



Republic of North Macedonia

DRAFT ECONOMIC REFORM PROGRAMME

2021-2023

Chapter 5

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Republic of North Macedonia
Ministry of Finance

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ABBREVIATIONS

AEOs	Authorised Economic Operators
AD ESM	Power plants of North Macedonia
AD MEPSO	Macedonian Electricity Transmission System Operator
AP5	Additional Protocol 5
BCP	border crossing points
BIT	Bilateral Investment Treaty
CACM	Capacity Allocation and Congestion Management
CCP	countries crossing points
CEF	Center of Excellence in Finance
CEFTA	Central European Free Trade Agreement
CSUD	Climate Smart Urban Development Approach
DAOA	Day Ahead Operational Agreement
DMS	dynamic message signs
DMO	Destination Management Organisation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EE	energy efficiency
EEI	energy efficiency improvement
ERP	Economic Reform Programme
ESCO	energy serving company
ETF	European Training Foundation
EU	European Union
ESRP	Employment and Social Reform Programme
FAO	Food and Agriculture Organisation
FEG	Financing Expert Group
FITD	Fund for Innovation and Technology Development
FTE	full time equivalent
GDP	gross domestic product
GEFF	Green Economy Financing Facility
GHG	greenhouse gas
GII	Global Innovation Index
GMA	guaranteed minimal assistance
GVC	global value chain
HLMD	High level market design
HEI	higher education institutions
ICT	information and communication technology
ILO	International Labour Organisation
ITS	Intelligent Transport System
IMF	International Monetary Fund
JRBC	joint railway border station
JRC	Joint Research Centre
LTF	local trading solution
LTU	long-term unemployment
MAFWE	Ministry for Agriculture, Forestry and Water Economy
MAP	multi-annual plan
MAP REA	Multi-annual Action Plan for a Regional Economic Area
ME, MoE	Ministry of Economy

MEC	Mining and Energy Combine
MEMO	Organised Market Operator
MVP	monitoring and verification platform
MOES	Ministry of Education and Science
MF, MoF	Ministry of Finance
MISA	Ministry for Information Society and Administration
MLSP	Ministry of Labour and Social Policy
MRC OPSCOM	Multi Regional Coupling Operations Committee
MSME	micro, small and medium enterprises
NECP	National Energy and Climate Plan
NEET	not in education, employment, or training
NEMO	National Organised Electricity Market
NGO	non-governmental organisations
NRA	national regulatory authority
NQF	national qualifications framework
OECD	Organisation for Economic Cooperation and Development
PISA	Programme for International Student Assessment
PIT	personal income tax
PPL	Public Procurement Law
PSC DAMI	Programme Steering Committee for Day-Ahead Market Integration
PSC MRC	Programme Steering Committee for Multiregional Coupling
RES	renewable energy sources
RWIS	Road Weather Information System
R&D	research and development
SAA	Stabilisation and Association Agreement
SDGs	Sustainable Development Goals
SEE	South East Europe
SLCP	short lived climate pollutants
SME	small and medium enterprises
SSO	State Statistical Office
STP	Science and Technology Park
S3	Strategy for Smart Specialisation
TEN-T Network	Trans-European Transport Network
TRACES	Trade control and expert system
TPP	thermal power plant
TSO	transmission system operator
UNFCCC	United Nations Framework Convention on Climate Change
VAT	value added tax
VET	vocational education and training
VNIL	validation of non-formal and informal learning
VPN	virtual private networks
WB6	Western Balkan 6
WBTTF	Western Balkan Trade and Transport Facilitation
WIM	weight in motion
WTO	World Trade Organisation
YG	Youth Guarantee

5. Structural reforms in 2021-2023

5.1. Identification of the key challenges for competitiveness and inclusive growth

Economic activity in 2019 took a swing and, driven by the strong domestic demand and expansionary policies, grew by 3.6 per cent. Nonetheless, as a result of the crisis caused by the COVID-19 pandemic, economic activity in the first half of 2020 dropped significantly by 6.4 per cent. The main factors of the drop are the declined activity in the services sector by 3.2 per cent, mostly due to the unfavourable movements in the trade, transport and accommodation services with a fall of 12.3 per cent, as well as in the industrial sector by 15.3 per cent. On the other hand, the agricultural sector picked up by 3.7 per cent and the construction sector was also on a growth path of 0.4 per cent. The crisis has also led to an interruption of the year-long favourable movements on the labour market, so the unemployment rate at the end of the second quarter was 16.7 per cent, having increased by 0.5 percentage points compared to the previous quarter. The tendency of new jobs creation in the manufacturing and the services sector has been cut off, with an abrupt decrease of the employment in the transport sector, as well as in the accommodation and food service activities. The adverse effects of the crisis have also reflected on the upward trend of the wages, which slowed down to a great extent in the second quarter.

Any further intensifying of the economic growth will undoubtedly be hampered by the pandemic's negative impact and the great uncertainty revolving around its length. Given that country's main trade partner is the European Union, the inconducive developing movements in its member states is expected to restrain the volume of export, whose growth has been an important growth factor in the past period. The declined economic activity along with the lower productivity puts at risk many jobs due to the necessity of caution and it can severely halt the accelerated fall of unemployment and rise of wages. Worsening of the country's fiscal indicators is expected as well and the projected economic contraction along with the newly emerging indebtedness needs will ruin the stabilisation period of debt stabilisation as a result of the reduced budget deficits in the last years.

Employment in the private sector is characterised by continuous increase, which reflects the creation of new jobs at the foreign companies operating with developing technologies and high value added. Yet, the employment growth is not followed by commensurate economic growth and many new jobs do not feature high productivity that the country inevitably is in a need of. The strategy to speed up the economic growth in the last period is largely based on the increased export activity of the foreign companies in the country, which is supported by the trade liberalisation and the vicinity of the large European markets. In that direction, the manufacturing has largest growth potential, whose share in the total export is already at the level of around 90 per cent. Manufacturing employing medium and medium-high technologies records an increased share that, however, can not undermine the higher share of the labour-intensive industries with low productivity. On the other hand, the rise of the minimum wage, having not been followed by proportionate productivity growth, puts pressure on the wage growth, further replicating on increased production costs and finally higher end price. This disharmony of the wage growth and productivity unfolds grave challenges that can significantly slow down the export growth in the long run, because the inflated end prices of products make them less competitive on the foreign markets.

According to UNIDO Competitive Industrial Performance Index 2019¹, Macedonia ranks in 74th place out of 150 countries, indicating an improvement compared to the previous rankings, although still being in group of countries with necessity of increasing the share of manufacturing based on high value added in the economic growth. Nevertheless, the substantial change of manufacturing's structure in the past couple of years thanks to the increased share of production based on high technologies is still insufficient to convert into higher value added per capita as a measure of country's industrialisation level. The higher value added per capita could bring the standard of living up considering that the real GDP per capita accounts for only 37 per cent of the EU-28's average in 2019. An IMF's analysis of the FDI in the new member states and Western Balkans² implies that a large portion of pre- and post-production processes capturing higher value added are transferred to the parent companies, meaning that the increased R&D activities in the meantime are conducted in the native countries. Consequently, domestic companies should forcefully accept the advantages brought by the digital technology to increase their productivity, competitiveness and share of the value added in the high-tech industries.

¹ <https://stat.unido.org/country/MKD.pdf>

² <http://www.imf.org/en/Publications/WP/Issues/2018/08/21/Foreign-Direct-Investment-in-New-Member-State-of-the-EU-and-Western-Balkans-Taking-Stock-and-46152>

In that context, only the investment in R&D and innovations can earn success on the global market, which is becoming increasingly integrated to the value chains. According to the European Innovation Scoreboard 2020³ North Macedonia is a modest innovator considering its performance level of around 45 percent relative to the EU's average. The report identifies that country's strongest innovation dimensions are Attractive research systems, Innovators and Firm investments, while the weakest dimensions are Employment impacts, Finance and support and Intellectual assets. The country has largest negative difference compared to the EU in Top R&D spending enterprises, GDP per capita and Employment share high and medium high-tech manufacturing.

OECD's *Competitiveness in South East Europe: A Policy Outlook 2018*⁴ points out that, in a global economy relying on knowledge and skills, investment in education and professionalisation is of crucial importance to raise human capital and improve labour productivity, which is a long-term driver of economic competitiveness. The results from the PISA ranking put the country very low compared to similar countries from Central and Eastern Europe and the average of the OECD countries, and, along with Kosovo, the country is the lowest ranked amongst the countries of Southeast Europe. The inconsistencies between the needs of the private employers and the skills gained with the educational system pose a problem in reducing country's high unemployment rate, especially the youth unemployment rate which was 47.6 per cent in 2017, being three times higher than the EU's average. In that direction, activation measures should play the main role to support the youth, long-term unemployed, women and vulnerable groups in order to find a suitable employment and thus increase their opportunities to work. Closely related to the foregoing is the necessity to enhance the integration of the social centres and employment agencies towards better targetting of the employability of the social benefit recipients.

A greater integration of companies to the global chains of higher technological value largely depends on the further improvement in the business environment. Yet the protracted improvement of the business regulations, there is the need of improving their enforcement, simplifying the current regulation and reducing the unnecessary expenses. The lack of innovation is closely linked with the lack of appropriate logistics, such as excellent public services, customs, communication networks and transport infrastructure. The country needs to keep up with its efforts to improve the competitiveness of the energy industry and specific attention should be dedicated on sustainable growth given the potentials for sustainable energy and efficient energy use.⁵

The need to implement overarching structural reforms is strengthened with the expected consequences of the COVID-19 pandemic, which is posing challenges related to the health system's efficiency, employment maintenance, securing of social protection and support to the private sector. In such circumstances, the effectiveness in their implementation mostly depends on the quality of coordination, management and inclusiveness, where the ability to perceive the informal sector that causes inequality between the companies paying taxes and social contributions, as well as carries large losses of public revenues, is of special importance. The lack of measures aimed at tightening the informal sector may slow down economic recovery from the crisis brought with the pandemic and it may also hamper the sustainability of economic growth in the long run.

Apart from the battle against the informal economy, other major challenges in the development of an inclusive society are the fight against corruption, rule of law, increased level of transparency and enhanced institutions. According to Transparency International's Corruption Perception Index 2019⁶, Macedonia occupies the 106th place amongst 180 countries and records a significant downfall compared to the ranking in the previous years, which places it in the country group that need to make substantial efforts to fight corruption and the institutional functionality.

The European Commission in its Assessment report on Economic Reform programme 2020-2022 identifies three key challenges that need to be addressed to boost competitiveness and inclusive growth:

- improving educational system's quality;
- integration of domestic companies to global value chains; and
- formalisation of the informal economy.

³ <https://ec.europa.eu/docsroom/documents/41896>

⁴ <http://www.oecd.org/south-east-europe/programme/competitiveness-south-east-europe.htm>

⁵ <http://www.oecd.org/south-east-europe/programme/competitiveness-south-east-europe.htm>

⁶ <https://www.transparency.org/en/cpi/2019>

The results achieved in education are not sufficiently linked to the demands on the labour market and that prolongs the period for acquiring the required education degree and employment, which feeds up the informal economy and poverty. The informal economy worsens competitiveness, reduces the quality of business environment, creates a shortage of public revenues and leaves employees with no social protection and restricted rights. Coping with the elementary obstacles that restrain the competitiveness of domestic companies is key for exploiting the opportunities of their integration to the global value chains, which would allow them to grow their productivity further and it positively affects country's trade balance and its growth prospects.

The Joint Conclusions from the Economic and Financial Dialogue from May 2020 referring to needed structural reform policies are directly linked to the aforementioned challenges:

- Use the fiscal policy to overcome the consequences of the crisis on economic growth and employment. Adopt the Strategy of reforms in the tax system 2020-2023 and improve the capacities for revenue collection in line with the strategy. Increase transparency of the public finances through regular publishing of fiscal reports for the public enterprises and making steps towards their inclusion in the general government statistics in accordance with the methodology prescribed in the Excessive deficit procedure (EDP).
- Support the economic recovery through an improved public investment management with the goal of overcoming the technical obstacles to execute the capital expenditures. Establish a comprehensive registry of government aid and assessment of the subsidies at a company level on the basis of their worthiness. Undertake principal directions and operational steps to establish fiscal rules and a fiscal council in order to enhance the fiscal sustainability in the middle run.
- Follow the challenges around financial stability arising from the COVID-19 pandemic and undertaking appropriate activities if necessary. Operationalise the re-established Financial stability committee and providing legal clearance of central bank's macro-prudential term. Act on further implementation of the denarisation strategies and coping with the bad loans by securing effectiveness of the implemented measures and their adjustment if necessary.
- Provide a comprehensive government approach and intersectoral coordination of the entire government administration to effectively address the COVID-19 pandemic. Maintaining an extended dialogue with the business organisations, social partners and the civil society regarding all measures in response to the crisis. Undertake necessary activities to provide easy access to digital public services for the citizens and businesses.
- Establish an effective and transparent mechanism to support the businesses affected by the crisis, especially micro-, small- and medium-sized enterprises, and self-employees. Expand the scope of social benefits. Stimulate the businesses and employees in the informal economy to register and ease their transition to the formal economy. Create a registry of para-fiscal taxes in order to simplify their use and additionally decrease the administrative and regulatory burden on the companies.
- Continue with the measures to maintain jobs, including those with a reduced work time and flexible work arrangement. Increase the capacity and collaboration between the Employment agency and the social work centres for providing integrated services and measures for introduction to the labour market, including skill-upgrading and prequalification courses. Secure proper and sustainable financing in order to enhance the health sector with the goal of improving the approach towards quality public health for all citizens.

5.2. Summary of reform measures

Energy and transport market reform
Measure 1: Increasing the competitiveness of the electricity market
Measure 2: Promotion of renewable energy sources
Measure 3: Improvement of energy efficiency
Measure 4: Implementation of an Intelligent Transport System (ITS) along Corridor 10

Agriculture sector development
Measure 5: Improving of irrigation systems
Measure 6: Consolidation and defragmentation of agricultural land
Measure 7: Agricultural cooperatives
Measure 8: Farm road (re)construction
Industry sector development
/
Services sector development
/
Business environment and reduction of the informal economy
Measure 9: E-marketplace for low value procurement
Measure 10: Streamline the use of para-fiscal charges This measure is linked to the 5th Policy guidance from the Joint Conclusions of the Economic and Financial Dialogue from May 2020: "Create a register of para-fiscal charges to streamline their use and further decrease the administrative and regulatory burden of companies".
Measure 11: Support start-ups and SMEs in selected less-developed regions of the country to grow, produce added value and create a local living economy
Measure 12: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities This measure is linked to the 5th Policy guidance from the Joint Conclusions of the Economic and Financial Dialogue from May 2020 referring to provision of incentives for businesses and employees in the informal economy sector to register and to facilitate their transfer to the formal economy.
Research, development and innovation and the digital transformation
Measure 13: Enhancing cooperation between the academy and the industry
Measure 14: Broadening the scope of digital services provided on National E-service Portal This measure is linked to the 4th Policy Guidance from the Joint Conclusions of the Economic and Financial Dialogue from May 2020 in the context of taking necessary actions to ensure easy access to digital services for citizens and businesses.
Economic integration reforms
Measure 15: Trade facilitation
Measure 16: Facilitating North Macedonia-Serbia cross-border crossing
Measure 17: Strengthening the internal market in the Republic of North Macedonia
Education and skills
Measure 18: Further development of the qualification system
Employment and labour market
/
Social protection and inclusion, including health care
Measure 19: Strengthening the system for social inclusion of vulnerable categories of people This measure is linked to the 5th Policy Guidance from the Joint Conclusions of the Economic and Financial Dialogue from May 2020 referring to the extension of social protection coverage and the 6th Policy

Guidance referring to the increase the capacity of and cooperation between the Employment Agency and Centres for social work to provide integrated services and measures for inclusion in the labour market including training upskilling and reskilling.

5.3. Analysis by area and structural reform measures

5.3.1. Energy and transport market reform

Energy market. The main goal of the energy policy of the Republic of North Macedonia is to create the most suitable development of the energy sector which will ensure: reliable, safe and quality energy and fuel supply to consumers, accelerated economic development and increased care for and protection of the environment.

The stated key objectives shall be achieved through the following strategic commitments:

- Achieving sustainable development of the energy sector
- Reduce import dependency
- Diversification of fuels

Total electricity consumption in 2019 is 6,505 GWh. In the total amount of electricity for consumer needs for 2019, the imports of electricity is around 24%. The country has limited range of options for energy supply and is highly dependent on energy imports as demand has outpaced domestic supply. The total installed capacity of the power plants from all installed generators is 2,087.86 MW for 2019 and it is for 10,9 MW bigger than 2018. Total number of final consumers of electricity for year 2019 is 8,684,614, out of which 102,518 are non-household consumers.. According to these informations, real liberalisation of electricity market is 49,13%. There are 33 active traders on the free electricity market in 2019 . Also, 7,231 measurement points changed their supplier in 2019, which points to an increase of 66.46% compared to 2018 (4,344).

