessment and early anticipation systems within each strategic area of the NDS implementation framework to create a system for optimal risk management.

The strategy is published in the Official Gazette of the Republic of North Macedonia.

ANNEX

Goals of the 2044 National Development Strategy

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



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

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



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

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



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

Strategic area: Sustainable, Innovative and Competitive Economy

Economy based on Knowledge, Innovations and Digitalization



Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
BDP per capita in euros	7.115 (2022)	8.000	12.000	2.2, 8.1.1,
BDP growth (% annually)	2,4% (2023)	4%	5%	2.2, 8.1.1,
Capacities utilization	73,9%	85%	100%	8, 9
BDP growth per capita (% annually)	5,18%	7,5%	8%	8, 9

Highly Integrated Economy in International Trade and Finance

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

Labor Force Meeting Current and Future Labor Market Needs

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

Strategic area: Sustainable Local and Regional Development that Ensures Cohesion

Reduced Disparities between Regions



Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG Indicators for Macedonia																																																
Regional Development Index	<table border="1"> <tr><td>Skopje Region</td><td>154</td></tr> <tr><td>East Region</td><td>125.2</td></tr> <tr><td>Southwest Region</td><td>90.8</td></tr> <tr><td>Southeast Region</td><td>105.2</td></tr> <tr><td>Pelagonia Region</td><td>109.4</td></tr> <tr><td>Polog Region</td><td>92.8</td></tr> <tr><td>Northeast Region</td><td>69.4</td></tr> <tr><td>Vardar Region (2018-2023)</td><td>78</td></tr> </table>	Skopje Region	154	East Region	125.2	Southwest Region	90.8	Southeast Region	105.2	Pelagonia Region	109.4	Polog Region	92.8	Northeast Region	69.4	Vardar Region (2018-2023)	78	<table border="1"> <tr><td>Skopje Region</td><td>157</td></tr> <tr><td>East Region</td><td>154,3</td></tr> <tr><td>Southwest Region</td><td>100,2</td></tr> <tr><td>Southeast Region</td><td>113,3</td></tr> <tr><td>Pelagonia Region</td><td>127,6</td></tr> <tr><td>Polog Region</td><td>103,2</td></tr> <tr><td>Northeast Region</td><td>76,1</td></tr> <tr><td>Vardar Region</td><td>82,5</td></tr> </table>	Skopje Region	157	East Region	154,3	Southwest Region	100,2	Southeast Region	113,3	Pelagonia Region	127,6	Polog Region	103,2	Northeast Region	76,1	Vardar Region	82,5	<table border="1"> <tr><td>Skopje Region</td><td>165</td></tr> <tr><td>East Region</td><td>160</td></tr> <tr><td>Southwest Region</td><td>130</td></tr> <tr><td>Southeast Region</td><td>140</td></tr> <tr><td>Pelagonia Region</td><td>157</td></tr> <tr><td>Polog Region</td><td>130</td></tr> <tr><td>Northeast Region</td><td>110</td></tr> <tr><td>Vardar Region</td><td>115</td></tr> </table>	Skopje Region	165	East Region	160	Southwest Region	130	Southeast Region	140	Pelagonia Region	157	Polog Region	130	Northeast Region	110	Vardar Region	115	G8, G10, G11
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Capital Infrastructure in Function of a Better Life/People benefit from a resistant capital infrastructure


Indicators	Current Situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
Percentage (%) of population covered by the country's wastewater treatment system (per planning region if possible)	24.1%	85.0%	100%	G6, G7, G9, G13



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

In the country, 90,7% of roads and 9,2% of railways in 2021 for intercity mobility (data available for regions) and urban mobility, data available for larger cities, e.g. Skopje in 2009.
 - walking 35,0%, bikes 1,4%, cars 31,9%, public transport 26,8%, taxi 4,3%, other 0,6%

Functional and Fiscally Sustainable Municipalities

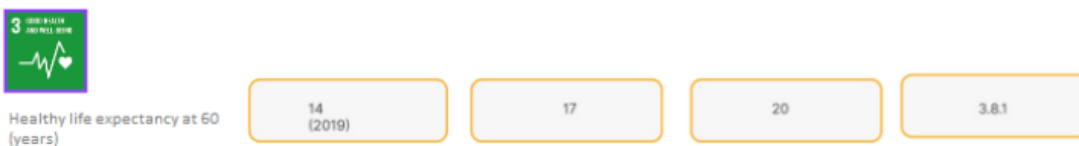
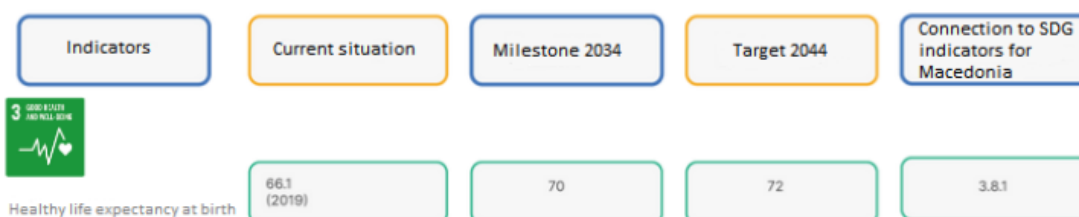
Indicators	Current situation	Milestone 2034	Target 2044	Connection to SDG indicators for Macedonia
 <p>Migrations balance</p>	1.381 (2022) -0,481 per 1000 citizens	2.000	3.000	10.7.2
 <p>Demographic Pressures Index (10; 0)</p>	4,2 (2023)	3	2	10.7.2