Table 5.1. Electricity market liberalisation

Activity	Year	
	2018	2019
Total number of final customers of electricity	741,867	868,614
Number of all customers connected to transmission system operator	12	14
Number of all customers connected to distribution system operator	742,023	868,600
Number of all household customers connected to distribution system operator	658,687	765,963
Number of all non-household customers	83,180	102,518
Customers who change their supplier	4,344	7,231
Number of active traders (suppliers)	32	33
Real liberalisation of electricity market in MK (%)	47.26	49.13

Source: Ministry of Economy

Regarding the energy sources, almost half of domestic electricity generation is due to hydropower. Water is one of the most cost-effective sources of energy and is the most significant renewable energy source in North Macedonia. The hydro power plants are accumulated and flowing, with an average annual output of 1,368 GWh, and the total installed capacity is 554 MW, of which 40% are owned by state owned company AD ESM for electricity generation.

The greenhouse gas emissions as a ratio to GDP are five times higher than EU average and will require incremental investments if it is to moderate emissions by 2040. Lignite causes 70% of all CO₂ emissions. The heavy industry (iron and steel, ore processing and cement), poor isolated buildings, inefficient appliances in households and low percentage of renewable resources in households contribute to high greenhouse gas emissions. Conventional hydropower plants cover about 20% of energy needs, but are influenced by the changeable hydrological conditions. Increasing RES and achieving EE targets requires additional investments. Also, achieving the targets and expansion of renewable sources provides opportunity for new jobs and decrease of import dependency.

Energy development strategy 2040 has been adopted by the Government in December 2019. The Strategy is based on five closely related pillars and mutually reinforcing dimensions: security, solidarity and trust; a fully integrated internal energy market; energy efficiency, climate action - decarbonising the economy and research, innovation and competitiveness. In accordance with the Energy Law, the Government shall adopt Programme for implementation of the Energy Development Strategy.

Another significant reform for the next period is accelerating Innovations in clean technologies and opening new green jobs. Through on-going project, the Ministry of Economy will contribute to accelerate innovations in clean technologies by designing and implement a Climate Smart Urban Development Approach (CSUD) that increases and accelerates investments in innovative clean technologies in North Macedonia.

Transport market. Regarding the quality of the transport infrastructure, the 2019 Global Competitiveness Report⁷ ranks the country 84th out of 141 economies. North Macedonia, among structural peers, ranks below Serbia (46th), but above Montenegro (106th), Bosnia and Herzegovina (108th) and Albania (120th).

North Macedonia had already prioritised new infrastructure investments along the main transport corridors to consolidate its position as a regional transport hub. Substantial investments have already been made for the corridors but the priority for new investment is to expedite completion of these corridors. There is also a need to improve transport services and maintenance. As transportation by roads is expected to grow rapidly and the number of fatalities from traffic accidents is 78 per million inhabitants, significantly above the average of 52 for EU28, road safety conditions need to be improved. At an estimated 2 percent of GDP, the economic costs of traffic accidents are high. The high and growing share of road transport and the prevalence of old vehicles are the main reason for transport emissions. Transport is the second highest emitter of green gas emissions, after energy; it produces about 15 percent of total GHG emissions. Modernising transport systems will be important for climate-change mitigation.⁸

Measure 1: Increasing the competitiveness of the electricity market

1. Description of the measure

This measure continues from last year, the details of the implementation are shown in Table 11.

In order to get competitive prices and free electricity market for all customers, the market was legalised step by step. Consumers have the right to choose their supplier of electricity and to buy electricity from trader of their choice at planned price that best meets their needs, or remain in the regulated tariff.

The adoption of the new Energy Law enabled the fulfilment of the energy "soft measures", removal of the main legal obstacles for establishment of organised electricity market, as well as full liberalisation of the energy market, which had started from January 2019. Universal supplier is selected in the beginning of 2019 and it is company named EVN HOME. EVN HOME is universal supplier for households and small customers and it is established on the electricity market since 1 July 2019. Also this company is supplier of last resort for the customers whose supplier has failed to perform its activity. According to the new Energy Law, the deregulation of the generation price is terminated and the right of all buyers to change the supplier is regulated.

The Republic of North Macedonia should join the existing electricity exchange in some of the neighbouring countries or establish its own electricity exchange (taking into account liquidity and economic justification). In this regard, Action Plan for the establishment of National Organised Electricity Market (NEMO) was adopted, and AD MEPSO, as operator of the electricity market, has committed to implement it. With the establishment of the electricity trading platform, day ahead will enable secure functioning of liquid energy market and creation of conditions for increased competition in providing energy to the consumers. The appointment of NEMO is in accordance with the EU CACM Regulation (Capacity Allocation and Congestion Management). After NEMO designation in 2019, the Government adopted the rules for Organised Market Operator (MEMO). In September 2020 the Government made a decision for MEMO to be an organised market operator in the Republic of North Macedonia. So, the ongoing project of day ahead market coupling between North Macedonia and Bulgaria will proceed in 2021. This project was stopped because of the elections in 2020 and after that the new Government established the new company MEMO as organised market operator since October 2020.

⁷ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport2019.pdf

⁸ <https://www.worldbank.org/en/country/northmacedonia/publication/fyr-macedonia-systematic-country-diagnostic-seizing-brighter-future-for-all>

In 2020 a Study on the opportunities for increased use of guarantees of origin was prepared with technical assistance. This study will be shared with the relevant stakeholders for consultation in order to define the key findings and recommendations which may cause the need for amendment of the existing Energy Law and bylaws, in order to set stable platform for this support measure. The initial proposal of the Study is that instead of the Energy Agency, MEMO will lead the whole procedure. The responsible authority as initial activity shall establish a system of issuance, transfer and cancellation of guarantees of origin or use an online platform that is already operational (<https://grexel.com>). The estimation is that the regular annual cost to use the services of this platform would be around EUR 22.700, except that in the first year this would cost double, in order to have full membership.

Electricity Market Rules have been adopted by the Energy Regulatory Commission⁹. The increase in liquidity is expected after the merger of the market with at least one of the neighbouring countries.

The changes in prices in electricity market are given in the table below:

Table 5. 2. Electricity market price change

	Year	
	2018	2019
Electricity price for open electricity market (EUR/MWh)	57.73	49.07
Electricity price for open electricity market for big eligible customers (EUR/MWh)	56.73	63.42
Electricity price for open electricity market for small eligible customers (EUR/MWh)	55.55	66.28
Average electricity price for tariff customers (EUR/MWh) (customers with regulated price)	64.85	63.82

Source: Ministry of Economy

The new balancing mechanism is fully market-oriented and will apply to all electricity market participants. The electricity Transmission System Operator (TSO) organises and manages the balanced energy market. The Balance Rulebook has been adopted.

In order to protect the vulnerable consumers, according to the Energy Law it is envisaged that the Government shall adopt annual Programme for Protection of Vulnerable Energy Consumers. The first Program was adopted in 2020 and the next one is planned for 2021. This Program is prepared by the ME in cooperation with the MLSP. The program covers different types of energy consumers, not just electricity energy consumers but also natural gas consumers and heat energy consumers. Also, the program defines measures for energy saving and energy efficiency, the measures taken by DSO distribution system operator and suppliers.

The Ministry of economy has conducted public announcements for reimbursement of the costs for pellet stoves with the accent on vulnerable consumers and the reimbursement covers 70% of the cost but not more than 25.000 denars (EUR 405). Also this type of reimbursement particularly for vulnerable was planned and for the other public announcements as PVC windows, solar panel collectors, but due to COVID 19 crisis, the funds provided were donated in the fund to deal with the crisis.

The implementation of the measure contributes to fulfilment of economic criteria regarding functioning of product market and quality of infrastructure.

a. Planned activities for 2021

1. Activities related to day ahead market coupling between IBEX (Bulgaria) and MEMO (North Macedonia).

Following steps are planned:

- Amendment and approval of the new Project Roadmap
- Finalisation of the selection of Service provider for LTS and PCR associate membership

⁹ Official Gazette of RM No. 173/18 dated September 2018

- HLMD (High level market design) drafting and approval (electricity market connection between EU and non EU connection)
 - Full CACM (legislation) adoption in North Macedonia
 - Local Macedonian day ahead market Go-live
 - Drafting and submission of the SDAC procedures amendments for inclusion of BG-MKD border of electricity
2. Training materials preparation and members' training organisation
 3. Amendments to the Energy Law and bylaws arising from the recommendations of the Study on the opportunities for increased use of guarantees of origin

b. Planned activities for 2022

- Multi-regional merger of the electricity markets of the signatory countries of the Treaty establishing the Energy Community and the EU Member States
- Technical assistance will be provided by the Energy Community to find compatible solution for multiregional coupling of Macedonian MEMO and EU Member States, in accordance with the EU CACM Regulation.
- Setting up an operational platform for issuing guarantees of origin

c. Planned activities for 2023

- Another multi-regional merger of the electricity markets of the signatory countries of the Treaty establishing the Energy Community and the EU Member States

2. Results Indicators

Indicator	Baseline (2020)	Intermediate target	Target (2021)
Electricity consumption in isolated regime via organised day-ahead market	-	-	at least 5%
Consumers on free electricity market	-	-	70 %

Source: Ministry of Economy

3. Expected impact on competitiveness

This measure will enable liquid electricity market and creation of conditions for increased competition in the energy supply to consumers, as well as increase in number of companies that will participate on the open energy market. Further liberalisation of the electricity market has effects on other economic sectors, especially those whose competitiveness depends on energy prices.

4. Estimated cost of the activities and the source of financing

About EUR 1 million is envisaged for implementation of the activities related to the establishment of energy exchange. In 2021 and 2022, EUR 660,000 will be spent on opening new working positions, installing new software that will be used to connect the national electricity market to neighbouring markets, procedure for appointing MEMO and for unexpected costs. Another EUR 400,000 EUR will be spent on a new project Multi-regional merger of the electricity markets of the signatory countries of the Treaty establishing the Energy Community and the EU Member States.

About EUR 50,000 for 2021 is estimated for using the online platform of issuance, transfer and cancellation of guarantees of origin and around EUR 22,700 annually for every year of membership.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	660,000	480,000	0
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	660,000	480,000	0

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Opening the electricity market positively affects employment, bearing in mind that opening of new companies directly affects creation of new job positions. The number of companies that own license for supply and license for electricity trade has increased by more than 20%.

6. Environmental impact

Coal will continue to be widely used in the industry and space heating. Our country is energy dependent on its exploration, production and use. Environmental pollution by using lignite is a challenge, but it is a priority setting strict environmental criteria and maximum care for the protection in the working process and of the environment. In this regard, completion of the third phase of the TPP Bitola reconstruction will result in a reduction of SO_x and dust emission in accordance with European directives and Macedonian legislation, improvement of ambient air around REK Bitola and the city of Bitola, as well as reduction of the noise at the plant.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Achieving liquidity in isolated mode	High	In accordance with all adopted bylaws, energy trading conditions foresee compensation of maintenance costs for the electricity distribution and transmission system (losses), Merge the day-ahead markets between Bulgaria and North Macedonia.
Implementation of CACM Regulation as a precondition for quick connection to neighbouring organised electricity market	High	Currently, preparations are done to overcome this potential risk within the Energy Community Secretariat, with the participation of the PSC DAMI (Programme Steering Committee for Day-Ahead Market Integration) by the contracting parties and the PSC MRC (Programme Steering Committee for Multiregional Coupling) by countries included in the MRC.
Harmonisation of the domestic legislation in the area of VAT. The risk is identified by the Energy Community Secretariat within the Study for all Western Balkan countries on the situation related to VAT		Overcome. The recommendations of the Study are appropriately implemented in the domestic legal system for VAT
Greater risk and pressure on AD ESM (state company for electricity generation) revenues and profitability given the current situation in Europe, where liberalisation and decarbonisation brings challenges for		Overcome. Increase the electricity production with small operational costs. Technical support for improvement of capacities for electricity trade and development of business-strategies for production management and trading portfolios in order to be market competitive.

power utilities		
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Measure 2: Promotion of renewable energy sources

1. Description of measure

This measure continues from last year, the details of the implementation are shown in Table 11.

This measure is related to the second strategic priority outlined in the North Macedonia and United Nations Sustainable Development Cooperation Framework 2021-2025 – “Climate action, natural resources and disaster risks management” and outcome 3 – Healthy environment and is related to SDG 7.

Greater use of renewable energy sources (RES) and energy efficiency improvement (EEI) is one of the main strategic goals in the energy sector. According to the RES Action Plan, the share of RES in the final consumption in 2020 is set up to 23.9% and in 2025 up to 25%. According to SSO data, the share of RES in gross final energy consumption in 2018 was 18.2% and in 2019 is 16.8%¹⁰. The reduction of the share is due to the unfavourable hydrological conditions, which caused less production of electricity from hydro power plants (in 2019 is 1,183 GWh while in 2018 was 1,839 GWh).¹¹ Our Country will continue its efforts for achieving the RES targets through construction of new RES plants, as well as reinforced energy efficiency measures in accordance with our strategic documents.

Table 5.3: Total installed capacity of producers from RES:¹²

	Producers from RES (types of power plants)	2018 (in MW)	2019 (in MW)
1	hydro power plants (large + small)	586.6	598.08
2	wind power plant	36.8	36.8
3	biogas plants	6.9	6.9
4	photovoltaic power plants	18.5	23.99
5.	Biomass plants	0	0,60
	Total:	648.9	766.37

Source: Energy and Water Services Regulatory Commission of the Republic of North Macedonia

Pursuant to the Sustainability Charter signed at the WB6, the Republic of North Macedonia has committed itself to introduce market-oriented support mechanisms for promoting RES (auctions and premiums).

According to the Decree on the Measures Supporting the Generation of Electricity from Renewable Energy Sources (“Official Gazette, no. 29/19), the Ministry of economy in 2019 conducted two separate auction for granting the right to use premium for construction of photovoltaic powerplants, one for state owned land and one for private land. In 2020 total of 35 Contracts were signed for installed capacity of 62MW. These powerplants should be operational by 2023. It is planned this measure to continue in 2021 by publishing public calls for additional installed capacity from photovoltaic power plants.

The Rulebook on Renewable energy sources (“Official Gazette” no. 112/19), introduces prosumers as new market participants. A prosumer is a household, small consumer, budget user or individual user that can install power plants for electricity production of renewable sources whereby the excess of the produced electricity can be delivered to a distribution network. The installed capacity of the power plant should not exceed 4kW for households and 20 kW for small consumer, budget user or individual user

¹⁰ <http://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbtxt=64>

¹¹ [Annual Report of the Energy and Water Services Regulatory Commission of the Republic of North Macedonia for 2019](https://www.erc.org.mk/odluki/3RKE%20GI_2019-final.pdf)
https://www.erc.org.mk/odluki/3RKE%20GI_2019-final.pdf

¹² [Annual Report of the Energy and Water Services Regulatory Commission of the Republic of North Macedonia for 2019](https://www.erc.org.mk/odluki/3RKE%20GI_2019-final.pdf)
https://www.erc.org.mk/odluki/3RKE%20GI_2019-final.pdf

Self-consumption can offer new opportunities to final customers to benefit from the technological development and reduce their energy bills, while contributing to the environmental and energy policy objectives. Due to an indicative analysis, a household which installs a 4kW PV plant on a rooftop, could save up to 500 EUR annually and the return of the investment is expected to be between 6-8 years, depending on the price of the equipment.

In order to promote the important role of the prosumers, the Ministry of economy with technical assistance will conduct an assessment of the main barriers (legal, administrative, regulatory, financial, technical, customer awareness, social acceptance, etc.) as a basis for the development of a framework addressing the barriers and enabling the attainment of the set targets. This activity has started in October 2020 and will continue in 2021. According to the draft NECP, the objective of the country up to for 2040 is to have 400 MW PV roof-top systems – either prosumers or systems from which the overall produced electricity will be used for own purposes or will be stored.

The Ministry of economy in the draft Budget for 2021 for the first time has proposed awarding subsidies to the households which will install photovoltaic power plants for self-consumption. This support measure will be part of the annual Program for promotion of RES and improvement of EE in households

At the same time, the Program for Encouraging Competitiveness, Innovation and Entrepreneurship will provide a measure to support companies in installing photovoltaic rooftop panels for electricity generation.

North Macedonia as a Contracting party of the Energy Community, is required to develop an integrated National Energy and Climate Plans (NECPs).

The NECPs covers the period from 2021 to 2030, laying down the pathway to achieve the agreed 2030 targets, build upon what each Contracting Party should deliver in relation to their policies for 2020 (as a baseline), and includes a perspective until 2050 in order to ensure consistency with long-term relevant policy objectives at EU, UNFCCC and Energy Community level. The NECPs takes a holistic approach and addresses the five main dimensions of the Energy Union in an integrated way.

The first draft of the NECP is prepared with technical assistance along with consultation with the relevant stakeholders. This document in the next phase shall include post COVID-19 measures and it will be available for public debate. Also, by the end of 2020 the Ministry of Economy will start the procedure for preparation of the Strategic Environmental Impact Assessment SEIA and this process will be finalised in 2021. The NECP is planned to be adopted by the Government by June 2021. In the meantime amendments to the Energy Law shall be adopted by the Parliament giving the NECP legal basis.

Law on biofuels. The Energy Law implements the provisions and obligations from the Third Energy Package of EU and the Directive for Renewable Energy Sources. This Directive is partially transposed, lacking the part that refers to the biofuels, which sets the need for preparation of separate law on biofuels. The Secretariat for European affairs provided technical assistance for the preparation of the Law on Biofuels under UNOPS instrument. With assignment of this experts, the process of legislative alignment is expected to be streamlined, which will result in better alignment with the acquis under the Energy Community Treaty and the EU energy acquis, better conditions for performing energy activities, a stable legal and regulatory framework and higher potential for investments in the energy sector. The production of biofuels in a direct or indirect way has other benefits from an economic and social aspect, such as: Job creation. The intensification of biofuel production leads to an increase in agricultural production, and thus the creation of a larger number of vacancies; Reduction of energy dependence -This is especially important for those countries that do not have their own sources of fossil fuels and it can contribute to sustainable economic growth and development of rural areas.

a. Activities planned in 2021

- Preparation and Adoption of Programme for implementation of the Energy Development Strategy
- Assessment of main barriers for promoting of the prosumers in the electricity market Relevant legislation amended regarding the role of prosumers
- Assessment of current situation of heating and cooling sector in the country with measures for improvement
- Assessment for electrification of the transport, with focus of the public transport

- Conducting of the SEIA for the NECP
- Adoption of the Integrated National Energy and Climate Plan,
- Adoption of the Program for Promotion of Renewable Energy Sources and Promotion of Energy Efficiency in Households
- Adoption of the Law on biofuels
- Payment of feed-in premiums for operational PV power plants
- Public call for granting the right to use premium for construction of photovoltaic powerplants
- Adoption of Program for protection of vulnerable energy consumers

b. Activities planned in 2022

- Public call for granting the right to use premium for construction of photovoltaic powerplants
- Payment of feed-in premiums for operational PV power plants
- Action plan for biofuels
- Implementation of measures for improvement of the heating and cooling sector
- Implementation of measures for electrification of the public transport
- Adoption and implementation of the Program for Promotion of Renewable Energy Sources and Promotion of Energy Efficiency in Households

c. Activities planned in 2023

- Public call for granting the right to use premium for construction of photovoltaic powerplants
- Payment of feed-in premiums for operational PV power plants
- Implementation of measures for improvement of the heating and cooling sector
- Implementation of measures for electrification of the public transport
- Adoption and implementation of the Program for Promotion of Renewable Energy Sources and Promotion of Energy Efficiency in Households
- Adoption of bylaws arising from the Law on biofuels

2. Result Indicators

The share of RES in the final consumption is set up to 23.9% by 2020, according to the Action plan for RES. Regarding the Strategy for Energy Development, the green scenario indicates that the share of RES in final consumption by 2030 shall be 38%.

Indicator	Baseline (2019)	Intermediate target (2022)	Intermediate target (2023)	Target (2025)
Share of RES in the final consumption ¹³	16.77% ¹⁴	26%		29%
Total installed capacity of RES ¹⁵	766.37 MW		1,162 MW	1,493 MW

¹³ <http://www.economy.gov.mk/doc/2759>

¹⁴ ¹⁴ <http://www.stat.gov.mk/PrikaziSooptenie.aspx?rbtxt=64>

¹⁵ <http://www.economy.gov.mk/doc/2759>

3. Expected impact on competitiveness

The implementation of the measure will ensure: diversification of the supply, increased competition of the energy markets, increased resilience to energy price hikes, increased utilisation of renewable energy sources which lead to lowering the prices of RES, increase of the domestic energy production, security and continuity in the energy supply of households and companies. The increased number of prosumers shall enable development of the market, to attract more suppliers and to encourage the households to be supplied by them (and not by the universal supplier). In fact, the idea of liberalised market is to have as much as possible suppliers that will sell electricity to households. Use of renewable energy offers important economic development benefits. Local governments collect property and income taxes and other payments from renewable energy project owners. These revenues can help support vital public services, especially in rural communities where projects are often located.

4. Estimated cost of the activities and the source of financing

The estimated cost for implementation of this measure is about 2,087,000 EUR for 2021, of which 1,225,000 are budget funds and the rest is technical assistance from donors.

In EUR	2021	2022	2023
1. Budgetary expenditures*	1,220,000	1,464,000	1,756,800
2. Non-budgetary financing	867,000	0	0
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	2,087,000	1,464,000	1,756,800

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Creation of temporary and permanent jobs in the production and distribution of equipment is expected, as well as in other services such as design, installation, operation and maintenance. In the construction sector, construction workers and highly qualified personnel will be engaged. Additionally, in the operation and maintenance of the plants, additional staff will be required. The construction of power plants using renewable energy sources positively affects on the local economic development by improving the infrastructure, new access roads, transmission lines, substations.

6. Environmental impact

Increased use of renewable energy sources and the maximisation of energy savings is much needed as it directly impacts emission reductions and protects the public health, the environment and moderates the climate change resulting from the harmful effects of the energy activities

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Delay of the construction of RES power plants	Medium	The country will continue its current support mechanisms for RES electricity generation via feed-in tariffs and feed-in premiums with auctions (granted in a tendering procedure). The country will promote further utilisation of RES in the electricity sector (without incentives), but also in the other sectors through the introduction of the “prosumer” concept and by electrification of the heating and cooling sector using high efficient heat pumps and district heating fuelled by CHP biomass, as well as by increasing the biofuels consumption in the transport sector.

Measure 3: Improvement of Energy Efficiency

1. Description of the measure

This measure is related to the second strategic priority outlined in the North Macedonia and United Nations Sustainable Development Cooperation Framework 2021-2025 – “Climate action, natural resources and disaster risks management” and outcome 3 – Healthy environment and it is related to SDG 7.

The Law for energy efficiency, in which the Energy Efficiency Directive, the Energy Performance of Buildings Directive and the Regulation for establishing a framework for labelling of energy consumption, has been transposed, was adopted in February, 2020 year. In order to enable full and uninterrupted implementation of the legal framework for energy efficiency, it is necessary to be adopted all bylaws arising from the Law on Energy Efficiency.

The three-year Forth Energy Efficiency Action Plan is currently under preparation and it is expected to be adopted in the beginning of 2021. It will determine how to set the targets for 2022 year.

According to the Law, the Government shall adopt decree to determine how the savings targets in the final electricity consumption will be met, whether only with binding scheme where the obligation will be fulfilled by the electricity distribution companies and/or electricity suppliers, or with binding scheme in combination of alternative measures. It is necessary to create favourable conditions (economic, technical and legal) for effectuation of energy services agreements in order for energy serving companies (ESCO) to be able to guarantee for the achieved savings by applying energy efficiency measures. The adoption of the Decree regulating the energy service contracts will fully open the market for the ESCO companies, especially for the public buildings sector.

Pursuant to the Law on Energy Efficiency, in order to monitor the implementation of energy efficiency measures, the Energy Agency establishes and maintains an MVP (monitoring and verification platform) tool. Depending on the fulfillment of the criteria regarding the type of implemented energy efficiency measure, the realised energy savings and the total usable floor area of the building, public sector entities, energy service providers and energy controllers after the adoption of the Rulebook on MVP will have obligations to enter data into the MVP tool. At the same time, the Energy Agency is responsible for establishing, managing, maintaining and upgrading the information system for monitoring and managing energy consumption of public sector entities.

Among the other, an optimal technical solutions for usage of natural gas in the industries for achieving potential energy savings will be considered in the Assessment of the potential for implementation of high-efficiency cogeneration of energy and efficient district heating and cooling systems which will be developed within the Program for Realisation of the Strategy for Development.

The main reform according to Energy Efficiency Law provisions, is that Large Traders (in the industry and other relevant sectors) shall be obliged to perform energy audits every 4 years, or to employ certified energy auditors, in order to be achieved energy savings by the largest energy consumers. There will be no obligation for SME's, though they may perform energy audit.

The establishment and operation of the Energy Efficiency Fund is important in order to accelerate implementation of energy efficiency programmes, measures, and investments. The Energy Efficiency Fund will be regulated by separate law. Components two and three of the World Bank Energy Efficiency Project in the Public Sector, which is planned to start with implementation in 2021, provide technical support for the establishment of the Energy Efficiency Fund as well as start-up capital for the Energy Efficiency Fund in the amount of 5 million euros.

With the World Banks Project for Energy Efficiency in Public Buildings where besides the funds planed for technical assistance and establishing of the Energy Efficiency Fond, another 18 million euros as e loan will be lunched for implementation of energy efficiency measures in public buildings.

During development of the “Study for Energy Efficiency as part of COVID response in Energy Community Contracting Parties: Energy Community Secretariat and EBRD support” by the Energy Community Secretariat, the Ministry of economy has requested to be considered opportunity the hybrid/electrical vehicles to be added as additional technology with highly efficient features eligible for financing through the EBRD GEFF programme and credit line in the commercial banks as well as the opportunity for opening new credit line for financing energy audits or implementation of energy management systems for small and medium-sized enterprises.

With technical assistance from World Bank, it is going to be developed Sustainable Heating Assessment for the Urban Building Sector in three Western Balkan Countries including North Macedonia with provided grant in amount of 130.000 euros only for our country.

Typology Approach for Building Stock Assessment will be developed as base for the development of the Strategy for building with technical assistance from Habitat in amount of 170.000 euros

During the implementation of this measure, Covid 19 pandemic had the greatest impact on the timely adoption of bylaws arising from the Law on Energy Efficiency.

a. Activities planned in 2021

- Adoption of bylaws arising from the Energy Efficiency Law Decree for establishing a binding energy efficiency scheme, Decree regulating the energy service contracts, Rulebook regulating the methodology for determining the level of energy efficiency in the conduct of public procurement procedures, Rulebook on Energy Audit of Large Traders, Rulebook on high efficiency cogeneration plants), Comprehensive assessment of the potential for applying highly efficient combined energy generation and efficient central heating and air conditioning systems,
- Preparation of typology of buildings needed for adoption of the Strategy for reconstruction of buildings by 2030,
- Adoption of amendments of Energy Efficiency Law and regarding the establishment of Energy Efficiency Fund.
- Starting preparation of Inventory for energy performance for public buildings on the territory of Republic of North Macedonia.

b. Activities planned in 2022

- Adoption of Strategy for reconstruction of buildings by 2030
- Establishment of Energy Efficiency Fund
- Continue with activities for Establishing of Inventory for energy performance for public buildings on the territory of Republic of North Macedonia.

c. Activities planned in 2023

- Establishment and full implementation of the Energy Efficiency Fund
- Preparation of a Report on the implementation of the National Energy and Climate Plan in the section of Energy Efficiency

2. Result Indicators

According the forth NEEAP the cumulative final energy savings in 2021 starting from 2017 based on the Energy Strategy for Development until 2040 – Green Scenario are estimated at 265 ktoe , and the cumulative primary energy savings in 2021 for measures which generate only primary savings (not including measures that generate final savings) are estimated at 100.46 ktoe, whereby the cost of 1 Kw/h of energy savings is estimated at EUR 0.23, taking into account that the life cycle of individual energy efficiency measures is estimated to be 10 years. Based on the data from the Forth Energy Efficiency Action Plan, it is estimated that the internal rate of return for all implemented energy efficiency measures for final consumption in all sectors, with the exception of the transport sector, is 22%.

Currently at the level of the Energy Community there is an on-going project for setting the RES, EE and climate targets up to 2030 and it is expected that new targets for 2030 year will be set by mid 2021.

3. Expected impact on competitiveness

The implementation of the measure will ensure: increased competition of the energy markets, increased resilience to energy price hikes, security and continuity in the energy supply of households and companies.

4. Estimated cost of the activities and the source of financing

The Public Sector Energy Efficiency Project that is currently under implementation covers the period from 2020-2025 and includes a loan in amount of EUR 25 million for decreasing the public sector energy consumption and support for establishing and operationalisation of sustainable public sector financing mechanism. This project is

expected to be complement with potential grant from 10 million dollars (EUR 8,221,750) from Green Climate Fund which would be added to the Project to help increase the start-up capital of the proposed EE Fund, and thus extend the potential client base and investment portfolio of the Fund. Additional EUR 3 million EU Grant funds are also expected to be added towards this project.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	4,105,113	556,538	501,393
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	4,105,113	556,538	501,393

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

Creation of temporary and permanent jobs in the services such as design, installation, operation and maintenance. In the construction sector, construction workers and highly qualified personnel will be engaged. In the industrial sector, highly qualified staff with appropriate professional qualifications (auditors and ESCO companies) will also be recruited, who will be continuously engaged in the monitoring of consumption and proposing of new measures for achieving savings. Gender equality will be respected in the process of implementing the measure.

6. Environmental impact

The maximisation of energy savings is much needed as it directly impacts emission reductions and protects the public health, the environment and moderates the climate change resulting from the harmful effects of the energy activities.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Delaying the establishment of the Energy Efficiency Fund	Medium	The appropriate recommendations from the Analysis on the manner of establishment of the Energy Efficiency Fund should be incorporated into the new Law on Establishment of the EE Fund. Also, it is necessary to develop procedures for the manner of operation of the Fund and approval of the projects that implement measures for EE.
Lack of capacity and technical staff within the public institution (Ministry of Economy and Energy Agency) for timely implementation of the measure		The Ministry of Economy and the Energy Agency face lack of technical capacity, necessary for timely and complete implementation of the measure.

Measure 4: Implementation of an Intelligent Transport System (ITS) along Corridor 10

1. Description of the measure

This measure continues from last year, the details of the implementation are shown in Table 11.

The measure envisages implementation of ITS with several devices such as WIM (weight in motion) on A1 Motorway, part of Corridor X, section Tabanovce - Gevgelija in the length of 175 km, Road Weather Information Systems (RWIS), which are a road weather stations built to collect data on weather conditions and air pollution, including systems for monitoring GHG (SLCP) emissions.¹⁶ The most part of M1 North-South section Tabanovce - Gevgelija is built as a highway A1 and is equipped with basic traffic signalisation and equipment. The ITS will provide for variety of traffic data and the number and type of vehicles that move along corridor X, as well as

¹⁶ <http://documents.worldbank.org/curated/en/919401555624976466/pdf/Western-Balkans-Trade-and-Transport-Facilitation-Project.pdf>

meteorological data along the route throughout the year which can be used for statistical and analytical purposes. The introduction of an ITS is closely linked to approximation with the directives from the EU transport acquis. The approximation of this legislation will be carried out in parallel with the following two activities: 1. Provision, Installation and Commissioning of Equipment for ITS Implementation; and 2. Preparation of National ITS strategy. The timeline for start of this activity is Quarter 1 of 2021.

It will enable road connectivity to EU standards and contribute to facilitate trade and transport. By development of ITS along road Corridor X, one of the strategic objectives stated in the National Transport Strategy of the Republic of Macedonia will be fulfilled i.e. maintaining a high level of safety and traffic flow in all conditions.

In relation to the regional approach, the expected project economic impact is reduction in travel time to the border crossing points. It is in line with the Multiannual Action Plan (MAP) which provides a structured agenda for furthering regional economic integration, focusing on regional circulation of goods, services and capital, mobility of skilled workforce, a dynamic investment space, and digital integration. This measure is part of regional project "Reduce trade costs and increase transport efficiency in the Western Balkan 6", Component 2: Enhancing transport efficiency and predictability. It includes Albania, North Macedonia and Serbia. The measure is closely linked to Measure 15 Trade facilitation.

a. Activities planned in 2021

- Commencement of the preparation of the ITS Strategy
- Starting the process of selecting a contractor and supervisor engineer of the ITS strategy
- Signing contracts and starting construction and supervisor engineer. Estimated duration of the Contract is 12 months and for supervision is 18 months
- Start of installation and supervision activities at the end of 2021

b. Activities planned in 2022

- Continuation of construction activities and final activities: procedure for taking over certificate and defect liability period

2. Results Indicators

Indicator	Baseline 2018		Target 2021	
	No. of accidents /Minutes	Percentage decreased	No. of accidents /Minutes	Percentage decreased
Reduced number of traffic accidents expressed in% along Corridor 10	67 ¹⁷	0%	56	16.6% ¹⁸
Reduce travel time in% along Corridor 10 ¹⁹	103	0%	85.5	17% ²⁰

*An EU report summarising evaluation results for ITS projects implemented in Europe between 1994 and 1998 finds that a dynamic signal control can reduce travel times by 17%, increasing to 20% when the dynamic signal control strategies are integrated with information and guidance²¹. An US study indicates that one DMS (Dynamic Message Signs) is likely to reduce $100 \times (1 - \text{EXP}(-0.181)) = 16.6\%$ of crashes per year, when other factors in the model are controlled²²

¹⁷ According to the data for 2017 provided by PESR

¹⁸ Using the assumptions in the above mentioned US study

¹⁹ In a usual traffic excluding the waiting time on the border crossings

²⁰ Using the assumptions in the above mentioned EU report

²¹ CODE, 2000, "Network and Traffic Management: Final Area Report" for the "Telematics Applications for transport within the Fourth Framework Programme". Available on: http://collections.internetmemory.org/haeu/20161215121151/http://cordis.europa.eu/pub/telematics/docs/tap_transport/netrama.pdf, accessed Feb 15, 2018.