Strategic area: Demographic Revitalization and Social and Cultural Development

Balanced and Sustainable Demographic Movements



Healthy and Happy People



Recognizable Cultural Identity and Values



Inclusive and Efficient Social Protection and Social Security System



Society Based on Knowledge, Critical Thinking and Values




Strategic area: The Rule of Law and Good Governance



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

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SGD indicators for Macedonia
 <p>Government effectiveness - relevant range [-2.5; 2.5]</p>	-0,08 (2022)	0,7	1,5	16.6.1 16.6.2

Transparent, Accountable, and Efficient Public Sector

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SGD indicators for Macedonia
 <p>Voice and accountability - relevant range [-2.5; 2.5]</p>	0,14 (2021)	0,7	1,2	16.7.1 16.7.2

Zero Corruption, Legal Certainty, and Impartial Justice

Indicators	Current situation	Milestone 2034	Target 2044	Connection to SGD indicators for Macedonia
 <p>Judicial effectiveness and the rule of law - relevant range [-2.5; 2.5]</p>	-0,10 (2021)	0,30	1,00	16.3.1 16.3.2 16.3.3
 <p>Corruption Perceptions Index - relevant range [<100]</p>	40 (2021)	50	65	16.5.1 16.5.2
<p>Rule of Law Index - relevant range [0; 1]</p>	Rank 67/142, Result 0,53/1 (2023)	0,7	0,8	

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

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

Free and Independent Media

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

Strategic area: Secure, Safe and Resilient Society

Society that is Resistant to Crises and Disasters



Climate-Neutral and -Resilient Society and Communities



Integral Security is the Key to Security and Foreign Policy Challenges



Strategic area: Green Transformation





Climate-Neutral Society with a Low Percentage of Energy Poverty



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

⁴⁰https://ec.europa.eu/eurostat/databrowser/view/T2020_RD310/default/table?lang=en

Clean and Healthy Environment

Indicators	Current situation	Milestone 2034	Target 2044	Linkages to SDG indicators for Macedonia
  <p>Percentage of urban population exposed to concentrations of pollutants (SO₂, PM₁₀, HE₂), exceeding the limit/target values</p>	<ul style="list-style-type: none"> • 3% of the population was exposed to SO₂ concentrations exceeding 125 mg/m³ in 2008 and 2009. • PM₁₀ - during the entire period from 2004-2021, it has been observed that a 100% of the population was exposed to concentrations of suspended particles, exceeding the average daily limit for that period of 50 µg/m³. • NO₂ - in the period from 2004-2021, 0 to 69% of the population was exposed to NO₂ concentrations or any other matter exceeding the values set for the protection of citizens' health. 	0/20/20	0/0/0 % (SO ₂ , PM ₁₀ , HE ₂) High ecological status of rivers and lakes, 30% of which are protected, no population is exposed to noise exceeding the recommended value.	05, 02
Waste that is generated, recycled or disposed in a landfill.	The annual quantity of communal waste generated per capita in 2021 amounted to 457 kg. The percentage of recycled communal waste increased and amounted to 1,97% in 2021, 0,7% of the communal waste was recycled.	10% goal of preventing hard waste creation on a municipal level. 40% recycled 80% of waste disposed in a sanitary landfill.	30% goal of preventing hard waste creation on a municipal level. 65% recycled 30% - the highest percent of the total municipal waste to be disposed in a landfill.	
  <p>Annual balance sheet of agri-food trade</p>	38% (2021)	30%	15%	2.1.1, 2.1.2, 2.3.1, 2.3.2, 8.4.1, 8.2.2

DIGITALIZATION INDICATORS

Advanced Digital Society



Sources:

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

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

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

⁴¹ ITU Report – Digital Skills Assessment - North Macedonia, December 2021

⁴² DESI

⁴³ DESI max

⁴⁴ ITU Report – Digital Skills Assessment - North Macedonia, December 2021

⁴⁵ DESI

⁴⁶ DESI max

⁴⁷ eGovernment-Benchmark-2022

⁴⁸ eGovernment-Benchmark-2022

⁴⁹ eGovernment-Benchmark-max



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