²² Oh J. et al. (2015), Michigan Department of Transportation, "Costs and Benefits of MDOT Intelligent Transportation System Deployments".

The benefits of the ITS improvements will begin after 1 year once the systems are installed and the life cycle of the ITS equipment is 10 years (installation in 2020, benefits from 2021 to 2031). The average number of trucks on corridor with an annual growth equal to projected GDP growth.²³

In North Macedonia, it is considered that ITS will reduce the travel times by 17% based on the above mentioned EU report and crashes by 16.6% based on the above mentioned US study.

3. Expected impact on competitiveness

The use of information and communication technologies in the field of transport, related to infrastructure, vehicles or users is fast becoming one of the most important areas in the EU to deliver improvements in network capacity, traveller mobility and therefore enhance economic productivity. In the Western Balkans, ITS could support improvements in congestion management, incident detection and recovery, advice on diversion and rerouting, real time travel information and better journey time estimate. Harmonisation or interoperability of systems is also essential for seamless and safe cross border transport movements.

The Intelligent Transportation and Traffic Management System will provide significant improvement in the performance of the current traffic flow through reduced delays due to timely reporting and traffic redirection. The greatest impact is expected to be an increase in safety and in saving travel time. Total travel time will be reduced as a result of coordination of the timely information system for road users along Corridor X. Because of the early alerting for possible delays by the system, the time savings by excluding the delays will allow the users to decrease their travel costs and therefore Corridor X will be more competitive for usage, especially for international transport. Companies carrying out transport activities will have lower costs and shorter transportation time which is also in line with digitalisation agenda.

4. Estimated costs for activities and the source of financing

After the revision of the project the financial construction is finished and the funds are secured through the WBTF project loan.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	4,923,577	13,739,837	1,082,602
2.1 of which IPA funding, including WBIF funding	4,923,577	13,739,837	1,082,602
Total	4,923,577	13,739,837	1,082,602

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender equality

The implementation of this system will have a direct short-term impact on companies that work with this type of equipment by increasing their number of employees. Within the regional project that this measure is part of, a gender survey is planned to be undertaken that will shed light on some of the gaps that exist around barriers that women traders face in undertaking trade across the WBs at the firm level. The results will be used for potential interventions to help women headed businesses.²⁴ However, this is not the kind of measure that would have profound social impact.

6. Expected impact on environment

ITS will have low to moderate, mainly site-specific environmental impacts. In the deployment phase, impacts will mainly relate to traffic safety issues during the modifications, including for the deployment of ITS systems. None of the impacts is expected to be large-scale or irreversible. In addition to introducing early warning systems to monitor and address climate related risks on the road network, the weather stations that will be installed within Intelligent Transport System (ITS) will collect data and monitor GHG emissions from road transport (specifically Short-Lived Climate Pollutants (SLCP) emissions connected with air pollution). This data is scarce for all regional participants, which increases their value for further research related to air quality management and climate action. The information that will be collected through GHG (SLCP) emissions monitoring systems will help linking specific climate change and development priorities (e.g. mitigation, adaptation and improving air quality) and be

²³ Based on data from SEETO, EU and National Customs, counts from 2015, updated via linear regression for 2018.

²⁴ <http://documents.worldbank.org/curated/en/919401555624976466/pdf/Western-Balkans-Trade-and-Transport-Facilitation-Project.pdf>

a valuable support to governments of the WB6 in developing regulatory and policy reforms and institutional strengthening for pursuing low-emissions development with no harmful impact on environment.

7. Potential risks

Risk	Probability (low of high)	Planned mitigating actions
Prolongation of the activities for completion of the project	Medium	Regular monitoring of the implementation of the activities
Delay in adoption of appropriate legislation and by-laws for this type of systems	Medium	Using EU technical assistance (TAIEX) in better and efficient legislation approximation

5.3.2. Agriculture, industry and services

Agriculture sector development. During the past decade, agriculture in the Republic of North Macedonia has faced and been determined by external influences (climate disasters, such as spring frosts and floods), the consequences of the global crisis, as well as the internal influences of the ongoing political crisis and instability reflected in unstable continuous growth and development of the economy. Hence, 2017 ended with only 7.9% share in GDP followed by a slight recovery and growth of 0.6% in 2018.

According to the data from the State Statistical Office, the gross domestic product (current prices) in agriculture in 2018 amounted to 55.979 million denars (EUR 908,657) and compared to 2017 increased by 15% (48,664 million denars, or EUR 789,594). Gross value added in agriculture in 2018 amounted to 53,389 million denars (EUR 866,616) and compared to 2017 recorded a nominal increase of 18.9%. (44,907 million denars - EUR 728,935). The value of agricultural production in 2018 is 82,810 million denars (EUR 1,344,181) or 16.4% increase compared to 2017 (71,162 million denars - EUR 1,115,109).

In the total investments in fixed assets, agriculture, forestry and fisheries participate with 2.9%.

The share of the agricultural sector in the total employment has a decreasing trend of 16.2% in 2017; 15.7% in 2018 and 13.9% in 2019.

Table 5.4 Participation of employees in the sector of agriculture, forestry and fisheries in the total employee

Year	2017	2018	2019	2019/2018
Total employees in RNM	740,648	759,054	797,651	+5%
Employees in the sector of agriculture, forestry and fisheries	120,311	119,337	111,033	-7%
Participation of employees in the sector of agriculture, forestry and fisheries in the total employee (%)	16.2	15.7	13.9	-1.8%

Source: SSO

In 2019, the number of employees in the sector of agriculture, forestry and water economy has decreased by 7% compared to 2018.

Job creation is the highest priority in the Republic of North Macedonia, and further modernisation and development of the agri-food sector can generate job creation and economic growth.

Rural areas face many structural and socio-economic challenges. Large rural areas remain depopulated and their resources are unused, with negative economic, social and environmental consequences. The population in rural areas has stagnated over the last decade, taken as a share of the total population, with about 42.3% in 2017. Employment opportunities in rural areas are limited and only agriculture dominates as an industry. All of these factors limit job creation in rural areas and economic growth.

The need to improve the road network in rural areas has been identified as a high priority, both in lowland and mountain villages. The quality of physical and social infrastructure in rural areas has improved in the past period,

but is still unsatisfactory due to insufficient investment in infrastructure development and maintenance. In the period from 2014 to 2018, the local road network increased by a total of 365 km, but more significant is the increase of better quality asphalt roads, which increased by 438 km, because part of the local road network with lower quality is also paved. The share of asphalt and cube roads in the local road network is 51.9% in 2014, and in 2018 it is 54.4%.

Primary agricultural production is characterised by low productivity and low incomes. Most agricultural producers are engaged in production for their own needs and small sales, are registered as unemployed and are poorly engaged in the labor market. The average size of agricultural holdings in 2016 is 1.8 ha and 2.1 livestock units. Value added per agricultural worker, as a measure of agricultural productivity, in 2016 was 19,127 and is 2/3 of the EU average of 29,425.

Measure 5: Improving of irrigation systems

1. Description of the measure

This measure is rolled over from last year; the implementation details are presented in Table 11.

The new capital investments in construction of dams and irrigation systems have already started and will continue in the mid-term run. The main goal of the measure is increase of the irrigated areas in the country up to the level of installed irrigation capacity, which is currently 144,000 ha. At the same time, the investments aim towards increase of the irrigation capacity up to 250,000 ha or half of the total cultivated land in the country. These capital investments are expected to contribute to higher crop yields of irrigated land, as well rise of the volume of physical agricultural production in the country.

This measure has been outlined in accordance to the Investment Plan for Water Management Master Infrastructure 2015-2025, a national planning document for investment in irrigation and drainage infrastructure and hydro system. This measure give contribution to fulfilling of one of strategic goal of MAFWE: "Applying of ecological practice in production that reduce climate changes impact and adaptation" and specific objective: "Boost sustainable development and efficient management of natural resources like water, land and air." (National strategy for agriculture and rural development 2014 – 2020).

The activities planned within the framework of this measure are listed in the Table below, referring to the period 2021-2023:

Planned activities	2021	2022	2023
Construction of dam Konsko	Finishing of construction works		
Construction of dam Rechani	Continuing construction works	Continuing construction works	Continuing construction works
Construction of irrigation system Raven – Rechica	Continuing construction works	Finishing of construction works	
Construction of dam on Slupchanska river	Starting procedure for providing construction license and tendering	Starting construction works	Continuing construction works
Second and third phase on HS Zletovica	Finishing negotiations with EIB for financing of project and starting with tender preparation	Starting construction works	Continuing construction works
Second phase of South Vardar irrigation system	Finishing of construction works		
IPA small irrigation systems	Construction of 3 irrigation	Construction of 3 irrigation	

	systems	systems	
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Main contractor of this measure is Ministry of agriculture, forestry and water economy – Water Management Department. The institutional setup of irrigation and drainage sector consists of central management through Stock Sharing Company “Water economy of North Macedonia”- state owned, with 14 branches all over the country. In addition, farmers can organise through agricultural cooperatives responsible for irrigation management on farm level.

Procedures for issuing water rights for using of irrigation water are under competency of Ministry of environment and physical planning according to Water Law. Ministry of environment and physical planning is acting separately for each individual application concerning procedures described in Water Law.

2. Results indicators

Implementation of the measure will increase the share of possible for irrigation land in relation to arable land from the current 28.8% to 31.7% (from current 144,000 ha to 158,350 ha).

This will be accomplished with implementation of this measure and construction of three new dams and nine new irrigation systems.

Thereby, output indicators of the measure are:

- Constructed 3 dams – Konsko, Rechani and Slupchanska; and
- Constructed 9 new irrigation systems
- New agricultural land of 14,350 ha covered with irrigation systems and possible for irrigation.

Indicator	Baseline (2018)	Intermediate target (2023)	Target (2025)
Constructed dams	0	1	2
Constructed irrigation system	0	6	9
New agricultural land possible for irrigation	144,000 ha	+13,125 ha	+ 1,225 ha

3. Expected impact on competitiveness

Contribution to the improvement of the living conditions/livelihood of the agricultural population in the projects area, and sustainable increase of the agricultural output (production and productivity) in new irrigation schemes by improved availability and efficient use of water resources. The income of agricultural households is expected to increase 3-5 years after the completion of the measure activities.

Additionally, the measure will enable production of electricity through construction of hydropower plants on new dams that will be constructed.

Access to regular irrigation for farmers is expected to contribute for sustainability of the agricultural economy, as well as increased yields, which will also contribute to increasing the competitiveness of agricultural farms – increased crop yields with irrigation versus no irrigation (corn 2,320/6,700kg/ha, cereals 2,530/4,500kg/ha, grapes 7,000/30,000kg/ha, alfa-alfa 3,000/16,000kg/ha etc).

Efficient irrigation allows farmers to grow crops with higher economic value (at the moment most of the locations have crops like wheat since they don't have water to raise other crops).

4. Estimated cost of the activities and the source of financing

The total cost of the measure for the period 2021-2023 is around EUR 143.2 million, from which EUR 78.8 million central budget, EUR 3.5 million IPA funds, EUR 5.3 million grants and EUR 55.5 million project loans.

In EUR	2021	2022	2023
1. Budgetary expenditures*	32,165,738	20,588,253	19,313,236
2. Non-budgetary financing	20,536,063	9,779,723	36,326,438
2.1 of which IPA funding, including WBIF funding	4,500,000	2,300,000	0
Total	52,701,801	30,367,976	55,639,674

*national public finance sources

Activities/ EUR milion	Spent until October 2020	2021	2022	2023
Construction of dam Konsko Base year: 2017	17	14.5	0	0
Construction of dam Rechani Base year: 2018	0.8	6.6	8.2	9.7
Construction of irrigation system Raven – Rechica Base year: 2018	5.2	3.6	3.6	0
Construction of dam on Slupchanska river Base year: 2019	0.4	1.5	6.7	8.3
Second and third phase on HS Zletovica Base year: 2020	0	7.5	9.6	37.6
Second phase of South Vardar irrigation system Base year: 2018	7.4	14.5	0	0
IPA small irrigation systems – preparation of technical documentation Base year: 2018	3.5	4.5	2.3	0

Note 1: The purpose of column "Spent until October 2020" in the Table under section 4 is to have clear picture about total value of each activity: money spent from the beginning of activity (base year) plus money planned for next years should give total value of each activity.

Note 2: There are differences in estimated cost of the activities and the budgetary impact for this planning period (2021-2023) comparing to previous planning period (2020-2022) because of the following objective reasons:

- Estimated costs planned for next year are not always same with those actually approved with the Budget
- Long process of obtaining the necessary permits and construction approvals can be reason for delay of realisation of activities and payments.

Note 3: After finishing with construction of dam Konsko, HS Raven – Rechica and HS South Vardar, operation and maintenance activities will continue. "Water economy of North Macedonia" will be the institution in charge, and in some cases farmer organisations (Agricultural cooperatives responsible for irrigation).

5. Expected impact on social outcomes, such as employment, poverty education, equality and gender

The construction of hydro systems will have a direct short-term impact on employment, by engaging construction workers. There is currently no estimate for these jobs. Additionally, in the medium and long term, positive impact on employment is expected as a result of increased competitiveness of the agricultural sector. The gender equality will be respected in the process of implementation of the measure.

6. Expected impact on the environment

Environmental impact assessment studies or elaborates are done for each of the capital projects.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Long process of obtaining the necessary permits and construction approvals	High	Increased level of institutions cooperation

Long process of land expropriation	High	Increasing capacity of State Attorney's Office in prociding requests for expropriation to the Ministry of finance - Property Legal Office
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Measure 6: Consolidation and defragmentation of agricultural land

1. Description of the measure

This measure is rolled over from last year; the implementation details are presented in Table 11.

The land consolidation programme consists of number of land consolidation projects, organised on specific locations with clearly defined boundaries of the project's area. The programme started in 2017 with foreseen 19 projects, while 2 additional pilot projects have been developed in 2015 –2017. Therefore, this measure refers to 21 projects.

Each land consolidation project consists of 3 phases:

- **i.) Preparatory phase** - Consists of elaboration of Feasibility study through desk and field research instruments. The FS provides recommendations on most suitable land consolidation project model(s), risks and constraints, landowners' interests, estimated costs for implementation of the consolidation projects as well as needed investments in agricultural infrastructure (drainage and irrigation systems and access roads to the plots) in the project area.
- **ii.) Re-allotment phase** – The outcome of this phase is the re-allotment plan of the project area that comprises all graphic and alfa-numeric data for the consolidated area. This phase is conducted in close cooperation with the landowners.
- **iii.) Implementation phase** – In this phase, the registration of new ownership in the cadastre system takes place, followed by staking out of new land parcels. Construction of the planned interventions in the agricultural infrastructure is implemented as well.

Out of 21 foreseen land consolidation projects, 14 have been initiated or on-going in the planning period (2021 – 2023). In accordance with phases, the table below presents the status of 15 land consolidation projects.

Table 5.5: Status of 15 land consolidation projects

Region	Land consolidation project area	Area (ha)	No. landowners	Preparatory phase	Re-allotment phase	Implementation phase
South East Reg	Konce	28	27	prepared		Finalised in 2019
	Stojakovo	473	1,337	prepared		
Total		501	1,364	2	1	
Pelagonija Reg	Egri	337	213		2020	2021
	Opticari	566	374	prepared	2020-2021	2022
	Logovardi	393	397	prepared	2020-2021	2022
	Trn	329	249	prepared	2021	2021 - 2022
	Zabeni	724	208	prepared	2022	2022

	Dabjani	743	84	prepared	2021	2021
	Carev Dvor	375	483	prepared		
Total		3467	2,008	6	5	
South West Reg	Leshani	332	844	prepared	not recommended	
Total		332	844	1		
East Reg	Sokolarci	218	491	prepared	2021	2022
	Spancevo	276	642	prepared	2021	2022
	Cheshinovo	445	655	prepared	2022	2023
	Chiflik	156	438	prepared	2021	2022
Total		156	2,226	4	2	
Skopje Reg	Kozhle	89.6	70	prepared	2021	2021
Total		89.6	70	1	1	
TOTAL		4,545.6	6,512	14	9	

The ongoing land consolidation activities are taking place within the IPA I project "Implementing the National Land Consolidation Programme".

Activities planned in 2020

Implementation plan for 2020 suffered from the COVID-19 crisis that resulted in delay of approximately 4 months in implementation of some activities, mostly due to restriction of movements that took place in the period March – June 2020. Thus, all planned activities are in the process of implementation and expected to be finalised in the following years, depending of further development of COVID-19.

Activity	Description
1. Further strengthening of the capacities of the MAFWE	- On-the-job training of MAFWE staff on all aspects of implementation of land consolidation projects - Revision and improvement of monitoring tools
2. Training of service providers for the preparation of re-allotment and infrastructure plans	- On-the-job training of SPs on all aspects of implementation of land consolidation projects
3. Finalisation of 1 re-allotment plan, pre-finalisation of 5 and initiation of 2 plans	- Egri re-allotment plan finalised - Spancevo, Sokolarci, Trn, Logovardi and Opticari pre-finalised - Dabljani and Kozle initiated
4. Finalisation of 1 infrastructure plan	- Infrastructure plan for Egri is finalised
5. Finalisation of 1 analysis of the environmental impact in the area where consolidation of agricultural land is carried out	- Environmental impact analysis for Egri is finalised

Note: In August 2020 an agreement for project extension for one year has been made between the Beneficiary Institution, the Implementing Organisation and the Donor. The agreement also envisages re-allocation of available finances. Therefore, previously reported activities are adjusted in this report accordingly for 2020, 2021 and 2022. Activities planned for 2023 are presented as well.

a. Activities planned in 2021

Activity	Description
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1. Implementation of land consolidation activities within the IPA II project "Implementation of the National Land consolidation programme" (8 consolidation projects)	<ul style="list-style-type: none"> - Finalised re-allotment plans for 7 land consolidation projects - Finalised implementation phase (registration of new ownership for 7 projects) - Finalised construction of infrastructure in 1 land consolidation project
2. Implementation of land consolidation activities under IPA II project (2 new land consolidation projects)	<ul style="list-style-type: none"> - Initiated re-allotment phase for 2 projects

b. Activities planned in 2022

Activity	Description
1. Implementation of land consolidation activities within the IPA II project "Implementation of the National Land consolidation programme" (5 consolidation projects).	-Implementation (registration and construction) of 5 land consolidation projects
2. Implementation of land consolidation activities under IPA II project (2 new land consolidation projects)	-Implementation (registration and construction) of 2 land consolidation projects

c. Activities planned in 2023

Activity	Description
1. Implementation of land consolidation project activities under the National Programme for Land Consolidation (3 new projects)	-Initiated re-allotment phase for 3 land consolidation projects

The base year for the measure is 2016.

2. Results Indicators

It is expected that by the end of 2023 a total of 11 land consolidation projects to be finalised (Konce, Egri, Trn, Logovardi, Opticari, Spancevo, Sokolarci, Kozhle, Dabjani and 2 new project areas Zabenj, Municipality of Bitola and Chiflik, Municipality of Cheshinovo Obleshevo). The following table presents the results indicators:

Indicator	2021	2022	2023
Consolidated land	38 ha		4,292 ha
Number of land parcels	7,850		3,000
Average size of parcels	0,35 ha		0,7
Number of landowners	3,190		3,000
Increased production efficiency			15%
Decreased production costs			20%

The expected direct effects of this process are reduction of fragmentation of land parcels, improved form of parcels for the application of modern techniques and production technologies, increased average size of the new parcels and providing access to improved agricultural infrastructure. Expected long-term effects of implemented land consolidation projects are: Improved efficiency of agricultural production in the projects areas by increased possibility to apply modern production technologies, increased farm hold incomes due to lower production costs, increased land value, decreased negative impact on environment due to application of lower quantities of fertilisers and plant protection substances.

3. Expected impact on competitiveness

Improving the structure of agricultural holdings by consolidation of land parcels that are larger and better shaped should facilitate the adoption of new agricultural technologies that will lead to an efficient agricultural sector. Benefits of land consolidation in EU countries include increasing farmers' gross income and reducing working time in this area. Namely it is expected that the average production costs of the farm holds that operate in the land consolidation project areas will decrease for approximately 20%, while their gross income would increase for at least 15%, due to the fact that they will be able to produce crops with better quality (due to investments in modern production technologies and mechanisation) and increased quantities.

4. Estimated cost of the activities and the source of financing

The costs for implementation of the National Land Consolidation Programme in the period 2021 – 2023 amounts to: 1,749,000 EUR in 2021, 850,000 EUR in 2022 and 840,000 in 2023. The main source of financing is IPA funds through IPA instrument with support of FAO and National Programme for Rural Development.

In EUR	2021	2022	2023
1. Budgetary expenditures*	569,000	350,000	840,000
2. Non-budgetary financing	1,180,000	500,000	0
2.1 of which IPA funding, including WBIF funding	830,000	500,000	0
Total	1,749,000	850,000	840,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

The results of various surveys of land consolidation projects show that many communities that have experienced land consolidation show an increase in the number of jobs created.

The new legal framework supporting the implementation of agricultural land consolidation procedures, especially emphasises the gender issue, by providing mechanisms for inclusion of spouses in the decision making processes by guaranteeing their rights as rightful unregistered joint owners of agricultural land acquired during the marital union.

6. Expected impact on the environment

The process of land consolidation as regulated in the national legal framework and implemented addressing relevant environmental procedures and considerations. Namely, the land consolidation process is in accordance with spatial and physical planning, and includes legal and technical measures to ensure environmental impact assessment and mitigation measures in the stage of specific types of rural infrastructure development. In addition, the objectives of the land consolidation stipulated in the legal framework envisage objectives directly connected to the environmental protection such as consolidation for the purpose of expansion of environmentally protected areas and a forestation.

Furthermore, land consolidation itself has significant impact as both a mitigation and adaptation climate measure. Through the application of land consolidation projects, travelled distances between agriculture parcels are greatly reduced, and the effectiveness of agricultural process such as soil management, fertilisation and crop protection is drastically increased. This has a direct impact in the reduction of CO₂ emissions in the agricultural sector, whereby lesser input of machinery (fossil fuels) achieves the same or greater agricultural outputs (crops produced) on the same area of land.

7. Potential risks

Long process of implementation of consolidation procedures, institutional and organisational readiness of the state institutions and other relevant institutions to accept and support the required procedures for implementation of agricultural land consolidation is one of the potential risks. The risk of a lack of trust based on bad experience in the past will be addressed by a transparently driven land consolidation process with the enrolment of all participants in the consolidation area. Committing to the landowners consent for land consolidation output would further assist to overcome the recognised risk. The land consolidation approach that will be deployed is based on the best EU countries practices in implementation of land consolidation. Furthermore, the risks and continuous mitigation actions for the process of mainstreaming of the implementation of the National Land Consolidation Programme are presented in the table below.

Risk	Probability (low or high)	Planned mitigating action
The land consolidation department is understaffed	Medium	Extensive communication, advocacy, policy dialogue
Issues related to land	Medium	Proper project selection, integration of specific procedures

registration obstruct the LC process		and involvement of legal expertise Ensure proper coordination and cooperation between MAFWE and the Agency for Real Estate Cadastre
Negative image of land consolidation due to past experiences	Medium	Extensive communication, combining project design with other measures, participative / open planning processes, using good examples from pilots (e.g. from ongoing FAO project)
Non-compliance of various policy instruments	Medium	Proper coordination between different agencies, communication and awareness raising activities focused on policymakers, enhanced policy dialogue

Measure 7: Agricultural cooperatives

1. Description of the measure

This measure is rolled over from last year; the implementation details are presented in Table 11.

Agricultural cooperatives constitute one of the pillars for modernisation of the market and preparation of the country for the development of the EU model of Producer Organisations and should receive strong attention.

Modernisation of food distribution can also offer a good opportunity to organise producers, as modern customers require consistent quality and quantity of supplies that organisations of farmers can provide more easily than individual farmers. Therefore, strong co-operatives are needed to achieve this objective.

The objective of horizontal integration of the entities involved in the sector of food production basically is oriented towards agricultural cooperatives as the most suitable way for improvement of supply chain of agricultural products. Investments in marketing and certification of the products are crucial for cooperatives development in the forthcoming period.

Activities for supporting association of farmers in agriculture cooperatives are part of the measure "Economic association of agricultural holdings for joint agricultural activities" within the "Programme for financial support of the rural development "and on-going implementation of the EU project "Support to agricultural cooperatives in the Republic of North Macedonia". Support from national budget is disbursed in two ways, 100% refund for costs for management and 90% co-financed amount for purchase of mechanisation.

The establishment of agricultural cooperatives is envisaged in the National Strategy for Agriculture and Rural Development 2014-2020, aimed at improvement of the structure in the agriculture sector, improvement of the market position of farmers, increase of their negotiation power in relation to wholesale buyers, as well as getting lower prices for raw materials, machinery and investment assets.

In the Registry of agriculture cooperatives there are 61 registered so far, of which 6 are large size cooperatives and the other 55 are small size cooperatives, with a total capacity of 1,570 ha agriculture land, 6.300 bee families, 920 cattle, 600 goats and 12.200 sheep. The total number of agriculture holdings joined in cooperatives around 660. The procedure for registration in the Ministry for Agriculture, Forestry and Water Economy (MAFWE) is very simple and takes no more than 5 working days.

a. Activities planned in 2021

Due to COVID-19 crisis, some of the planned activities for 2020 under ERP 2020-2022 have not started with Implementation, so they are shifted to 2021; hence the activities planned for 2021-2022 are shifted to 2022-2023 respectively.

Activity	Description
1. Providing continued financial support for cooperatives (continues from the previous period)	- Assistance for establishing and functioning of agricultural cooperatives - Investments for application of mutual production practices for reconciliation of the quality standards of agricultural products or production of agricultural products with higher quality and

	-Organising the informative and promotional activities for agricultural products.
2.Revising the legal framework for agricultural cooperatives in the way that cooperative principles are better fulfilled	-Law on cooperatives; -Law on agriculture and rural development; -Law on Water economy; -Law on Agricultural Activity and -Law on Employment and Unemployment Insurance.
3.Developed monitoring system for agricultural cooperatives functioning and effectiveness of national support measures	-Monitoring and evaluation of the economic activities of the agricultural cooperatives -Assessment of the use of national support measures -Better exchange of information between the MAFWE and the agricultural cooperatives
4.Encouraging the process of market-oriented association of farmers in cooperatives	-Optimisation of production costs and joint procurement or production materials
5.Support for investments in processing, finalisation and marketing of agricultural products	-Introducing mutual operations for storing and marketing of agricultural product or final processing, finalisation and distribution of agricultural products and -Introduction and mutual application of higher quality standards for agricultural products.

b. Activities planned in 2022

Activity	Description
1.Providing continued financial support for cooperatives (continues from the previous period);	- Assistance for establishing and functioning of agricultural cooperatives; - Support for insurance premiums - Investments for purchasing of agricultural machinery -Investments for application of mutual production practices for reconciliation of the quality standards of agricultural products or production of agricultural products with higher quality and -Organising the informative and promotional activities for agricultural products.
2.Support for investments in processing, finalisation and marketing of agricultural products(continues from the previous period)	-Introducing mutual operations for storing and marketing of agricultural product or final processing, finalisation and distribution of agricultural products and -Introduction and mutual application of higher quality standards for agricultural products.

c. Activities planned in 2023

Activity	Description
1.Providing continued financial support for cooperatives (continues from the previous period)	-Assistance for establishing and functioning of agricultural cooperatives -Investments for application of mutual production practices for reconciliation of the quality standards of agricultural products or production of agricultural products with higher quality and -Organising the informative and promotional activities for agricultural products.
2.Support to modernisation and innovative management with agriculture cooperatives	- Introduction and utilisation of modern technological achievements and promoting innovative practices for modernisation of agricultural cooperatives
3.Support for acquisition of Protected labels of quality of the agriculture and processed products	-Training and education of human resource potential and members of the agricultural cooperative on the benefits offered by acquisition of Protected labels of quality of the agriculture and processed products
4.Support for investments in processing, finalisation and marketing of agricultural products(continues from the previous period)	-Introducing mutual operations for storing and marketing of agricultural product or final processing, finalisation and distribution of agricultural products and -Introduction and mutual application of higher quality standards for agricultural products.

2. Results indicators

Indicator	2017	2022	2027
Number of agriculture cooperatives at the end of each year	39	71	96

% of contribution of cooperatives to the formation of the value of agricultural production-gross agricultural output	3	10	30
% of young farmers (age below 40) members of agriculture cooperatives	18	25	40
% of women associated to agriculture cooperatives	11	20	30

3. Expected impact on competitiveness

Establishment of agricultural cooperatives is an opportunity for development of farms by promoting economic partnership that through joint production, sale and marketing of their products, will strengthen their market role, increase competitiveness and efficiency, increase individual income of the farmer, and moreover will provide for qualitative production, assured sale and higher profits.

4. Estimated costs of the activities and the source of financing

The total cost of the implementation is EUR 6,360,000, out of which in 2021: EUR 2,860,000, 2022: EUR 1,060,000 and 2023: EUR 2,440,000.

EUR 3,180,000 will be financed from state budget, while the remaining EUR 3,180,000 from an external donor.

In EUR	2021	2022	2023
1. Budgetary expenditures*	1,060,000	1,060,000	1,060,000
2. Non-budgetary financing	1,800,000	0	1,380,000
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	2,860,000	1,060,000	2,440,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Development of agricultural cooperatives will additionally contribute to the community by increasing and retaining jobs in agriculture and processing industry. The gender equality will be respected in the process of implementation of the measure. Additional points are dedicated in the selection procedure for financial support for agriculture cooperatives with female members.

The agricultural cooperatives help in the creation of employment opportunities. Firstly, cooperatives offer self-employment to their members, whose participation in the economic activities makes it possible for them to be guaranteed a decent income. Secondly, cooperatives indirectly employ other people through the spill over effect of cooperatives' activities to non-members, who generate income through transactions and opportunities created by cooperatives.

At this moment, 61 persons are employed as managers of the existing cooperatives. It is expected that this number will be doubled with the employment of staff for machinery operation if we take into account new investments in modernisation of agriculture production. Also new cooperatives will emerge so the number of the employees will be even higher.

6. Expected impact on environment

Agricultural cooperatives are considered as potential organisational vehicles for sustainable development due to their multiple objectives and diverse roles. A lot is expected from agricultural cooperatives since they depend mainly on natural resource-based activities where sustainability issues are central concerns.

Management of natural resources in a sustainable way is a guarantee for ensuring a long-term development of agriculture and of the rural areas. Therefore, the adoption of environmental approach in agricultural practice by agricultural cooperatives, with conservation and enhancement of natural resources in rural areas, will become one of the priorities of the agricultural cooperatives.

The agricultural cooperatives will be a model of sustainable agriculture that cares for the protection of the environment and biodiversity. In the upcoming period, agricultural cooperatives will have to implement the concept of "green" agriculture as a logical and natural way of carrying out their agricultural activities. In the adoption and implementation of the agro ecological approach in agricultural activity, the agricultural cooperatives will be supported by the state agricultural policies through the measures of the agricultural policies.

Protection and improvement of the physical, chemical and biological soil conditions, reduction of environmental problems relating to agricultural activities' impact on water quality, and the efficient use of water in agriculture through the requirements for cross-compliance should gradually become habitual, widely accepted minimum conditions for the practice of agricultural production.

The support in agricultural cooperatives to the production based on extensive cultivation methods that have no negative impact to nature and produce healthy food for the population will continue in the upcoming period with accent in organic production, with the purpose to increase the domestic consumption and provide an essentially long-term sustainability of this production and concept in agricultural cooperatives.

Efficient waste management, and energy production and use from renewable resources and improvement of energy efficiency should improve both the incomes generated by agricultural cooperatives and the environmental protection.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
The limited capacity of cooperatives prevents modernisation of production practices of members and transfer of new technologies into production	High	Enabling priority to agricultural cooperatives in granting state agricultural land. Additional points should be given to agricultural cooperatives in the procedure for granting state agricultural land.
The status of individual agricultural producer vs. members of cooperatives in terms of tax policy (VAT and PIT)	High	Assess tax policy regarding individual agricultural producer vs. members of cooperatives to provide equal treatment. Members of cooperatives are in unfavourable position because they pay more taxes than individual agricultural producers as result they are demotivated to join.

Measure 8: Farm road (re)construction

1. Description of the measure

The focus of this measure is to ensure wider access to arable land in areas of intensive agricultural activity through construction and reconstruction of agricultural (farm) roads. The aim is to upgrade the rural infrastructure by increasing the size of the agricultural road network in the Republic of North Macedonia.

This measure is going to be implemented within the framework of the Budget of the Republic of North Macedonia/Programme of Agriculture and Rural Development. The measure provides funds for projects of rural infrastructure aiming to promote sustainable and balanced regional development of the eight planning regions. The projects are selected on a public call launched by the Ministry of Agriculture, Forestry and Water Economy, with clearly stated criteria for construction and reconstruction of farm roads. Eligible applicants on the call are Centres for development of the planning regions. The Centres submit applications and implement approved projects on behalf of the municipalities.

The structural measure "Farm road (re)construction" is a new one in ERP 2021-2023, but certain actions in the field of rural infrastructure have already been implemented in the recent years. Therefore, the activities scheduled for 2021 include implementation of projects approved on the call for applications realised in 2020. The base year for the measure is 2018.

The implementation of this measure would contribute to the goals of Agriculture and Rural Development Strategy of the Republic of North Macedonia, as well as the sustainable development goals, in particular related to Zero hunger (SDG2) and Responsible consumption and production (SDG12).

a. Activities planned in 2021

Activity	Description
1. Funding projects of rural infrastructure	Public call for applications, evaluation, selection and approval of farm road projects submitted by the Centres of the planning regions for

	farm road construction;
2. Construction and reconstruction of rural farm roads infrastructure	Realisation of approved projects in rural infrastructure for year 2020 and 2021*

Note: Due to the specifics of the construction activities, part of the approved projects on the 2020 call would be realised in 2021.

b. Activities planned in 2022

Activity	Description
1. Funding projects of rural infrastructure	Public call for applications, evaluation, selection and approval of farm road projects submitted by the Centres of the planning regions for farm road construction;
2. Construction and reconstruction of rural farm roads infrastructure	Realisation of approved projects in rural infrastructure for year 2021 and 2022

Note: Due to the specifics of the construction activities, part of the approved projects on the 2021 call would be realised in 2022.

c. Activities planned in 2023

Activity	Description
1. Funding projects of rural infrastructure	Public call for applications, evaluation, selection and approval of farm road projects submitted by the Centres of the planning regions for farm road construction;
2. Construction and reconstruction of rural farm roads infrastructure	Realisation of approved projects in rural infrastructure for year 2022 and 2023

Note: Due to the specifics of the construction activities, part of the approved projects on the 2022 call would be realised in 2023.

2. Results indicators

	2021	2022	2023
Constructed and reconstructed agricultural (field) roads in kilometers at the end of each year	0	50	75
Total value of approved projects (in EUR)	0	730,000	1,000,000
Total value of implemented projects (in EUR)	0	570,000	1,000,000

3. Expected impact on competitiveness

The implementation of rural infrastructure projects would enhance the economic growth of agricultural holdings. The broader and improved farm road rural infrastructure will enable easier access to agricultural (arable) land, leading to increase in yields, quality and quantity of the farm production. In addition, positive effects are expected with regards to products' sale by ensuring easier and faster distribution from farms to the tables. That would contribute to strengthening of the market role of the farmers, as well to rise of the competition and operational efficiency. An increase of the individual income of the farmer is also anticipated, along with better quality production, greater sales and higher profits.

4. Estimated costs of the activities and the source of financing

Total costs is EUR 2,250,000, out of which EUR 500,000 in 2021; EUR 750,000 in 2022 and EUR 1,000,000 in 2023. These are funds from the Budget of the Republic of North Macedonia.

In EUR	2021	2022	2023
1. Budgetary expenditures*	500,000	750,000	1,000,000
2. Non-budgetary financing	0	0	0
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	500,000	750,000	1,000,000

*national public finance sources

5. Expected impact on social outcomes, such as employment and poverty reduction

The rural areas face many socio-economic problems that require continuous investment in the growth of rural communities. One of the major challenges are low incomes of the population and continuous migration from rural areas, as a result of the development issues of these areas. Implicitly, the criteria for granting financial support within this measure include promotion of investments and local development of the less developed planning regions and municipalities.

The reconstruction of existing and construction of new agricultural roads will contribute to the development of rural areas by connecting arable land with communities, as well as by interconnection of the villages. Increased road communication provides long-term growth, resulting in sustaining the current and increasing the future employment in agriculture and food production. Such effects are expected to reduce poverty in most of the less developed areas in country.

6. Environmental impact

The increased efficiency of farms and their improved operation, should lead to more sustainable exploitation of the natural resources, which will provide a long-term sustainable growth in agriculture. Priority will be given to the adoption of agro ecological approach in agricultural practices among rural population which will result in preserving natural resources in rural areas.

Additionally, by constructing farm roads in areas with increased risks of flooding, a priority will be given to canalising rain water away from agricultural arable land. This will cancel the possible negative impacts of heavy rain on agricultural production and the environment.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action

Industry. The Commission assessment of the ERP 2020-2022 states that the potential for linkages between domestic and foreign companies established in the country is not sufficiently used as a vehicle for productivity growth. Multinationals operating in the country perceive insufficient technological development, weak adherence to quality requirements, lack of compliance with international standards and certificates as well as limited production capacity of domestic partners as the main weaknesses constraining their integration with domestic industry (Finance Think, 2019). The main obstacles to competitiveness in industry according to the assessment include (i) low productivity and the slow growth rate of productivity, (ii) limited modernisation of the production processes and obsolete technologies caused by insufficient public and private spending on research and innovation, (iii) insufficient development of clusters of businesses and (iv) a significant skills gap.

The industry sector contributed 23.6% of the economy's gross value added in 2018 and 30% of jobs in 2019. Manufacturing generates 19% of country's employment (EU average 20%) with the textile and apparel industry being the largest employer. Only small number of companies (5% in 2017) are exporters, with main export products being iron, steel and textiles.

A shift towards medium value added products (such as spare parts for motor vehicles) is visible. The level of cooperation between universities and the industrial sector remains very low. Human capital inadequacies also hinder productivity: the average manufacturing and services worker is on average four times less productive than their counterpart in Europe and Central Asia (World Bank, 2018)., like elsewhere in the world, the transition towards a greener economy brings about significant potential in the local market for low-emission technologies and sustainable products, offering great potential for new activities and jobs in North Macedonia²⁵.

The Government have created strategic documents in last few years focusing on improving the competitiveness of the manufacturing industry. Namely in 2018 was adopted the Industrial strategy where was integrated the Economic Growth Plan. For first time there was a significant governmental support for endogenous industry to

²⁵<https://data.consilium.europa.eu/doc/document/ST-7470-2020-INIT/en/pdf>

stimulate investments in new technologies, investments in growth based on innovation, collaboration and internationalisation. The Implementation of the measures were realised through the Law on financial support of investments, Program by the Fund for Innovation and technology development as well Program for competitiveness, innovation and entrepreneurship by the Ministry of Economy.

Having in mind the weaknesses of the industry there was offered support for companies to stimulate investments for industrial development, bridge the technology gap and promote productive transformation and internationalisation. The companies were supported to develop new products, innovate, develop the company and develop the market. Ministry of Economy in its Program offered measures for support of new organisational model, introducing standards, project for digital transformation, project for introducing circular economy concept, energy efficiency measures, development of marketing strategy and market research etc.)

In process of preparation is a new strategic document that will enable through Quadruple Helix to identify domains for smart specialisation and strategic partnerships as priority public and private investments.

The development of the strategy is done in close cooperation with JRC, following their methodology.

Strategy for Smart Specialisation (S3), should be a comprehensive model for sustainable economic growth based on capacities of the endogenous industry, science and society. S3 will be linked to and add value to the Industrial Policy, Competitiveness Strategy, Innovation Strategy, R&D Strategy, VET strategy , etc. The adoption of the Smart Specialisation Strategy for the whole country will further confirm the alignment and commitment of the North Macedonian strategic priorities with the IPA III Programming framework; both for increase the competitiveness and export potential of enterprises and also for strengthening the innovation capacity of the country.

The Republic of North Macedonia is continuing the process for development of Smart Specialisation Strategy following the methodology of EC JRC. The process of development the strategy is very important as a new way of participative and collaborative form for developing the vision for growth, definition of priority domains for support, designing transformation roadmap for the selected sectors, implementation of the Action plan and designed projects that will contribute in the growth of the selected domains, enhance inter sectoral collaboration, creation of new value chains, new business perspectives based on knowledge and innovation and growth of economy at all.

Currently the mapping of economic, innovative and research capacities - Quantitative analysis and Qualitative analysis, and identification of the domains for smart specialisation is approaching its final stage.

In 2020, in accordance with the JRC methodology, and support of GIZ, North Macedonia conducted the Quantitative analysis of the economic, innovative and research capacities, after which 19 sectors with potential were defined .

Based on the grouping of the sectors according to their interlinkages, six (6) potential S3 domains were proposed for further analysis (Qualitative analysis) as follows :

- Sustainable food and beverage production and value chain
- ICT sector
- Smart / sustainable buildings and materials
- Electrical equipment & machine parts
- Sustainable tourism and hospitality
- Energy for the future.

As a new proposed S3 domain is the energy, considering new strategy and the potentials of this sector on the domestic and global market.

A qualitative analysis has been conducted by the Chamber of Commerce of North Macedonia, as a local partner engaged by the DG JRC.

Next phase will be Entrepreneurial Discovery Process where through quadruple helix and intensive communication with all stakeholders will be identified the domains for smart specialisation, utilising all potentials

based on collaboration for growth. The Strategy will be finalised in 2021 and their implementation will initiate further development of the innovation eco system, link with skills, research and innovation, and attracting FDI as well initiate and support many new partnerships and investments (public and private) as projects in the domains that have biggest potential for growth based on knowledge and innovation. The strategy should be used to further develop policy strategies in different fields such as.

With support of JRC and Regional common market initiatives will be supported Regional collaboration in the areas of smart specialisation, as well involvement in EU S3 Thematic platforms.

Services. Further developing sectors for certain services can be an opportunity for domestic companies (Commission Assessment of ERP 2020-2022²⁶). Services such as logistics, transportation and information and communication technologies are fairly unsophisticated at present, which forces foreign companies to use alternatives outside the country. According of multinationals operating in the country, 91% of services can be found in North Macedonia. However, 30% of the companies surveyed found these services not to be of required quality standards (Finance Think, 2019), which is also reflected in the relatively small export share of service industries. A shift to policies in support of upgrading services closely linked to creative industries could allow the country to increase the significance of services for productivity and value creation.

As noted in the Commission Assessment of ERP 2020-2022, the services sector accounted for 54% of total employment (2019) and 54.06% of GDP (2019). Yet, services represent only around 26% of the value of the country's export basket, indicating the low competitiveness of the firms in this sector. Tourism and transport continue to constitute the largest chunk of the country's export in services (40%) followed by services provided to manufacturing companies (925%). The latter have significant potential for growth because their development is closely related to the inflow of export-oriented FDI. Telecommunications, computer and other information services, along with other business services, represent close to 25% of service exports and could also be expanded.

The Commission staff's overview of the economic impact of the Covid-19 crisis in relation to North Macedonia states that the main economic impact from the crisis is through the trade channels, whereas Germany's share of total goods exports is 49%. Over half of exports are derived from foreign companies established in the country. On the domestic side, the production and internal trade lockdown has already led to a massive drop in output and large layoffs and pay cuts in the workforce. The tourism is severely hit by the crisis, with strong repercussions on activity and employment in transport and trade.

In a situation of health and economic crisis, the Government took appropriate measures to deal with the negative effects of the pandemic. The measures consist of tax reliefs, interest-free loans, subsidising social contributions of employees, payment of salaries at the level of minimum wage, postponement or restructuring of loan payments. For the purpose of economic recovery, the Government provided access to favourable loans for investments, digitalisation of businesses, improving of productivity, innovation, creation of new jobs, export.

Tourism and hospitality. North Macedonia has good tourism potential, but it lacks an adequate approach towards planning and management of tourism development in the country. The total contribution of travel and tourism to the country's GDP, employment, and total capital investment in 2017 was fair (6.6%, 6.1%, and 2.4%, respectively) in comparison with other countries in the region. Leisure travel spending (inbound and domestic) generated 66.8% of direct Travel&Tourism GDP in 2017 compared with 33.2% for business travel spending. Domestic travel spending generated 44.2% of direct Travel&Tourism GDP in 2017 compared with 55.8% for visitor exports (i.e. foreign visitor spending or international tourism receipts) (WTTC²⁷).

The number of tourists increased by 12.8% in 2018 compared to 2017, the number of domestic tourists increased by 13.9%, while of foreign tourists by 12.2%. The number of nights spent increased by 14.5% in the same period, out of which the number of nights spent by domestic tourists increased by 13.8%, while those by foreign tourists increased by 15.2% (SSO). Capital city Skopje and UNESCO-protected Ohrid and ski resorts such as Mavrovo and Popova Šapka remain the key tourist attractions in the country, complemented by rural, alternative and cultural heritage tourism.

²⁶ <https://data.consilium.europa.eu/doc/document/ST-7470-2020-INIT/en/pdf>

²⁷ <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/macedonia2018.pdf>

The country needs comprehensive approach and streamlined action in the sector Tourism where several actions are implemented over the past year. Moreover, all the analyses show that tourism sector faces problems when it comes to clear and targeted promotions, capacities to absorb the incoming tourist and needs of better destination management approach. In the following period quality marketing strategy for tourism will be prepared.

5.3.3. Business environment and reduction of the informal economy

For a business environment that will enable more dynamic growth, it is necessary to pay attention to the following:

- Inefficient and unreliable public services diminish trust in government institutions and, crucially, encourage informality. When services are efficient, less time is spent on basic bureaucratic tasks and can be dedicated to more productive uses. Services which are not easily accessible or inefficient give greater licence to non-compliance and can facilitate the growth of the informal sector.
- Despite the low tax burden, companies complain about the so-called para-fiscal charges, especially micro and small enterprises indicate that these payments do not consider the size of the firm. Often there are overlaps on the same charges at central and local level, and an additional problem is the fact that for some of the charges there is no clear purpose why they are used and what do they finance. Most importantly, there is no systematic and transparent system to provide predictability of parafiscal charges and there is no systematic approach for their introduction.
- Opaque interpretation of business regulations, notably by local administrations, uneven enforcement of rules and contracts, as well as corruption and the large informal economy hamper private sector development²⁸.
- Existing informal economy creates an unlevelled playfield with formal businesses that comply with the taxes, contributions, and regulations. In fact, approximately 30% of companies indicate the informal sector as their primary constraint to growth²⁹.

Public services. Most of the government institutions on central and local level have developed systems that offer e-services for the users. However, all the systems have general functionalities such as identification of users and payment that are common, but are implemented and maintained in different manner. This is far from cost-efficient, as its costs are budgeted by every institution separately, but the total price on national level is paid by the taxpayers. Additionally, different and non-uniformed interfaces, forms and submission processes for businesses demand dedicated authorised person(s) with specific trainings in order to electronically communicate with respective institutions.

According to the findings outlined in the SIGMA reports for 2015³⁰, 2016 and 2017, the country lacks a modern public services portal, offering platform and space for e-services from any institution.

Government's commitment to reduce the administrative burden to the users (citizens and businesses) is impeded by lack of structured data regarding requested documents and proofs in order to deliver a service, as well as para-fiscal charges, for all services. The institutions in charge of delivering the services maintain this data in silos with different structures, thus making comparison and analysis is difficult. Moreover, in the process of digital transition from traditional to electronic services, the para-fiscal charges remain unchanged. In 2019, the Ministry of Economy engaged external consultancy for initial mapping of services based on available data. The Exploratory analysis of the para-fiscal charges for the small and medium sized enterprises in the Republic of North Macedonia prepared by Finance Think³¹, states that despite the relative importance of the question of the parafiscal charges, it has not been raised yet in a consistent and systematic way. The analysis mapped and listed 377 services having characteristics of parafiscal charges, verified by the institutions or officially published, using data from the Catalogue of services developed by the Ministry of Information Society and Administration (MISA) in the framework of an EU funded project: Public administration reform assistance and strengthening the capacities of MISA. The list of public services which have characteristics of parafiscal charges is wide and includes various charges regarding permits, licenses, certificates, approvals, authorisations; issuing various documents such as certificate, resolution, confirmation, acknowledgement; special permits and authorisations

²⁸ European Commission Progress Report of the Republic of Macedonia 2016

²⁹ World bank Policy notes 2017

³⁰ <http://www.sigmaweb.org/publications/public-governance-monitoring-reports.htm>

³¹ <https://www.financethink.mk/wp-content/uploads/2020/04/Parafiskalni-studija-EN.pdf>

regarding only production and sales; charges related to the registration of a legal entity and change in the register, business name display fee, patents, names and trademarks and other charges for permits and for acquiring certain rights. Frequently, charges with similar characteristics are named differently, depending on the competent body. Such broadness and variety of the PFC additionally increases the burden for the legal entities to keep track of them.

Contract enforcement. The country is among best 20 in the world for doing business according to the latest WB Doing Business 2020 Report, ranking 17th out of 190 countries. Among different indicators it ranks best for protecting of minority investors, getting construction permit, paying taxes. Nevertheless, challenges remain in enforcing contracts, in particular the number of days that have significantly increased over the years. Resolving insolvency and offering second chances to entrepreneurs remains a challenge for companies according to the key stakeholders and experts. The new National Strategy for small and medium-size enterprises 2018–2023 has identified these challenges and within the first strategy pillar the government has committed to simplify the legal and regulatory environment with a focus on bankruptcy proceedings.

Fair competition. The IMF Report³² states that the share of informal economy is estimated at 38% of total output in 2016. According to the report, the economic costs of the informal sector are substantial. While the shadow economy can contribute to economic growth by creating opportunities that are not available in the formal economy, it creates inefficiencies and reduces the economy's long-term growth potential. It is key obstacle that disincentivises the businesses for investment, human capital formation and technological innovation.

According to SSO data, the share of informally employed in the total number of employees in 2018 is 18.6% and has decreased by 4 p.p.s compared to 2014. Approximately half of informally employed are in the agriculture sector, and according to their economic status, approximately half are unpaid family workers. Informal employees with elementary occupations are most dominant. The most common reason for working in the informal economy is the lack of regular jobs, the seasonal nature of work, the economic benefits, etc. Regarding the participation of informally employed, in the total number of employees, by gender, men have a rate of 20.7%, and women 15.3%.

Measure 9: E-marketplace for low value procurement

1. Description of the measure

This measure is rolled over from last year, the implementation details are presented in Table 11. The former title was Harmonisation of the Public Procurement Legal framework with the Acquis, but as the new PPL was adopted in January 2019, the measure now focuses on PPL implementation that envisages, inter alia, introduction of an electronic market for small public procurements.

The law envisages, inter alia, introduction of an electronic market for small public procurements, electronic publication of public procurement plans, administrative control carried out by the Public Procurement Bureau, simplifying public procurement procedures etc.

The activity aims at establishing new efficient and effective way for purchasing low value procurements in direct correlation with the e-procurement system (ESPP).

The measure is closely linked to Priority 4 Budget execution from the Public Finance Management Reform Programme 2018-2021, and referring to strengthening the public procurement system.

a. Activities planned in 2021

- Upgrade of the public procurement software

Responsible institution for implementing of activities is the Public Procurement Bureau.

2. Results Indicators

Indicator	Baseline (2019)	Intermediate target	Target (2021)
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³²<https://www.imf.org/en/Publications/CR/Issues/2020/01/24/Republic-of-North-Macedonia-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-48982>

Development of low-value procurements e-market place	0	-	yes
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3. Expected impact on the competitiveness

The new PPL harmonised with the directives makes it easier and cheaper for SMEs to bid for public contracts, ensures the best value for money for public purchases and respects the EU's principles of transparency and competition. It also allows for environmental and social considerations, as well as innovation aspects to be taken into account when awarding public contracts, so that public procurement encourages progress towards particular public policy objectives. The new rules take a more holistic view of value for money, thus not only raising the question of minimising cost, but looking at what else can be achieved through procurement.

Creating conditions for fair competition among economic operators in a great manner provides benefits to contracting authorities, as obtaining competitive bids can result in savings and rational utilisation of public funds. The savings of public funds leave room for their allocation in other important fields.

4. Estimated cost of the activities and the source of financing

- Upgrade of the public procurement software according to the new PPL – EUR 400,000 planned for 2021.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	-	-
2. Non-budgetary financing	400,000	-	-
2.1 of which IPA funding, including WBIF funding	400,000	-	-
Total	400,000	-	-

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Creating conditions for fair competition among economic operators in a great manner provides benefits to contracting authorities, as obtaining competitive bids can result in savings and rational utilisation of public funds. The savings of public funds leave room for their allocation in other important fields, thus creating additional opportunities for economic operators that may have positive impact on employment. The gender equality will be respected in the process of implementation of the measure.

6. Potential impact on environment

In line with the new legislation, the technical specifications of potential projects shall include information on environmental impact assessment as well as climate change.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating actions
Delays with development of low-value procurements e-market place by the constructor	Low	Proper contract management and progress meetings of the PPB team with the contractor.

Measure 10: Streamline the use of para-fiscal charges

1. Description of the measure

The measure is directly linked to Policy Guidance 5: "Create a register of para-fiscal charges to streamline their use and further decrease the administrative and regulatory burden of companies."

This measure is new but proceeds from the measure Development of a National E-Services Portal from previous ERPs, whose aim was development of dynamic e-services web portal as a single point of services with state bodies. The public launch of the portal was end 2019. One of the cornerstones in the portal's toolbox is the

Catalogue of services, an electronic database of public services (at central and local level) for citizens and businesses. The Catalogue provides an opportunity for quantitative and qualitative analysis of services, for prioritisation of services digitalisation and for analysis of the para-fiscal charges. The Ministry of Economy has published on its web site a list of 377 charges for businesses³³ that were mapped based on Catalogue of services containing nearly 1,000 services for citizens and businesses. The list was developed as part of the Exploratory analysis of the para-fiscal charges for the small and medium sized enterprises in the Republic of North Macedonia (see: Sectoral diagnostic on Business environment and reduction of informal economy, part on Public Services).

The current measure envisages activities for further identifying (mapping), optimising, and consolidating and streamline parafiscal charges in North Macedonia.

Its aim is to simplify the system of non-tax duties and parafiscal fees, improve their transparency and predictability, and thus contribute to a more favourable business environment.

The objective of the measure will be achieved through a comprehensive inventory and development of the Register of all non-tax and parafiscal fees that exist in the Republic of North Macedonia, then through the preparation of appropriate recommendations for changes and improvements of the legal framework and through promoting and introducing mechanisms to ensure further sustainability of the improved system.

The measure is part of the Action Plan for implementation of the Strategy for formalisation of informal economy 2018-2022³⁴, and is in line with the recommendation for improving the functioning of the market economy as prerequisite for achieving the economic criteria and linked with improving the business environment³⁵. It contributes to achieving the SDG 8 - Decent Work and Economic Growth. By reducing the costs for establishment and running of businesses, the measure will contribute to the formalisation of the economy, which is one of the main objectives of the SDG 8. Also, the measure is in line with SDG 9 - Industry, Innovation and Infrastructure. Optimising the parafiscal charges and digitalisation of services will contribute to more competitive industry.

a. Activities planned in 2021

- To establish inter-institutional dialogue and consultation process pertinent to parafiscal charges;
- To analyse the services which are identified to have characteristics of parafiscal charges through identification of those that need to be eliminated, remodelled or streamlined, using the current List of mapped parafiscal charges and to propose their optimisation and digitalisation;
- To raise awareness about the parafiscal charges among business representatives and citizens;

The activities will be implemented by the Ministry of Economy and Cabinet of the Deputy Prime Minister in charge of Economic Affairs, Coordination of Economic Sectors and Investments in cooperation with all relevant Ministries and Agencies as well as municipalities including Business Associations and NGO's.

b. Activities planned in 2022

- To develop methodology for further re-assessment of parafiscal charges for SME's by using the principle Think Small First;
- To map all parafiscal charges, at all government levels (national and municipal level), and with all relevant information (responsible body, type, price, potential sectors and size of the companies concerned etc.);
- To rationalise parafiscal charges, by assessing the price of parafiscal charges, with respect to their intrinsic value, as well granulated at geographic level (national-local), by company's size and by age (start-ups vs. established businesses) and the possibility for their digitalisation.

c. Activities planned in 2023

³³<http://www.economy.gov.mk/doc/2838>

³⁴<http://www.mtsp.gov.mk/dokumenti.nsp>

³⁵<https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-north-macedonia-report.pdf>

- To establish digital platform – Register of parafiscal charges to improve transparency for business sector;
- To establish legal framework for providing further transparency and predictability in terms of introducing new parafiscal charges;
- To establish Coordination body to monitor proper implementation of legal acts by institutions.

Having in mind the complexity of the activities planned for the period 2022-2023, a project proposal has been submitted to EUD for providing expert support through IPA funds. The direct beneficiary of the project will be Ministry of Economy and involving all relevant institutions and stakeholders.

2. Results Indicators

Indicator	Baseline (2020)	Intermediate target (2022)	Target (2024)
Number of parafiscal charges amended	0	At least 50	Up to 100
Percentage of parafiscal burden lowered for SME's	0	Up to 30%	Up to 75%
Increased transparency of para-fiscal charges at national and local level by creating a registry of para-fiscal charges	0	At least for SMEs	All para-fiscal included

3. Expected impact on competitiveness

By reducing the financial burden companies are expected to be more competitive. They could be able to use the saved resources and time in further development and innovation. On the other hand, raised knowledge of the parafiscal charges, as well as introducing digital services will contribute to more efficient and effective companies, which will lead to more productive companies. Overall, the predictability of the parafiscal charges will contribute to more favourable business environment leading to increased investments and entrepreneurship.

4. Estimated cost of the activities and the source of financing

The cost is estimated at EUR 515,000, of which EUR 15,000 are national budget and EUR 500,000 is estimated IPA support requested to implement the measure.

In EUR	2021	2022	2023
1. Budgetary expenditures*	15,000	0	0
2. Non-budgetary financing	0	250,000	250,000
2.1 of which IPA funding, including WBIF funding	0	250,000	250,000
Total	15,000	250,000	250,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

By reducing the administrative and financial burden on companies and increasing their competitiveness, they could expand their activities and increase employment. One of the objectives of this measure is to create more favourable environment for establishment of new businesses, which will further increase the entrepreneurship incentives among all citizens including youth and woman.

6. Expected impact on the environment

One of the objectives of the measure is to lead towards digitalisation of the services, thus reducing both costs and time for business operations, which will have overall positive effect on environment in terms of saving energy, reducing the pollution and saving the resources.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Insufficient coordination and communication between the	Medium	Establishing working group with stakeholders, and continue maintaining the regular cooperation,

institutions that need to be involved with providing information		through meetings, workshops and training
Insufficient understanding of para-fiscal charges	Medium	Info and awareness raising campaign for better understanding among business representatives and society overall
Sustainability of the measure - providing further consolidation of para-fiscal charges	Medium	Legal framework to ensure procedures for setting and pricing of the charges as well as regulating body to ensure proper implementation by all relevant institutions
Insufficient capacities and skills for Para-fiscal changes analysis in the line ministries and other institutions.	Medium	Ministry of economy submitted a project proposal to EUD, for IPA funded external consultancy in order to ensure relevant expertise will be provided for successful measure implementation

Measure 11: Support start-ups and SMEs in selected less-developed regions of the country to grow, produce added value and create a local living economy

1. Description of the measure

This measure is directly linked to 5th Policy Guidance according to which activities related to “...access to finance, support to SMEs” are to be envisaged.

The measure envisage activities for increasing local economic activity and competitiveness in the less developed regions in the country i.e. in the North-East, Polog, South-West and Prespa area (Resen opština/municipality) of North Macedonia by improving access of start-ups and SMEs to financing and high value-added services.

The main activities will support setting up and/or developing at least 1 accelerator in each of the target regions, but preferably 6 in total. The measure will also include activities for providing business development support and/or technical assistance for selected companies owned by people below 40 years of age and/or women and/or people belonging to vulnerable groups and minorities. A quota system will be set up after the analysis of the business opportunities and of the economic potential in each region is carried out.

Further on, in order to boost economic activities in those regions, through this activity financial support to at least 55 start-ups and/or SMEs to start or expand their business activities will be secured. This should result in creation of new jobs, boosting new economic activities and increasing the economic growth.

Related to the EU integration process, this activity will consider the EU Green Deal. The measure will strive to provide support to start-ups and SMEs for business activities in line with the EU Green Deal to move towards the green economy, i.e. companies strongly committed towards boosting the efficient use of resources by moving to a clean, circular economy and restoring biodiversity and cut pollution towards zero pollution and zero waste model.

a. Activities planned in 2021

The implementation of the activities dynamic will depend upon the tender procedure implementation dynamic. Detailed implementation plan will be developed once the expert assistance is engaged, however, in general, the following activities are foreseen:

- Carrying out analysis of the business opportunities and of the economic potential in each of the less developed regions;
- Prepare a catalogue of advanced services for SMEs;
- Setting up and/or developing at least 1 accelerator in each of the target areas;
- Designing and implementing a financial support grant scheme for start-ups and/or SMEs high-value added business initiatives.

The activities will be implemented by external partner contracted by the EUD in North Macedonia in cooperation with national institutions lead by Cabinet of the Deputy Prime Minister in charge of Economic Affairs, Coordination of Economic Sectors and Investments.

2. Results Indicators

Indicator	Baseline (2019)	Intermediate target (2020)	Target (2021)
Number of business association supported	0	0	6
Number of services in the catalogue	0	0	30
Number of accelerators set up and/or supported	0	0	3
Number of start-ups and/or MSMEs supported	0	0	55
Number of new jobs created	0	0	300

3. Expected impact on competitiveness

The activities of this measure will provide access to high-quality business support services for start-ups, SMEs and micro-enterprises with a special focus in areas related to green and circular economy, innovation, IT, marketing, export, business financing, intellectual property rights, standardisation, environment and climate friendly technologies and processes, etc. Taking into account the potential of the economic areas as well as the national and international market trends and perspectives, the provided financial support will be linked to purchase of technologies or equipment (but not running costs) to selected start-up or SMEs initiative thus boosting their competitiveness on the market.

4. Estimated cost of the activities and the source of financing

The cost is estimated at EUR 9,000,000. The funds are secured by the IPA assistance of the EC for the Competitiveness and Innovation Sector in 2019 programming year.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	1,000,000	4,500,000	3,500,000
2.1 of which IPA funding, including WBIF funding	1,000,000	4,500,000	3,500,000
Total	1,000,000	4,500,000	3,500,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

At least 300 new jobs expressed in Full Time Equivalent (FTE). The jobs created – either self-employed or employed – are mainly to target people below 40 years of age, women and people belonging to vulnerable groups and minorities.

6. Expected impact on the environment

This measure will target business activities in line with the EU Green Deal to move towards the green economy, i.e. companies strongly committed towards boosting the efficient use of resources by moving to a clean, circular economy and restoring biodiversity and cut pollution towards a zero pollution and zero waste model.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating actions
Insufficient coordination and communication between the institutions on central, regional and local level	Medium	Establishing working group with stakeholders, and continue maintaining the regular cooperation, through meetings, workshops and training
Commitment on the highest level in the institutions involved in accelerator development or establishment is not reflected in the commitment on operational level	Medium	Regular communication and reporting to the ministerial level for the progress and early warning notifications
Required preconditions in the involved institutions are not met (human resources,	Medium	Preparation of working plans based on the analysis for realistic targets, involvements and deadlines

system readiness, outsourcing contracts, etc.)		
Insufficient capacities and skills among start-ups and/or MSMEs for application preparation	Medium	Providing Technical assistance for start-ups and/or SMEs, preparing guiding materials and establishing information systems

Measure 12: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities

1. Description of measure

The measure is rolled over from 2020, though the title has been changed (previous title of the measure in ERP 2020-2022 was Reducing the informal economy), and activities reformulated closer to project activities (see below). The implementation details for 2020 are presented in Table 11.

This measure is linked to the **5th Policy guidance** from the Joint Conclusions of the Economic and Financial Dialogue from May 2020 referring to "provision of incentives for businesses and employees in the informal economy sector to register and to facilitate their transfer to the formal economy".

The EU project "Improving Working Conditions" (November 2019 - January 2022) aims to encourage formal job creation and reduction of undeclared jobs and stimulate higher economic activity of women in the labour market.

More specifically, the project consists of two components:

1. Supporting the implementation of selected legal, policy, institutional and awareness raising measures facilitating transition to formality, and
2. Fighting gender-based discrimination at work and reconciliation of family and professional life.

Through these activities, the following results are expected to be achieved:

- established system and built capacities for monitoring and detecting the informal economy;
- developed tools that ease inspection procedures for undeclared work prevention and ensure employers and their employees comply with the legislation and collective agreements in sectors prone to undeclared work;
- designed voucher-based system or equivalent mechanisms which promote better working conditions and formal employment in services sectors with high incidents of undeclared activities;
- education and awareness raising on the benefits of the transition to formality;
- developed and introduced measures for better access and activation of women in the labour market;
- strengthened mechanisms for protection against discrimination based on sex, gender, gender identity and sexual orientation, in access to and at the workplace, in line with international standards and EU instruments;
- created legal and policy environment conducive for decent care work, enabling among others recognition, redistribution and where relevant reduction of unpaid care work;
- organisations in the private and/or public sector supported in introduction of flexible work organisation arrangements or any other strategy that facilitates reconciliation of work and family life of their employees.

The measure is directly related to above mentioned project activities for designing voucher-based system or equivalent mechanisms which promote better working conditions and formal employment in sectors with high incidents of undeclared activities.

Also, the measure is directly linked with the Strategy for Formalisation of the Informal Economy 2018-2022 and Action Plan for its implementation. It relates to the SDG 8 - Decent work and economic growth.

The Revised Employment and Social Reform Programme 2022, adopted by the Government in 2019, set an indicator to measure tackling undeclared work - reducing the share of informal employees in the total number of employed persons. The target for 2022 is set at 16.5% (the (r)ESRP 2020 baseline for 2018 was 18.6%).

a. Activities planned in 2021

Planned activity	Institution in charge
1. In-depth analysis of good practices and modes for formalising undeclared employment in different countries	Ministry Labour and Social Policy, State Statistical Office, State Labour Inspectorate, Public Revenue Office, State Market Inspectorate, Central Register of the Republic of North Macedonia, Inspection Counsel, social partners etc.
2. Designing model and mechanism which promote formal employment in selected sectors with high incidents of undeclared activities	Ministry Labour and Social Policy, Ministry of Economy, Ministry of Finance, State Labour Inspectorate, Public Revenue Office, State Market Inspection, social partners, etc
3. Performing cost-benefits analysis from implementation of the proposed model	Ministry Labour and Social Policy, State Statistical Office, State Labour Inspectorate, Public Revenue Office, State Market Inspectorate, Central Register of the Republic of North Macedonia, social partners,
4. Developing legal framework, institutional and administrative mechanisms to implement	Ministry Labour and Social Policy, Ministry of Economy, Ministry of Finance, State Labour Inspectorate, Public Revenue Office, State Market Inspectorate, social partners, etc
5. Implementing preparatory activities for rolling-out the agreed model, including definition of procedures, forms, training of staff	Ministry of Labour and Social Policy, State Labour Inspectorate, Public Revenue Office, State Market Inspectorate, social partners, etc

b. Activities planned in 2022

Planned activity	Institution in charge
1. Pilot project for registration and regulation of seasonal work in the is sectors with high incidents of undeclared activities (e.g. agriculture or household service)	Ministry of Labour and Social Policy, State Labour Inspectorate, social partners, etc
2. Evaluating the results of the piloting	Ministry Labour and Social Policy, Ministry of Economy, Ministry of Finance, State Labour Inspectorate, Public Revenue Office, State Market Inspection, social partners, etc

2. Results Indicators

Indicator	Baseline (2016)	Baseline (2018)	Intermediate target (2020)	Target (2022)
Share of informal employees in the total number of employed persons	-	18.6%	17.7%	16.5%

3. Expected impact on competitiveness

Efficient labour markets are in negative correlation with undeclared work, and are positively associated with higher competitiveness of the overall economy. Decreasing the informal economy will lead to better quality of work and working conditions, better business environment and fair competition, and puts the financial sustainability of social security systems at lower risk.

4. Estimated cost of the activities and the source of financing

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	TBD	TBD
2. Non-budgetary financing	145,000	75,000	0
2.1 of which IPA funding, including WBIF funding	145,000	75,000	0
Total	145,000	75,000	0

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Decreasing of distort for fair competition among firms and stimulate the creation of regular employment can lead to fair competition, decreasing in employment insecurity and new possibilities for decent work. At the same time, it should be noted that for some of the workers, informality is not a choice, but a necessity in which they are pushed by a lack of decent jobs. Impact will be gender balanced. Also, formalisation of jobs will lead to protection of workers in case of injury at work or illness.

6. Expected impact on the environment

The measure is not expected to have an impact on the environment. The legal obligations and positive practices for improving the impact on the environment will be taken into account.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Stakeholders are not committed and consistent in their effort to fight informal economy and there is lack of coordination between institutions	Medium	Involvement of all stakeholders in the design phase of the new measures. Their participation will also be ensured through awareness raising activities.
Lack of public trust and confidence in the effectiveness of the administrative procedures and measures.	Medium to High	Ensuring good coordination among ministries and other relevant institutions and creation of clear cross-sectoral rules for implementation of the policy measures for promotion of decent work. The implementation of the rules will be accompanied with targeted public campaign that will involve all institutional and non-institutional actors.

5.3.4. Research, development and innovation and the digital transformation

Research, development and innovation. The Global Innovation Index (GII 2020) ranks North Macedonia 35th among the 39 economies in Europe in 2020, and 57th among total of 131 economies included in the GII 2020. The country performs the best in market sophistication while its weakest performance is in Creative outputs. The “University/industry research collaboration” indicator is scored particularly low, as one of the weakest points in the ecosystem, placing the country 112th out of 131 countries.

The latest European Innovation Scoreboard (2020) ranks the country as a “modest innovator”. Overall, the lowest scores are noted with indicators regarding PCT patent applications, design applications, and public-private co-publications.

The EC 2020 Country Progress Report, chapter 25: Science and research, notes that “...Some progress was made in the research and innovation capacities in the public and private sector and in the development of the Smart Specialisation Strategy. Out of last year’s recommendations, the country addressed investments in innovations in private companies and started the development of a Smart Specialisation Strategy (S3). Thus, in the coming year, the country should: → ensure a higher level of investment in research and intensify efforts to increase participation in the Horizon 2020 and future EU programmes for research and innovation;”

One of the main reform measures implemented under the Innovation Strategy was the establishment of the Fund for Innovations and Technology Development (FITD) as a focal institution in the national innovation and technology development ecosystem. The main objectives of FITD are to provide access to finance and raise awareness on the benefits of R&D investment. So far, the Fund has piloted several financial instruments related to private sector support of innovation and technology development and as of September 2020 has supported 546 projects in various industries (ICT, engineering & technology, health, energy and energy resources, textile & leather, construction, agriculture & food production, creative industry, education, etc.) Total investment amount of the FITD supported projects is EUR 76 mill out of which 56% is FITD financing or EUR 43 mill and company’s co-financing is EUR 33 mill or 44% of the total investment.

In order to assess the current state of play in the national innovation ecosystem three feasibility studies have been developed under a previously funded EUIF project “A Canvas for Innovation: a way forward to strengthening the national innovation ecosystem”. One of them, the “Feasibility Study for Design and Implementation of Innovation Policy Instruments” aimed to remove overlaps and bridge the identified gaps in the current innovation ecosystem. The main gap of support has been identified in the areas of public-private knowledge transfers and linkages supporting academia- industry cooperation for innovation.

Digital economy. At the end of 2019, the National e-services Portal³⁶ was launched, offering more than 50 completely electronic services delivered by different institutions. Additionally, the Portal links to more than 80 e-services available on different institutional websites.

However, the Single Sign On (SSO) which is a component of the National Portal currently can identify natural persons only, and not businesses, thus e-services for business cannot be obtained on the Portal.

Numerous services are not completely delivered electronically, and besides the National Portal, there are dispersed institutional websites that deliver e-services. The citizens and businesses need multiple accounts to obtain e-government services, which make the usage impractical and unintuitive, preventing wider and more frequent usage.

The data for public services is predominantly kept in a structured manner, such as registers, records and books, described with legal acts, although some of these are still not in electronic format. Electronic registers are a necessary requirement for delivering efficient, fast and quality e-services. The institution responsible for keeping the original source data is sometimes hard to determine, as there is no central database for keeping updated metadata on all the registers in a structured manner.

Following the first Single Point of Services opened in Skopje (not to be equated with Point of single contacts in accordance with the requirements of the EU Services Directive), few physical premises are being equipped and put into function as Single Point of Services nationwide. However, each counter officer can deliver services only from their institution. Although described in the Law on electronic management and electronic services, the functionality of proxy agent that will be able to apply for an e-service on behalf of a user is still not deployed.

The Law on electronic documents, electronic identification and trust services is fully aligned with eIDAS Regulation, and the delivery of electronic e-government services is completely regulated in the Law on electronic management and electronic services. However, the horizontal legislative acts are not yet aligned with these two laws, and this has proven to be impediment for digitalisation of the services offered by different institutions.

In addition, the COVID19 pandemic highlighted the need for accelerating the digitalisation of regular services, and for the delivery of the relief measures for citizens and businesses.

According to “Commission staff working document Economic Reform Programme of North Macedonia (2020-2022) commission assessment”³⁷, measures related to digitalisation of processes in public administration should be considered as they would reduce bureaucracy and the opportunity for corruption.

Broadband. A World Bank report from 2018 identified the low purchasing power of the population as the main reason for low penetration of user’s access to fast and ultra-fast NGA networks. In addition, the report emphasises that high retail prices (in relation to average income) and high wholesale prices are a major obstacle for the development of broadband penetration in the country, as well as limited competition and investments in this field. Mapping process of the existing and planned broadband coverage for the whole territory of the Republic of North Macedonia, conducted in 2018, demonstrated that the access to fast NGA network coverage for households (78%) is close to the EU average (80%), whereas access to ultra-fast NGA network coverage in North Macedonia (43.8%) is significantly lower compared to the EU average (58%).

Measure 13: Enhancing cooperation between the academy and the industry

1. Description of the measure

The measure is rolled over from the previous year, details on its implementation are presented in Table 11.

³⁶ uslugi.gov.mk

³⁷ <https://data.consilium.europa.eu/doc/document/ST-7470-2020-INIT/en/pdf>

Response to Covid-19 pandemic. In order to easily overcome the consequences of Covid-19, the Fund for Innovation and Technological Development (FITD) launched an instrument - Co-financed grants for technological development to overcome the consequences of COVID-19, intended for MSMEs. With the financial support of FITD, companies are encouraged to introduce new methods and technologies in their operations, further digitalisation in their work and introduce measures to protect the health of employees and customers in order to be able to maintain a satisfactory level of productivity, to generate revenue through new sales channels, to introduce new products or services that will respond to changes in the market demand.

Out of a total of 166 companies applied for this call, 87 applications were approved. The total investment cycle achieved with this instrument is EUR 2,861,599, of which 57% or EUR 1,632,226 are provided by FITD. Supported companies are from various fields, health, sales, trade, distribution, machine industry, IT, catering, textile and leather industry, education, creative industry, construction, economy, agriculture, electronics.

The Republic of North Macedonia strives to continue its economic growth, so it is very important to develop the competitiveness of its private sector. As the country will not be able to build its competitiveness on the basis of low wage costs in the long run, improving competitiveness through knowledge and innovation is crucial.

The innovative activity of companies is positively related to many indicators of business success. Companies that innovate are much more likely to export, and most of them have a significant increase in turnover and profits after the introduction of innovation.

Companies rely more on internal knowledge of innovation than on external knowledge, so collaboration between companies and other stakeholders is limited. Relationships between companies and universities or research institutions are particularly rare, although firms that have established formal links with academia tend to be more innovative.

In order to improve the situation in this segment, it is very important to improve the cooperation between academia and industry.

In order to facilitate and promote this cooperation, a Science and Technology Park (STP) is envisaged as a complex organisation that offers in one place professional business support and innovation services designed to increase the extent of innovation, as well as networking possibilities on national level. The establishment of the first STP in the country will be based on the findings of the feasibility study with an overall objective to strengthen the cooperation among academia, industry and government. The STP will potentially incorporate a National Technology Transfer Office.

The conducted Feasibility Study proposes ICT and Life Sciences as an area of specialisation of the STP. The technical faculty campus at UKIM is identified as most viable location for the STP. Additional analysis however should identify the specifications of the digital and the life sciences labs. Balanced public-private ownership and management structure is the most preferred model, with allocation of public funding for the initial phase of establishment.

Due to the fact that 2020 was an election year for North Macedonia, and on the other hand the pandemic of Covid 19 occurred, activities planned for STP within the measure failed to develop at the desired speed. Therefore, all planned activities have been extended for the next mid-term period 2021-2023.

a. Activities planned in 2021

- Development of bylaws for establishment of the STP

b. Activities planned in 2022

- Staffing and strengthening the human capacities of the STP

c. Activities planned in 2023

- Further development of the premises / hard infrastructure

2. Results Indicators

	Baseline (2021)	Intermediate target (2022)	Target (2023)
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Number of active contracts for business & academia innovation cooperation	0	15	30
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3. Expected impact on competitiveness

The proposed measure and its future roll out will introduce mechanisms to encourage RDI investments, innovation activity, business academia cooperation and commercialisation of innovation. The facilitated access to finance, as well as soft and hard infrastructure will increase the research activities in higher education institutions- HEIs applicable in industry i.e. will enhance transfer of knowledge and technology transfer contributing to the competitiveness and export potential of the companies. The measure is complementary to the activities currently undertaken by the Fund for innovation and technological development, related to incorporation of domestic companies into global value chains, and thus enhancing the sustainability of the results of these measures. The results of this measure will be closely monitored to offer a more clear view on economic growth and competitiveness impact. A similar Science and technology park exists in Ljubljana, which has been operating for more than 20 years. Impact of Technology Park Ljubljana is following: more than 300 member SME and startup companies, more than 30 established annually, EUR 350+ million revenue, EUR 80+ million in added value (2015), 400+ new high added value jobs, EUR 15+ million in VAT annually (estimated), TPLJ is self-sustainable and profitable EUR 20 million in assets. Science and technology parks exist and function successfully in our surrounding, Serbia, Bulgaria, Croatia, Greece.³⁸

4. Estimated cost of the activities and the source of financing

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	120,000	880,000
2. Non-budgetary financing	0	0	0
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	0	120,000	880,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

RDI investment leads to establishment of new businesses and growth of the existing business, generating new jobs especially for young people and for highly skilled workforce. The enhanced access to finance and investment in innovation infrastructure will encourage women entrepreneurship. Gender equality will be mainstreamed in the implementation of the activities and gender specific indicators will be included in the monitoring.

6. Expected impact on environment

Environmental assessment shall be embedded in the procedures for awarding grants. Projects with high environmental impact will not be financed. Projects with medium environmental impact will require environmental management plan which will be monitored during implementation.

The development of the STP premises will abide to all national legal requirements on environment protection, regarding construction works.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Lack of interinstitutional cooperation and participatory stakeholder involvement	Low	Establish consultation and cooperation mechanisms to increase effectiveness in the delivery of the results. Establishing M&E plan and risk mitigation plan and conducting regular meetings of the Monitoring Body
Capacity of FITD for implementing new measures	Medium	Further strengthening of the human resources in FITD: the new Systematisation Act is in preparation and foresees 50

³⁸[tp-lj.si/en/about-us/impact-of-technoly-park-ljubljana](http://lj.si/en/about-us/impact-of-technoly-park-ljubljana)

		positions in total.
Low capacity for research projects in the academia	Low	Providing free technical assistance to applicants. Development and implementation of a Communication Action Plan

Measure 14: Broadening the scope of digital services provided on National E-service Portal

1. Description of the measure

This is a follow-up measure on the measure from the previous ERP - Development of a National E-Services Portal. The goal of the measure is to increase the usage of the National e-services Portal (the Portal) uslugi.gov.mk as a central point for e-service delivery.

The specific objectives are:

1. to upgrade the Portal with profiles for legal entities;
2. to upgrade the Portal with the functionality for proxy agents, who could apply for e-services on behalf of a user;
3. to increase the number of available e-services on the Portal, including digitalisation of necessary registers;
4. proposals for necessary legislative changes to streamline digitalisation;
5. building human and technical capacities for e-service delivery within the administration.

The focus on the third objective is to develop at least 135 e-services for businesses and citizens and deploy them on the National e-services portal, including the digitalisation of base registers related to the 135 e-services and development of Register of registers. Reengineering of the business processes for delivering the above mentioned e-services, in order to achieve more efficient and effective e-service delivery, by optimising the processes of their provision and cutting the administrative burden for their issuance is also a part of this objective. Providing necessary equipment to support the delivered software solutions on the central location and in the beneficiaries is also a factor in the successful delivery of this measure.

The expected results from this measure are enhancing public service delivery and reduce time and cost of businesses and citizens in their daily interactions with public bodies.

a. Activities planned in 2021

- upgrading the Portal for businesses and with proxy agent functionality,
- business analysis of the service delivery processes,
- mapping of the necessary registers for delivering a specific services,
- building capacities for process reengineering,
- technical specification of the required equipment for deployment of the solution;
- integration of existing e-services on the National Portal

b. Activities planned in 2022 and 2023

- reengineering of processes;
- development and deployment of new e-services on the Portal,

development and deployment of base registers, including data entry from the beneficiaries;

- register of registers,
- methodology for measuring e-service delivery including piloting;
- capacity building on delivered solutions.

The activities will be implemented by MISA in cooperation with other institutions.

2. Results Indicators

The target numbers for all indicators are expressed in total as absolute numbers, and they originate from the National Portal statistics. The measuring started from the beginning of 2020.

Indicator	Baseline 2020	Intermediate target 2022	Intermediate target 2023	Target 2025
Number of registered users of the National Portal	25,000	50,000	80,000	100,000
Number of e-services offered	137	220	280	300
Number of applications submitted through the National Portal	12,200	80,000	120,000	250,000

3. Expected impact on competitiveness

The National e-services Portal is expected to reduce administrative and financial burden not only on citizens but on businesses as well, thus increasing the efficiency of businesses. Reducing the time and fees for obtaining the services entails a reduction in costs for businesses, leading to their increased competitiveness. This especially concerns SMEs, which will allow SMEs to complete administrative procedures with fewer personnel in shorter timeframe, compared to traditional channels for service delivery. This will affect competitiveness not only of the small and big companies on national level, but also regionally as well internationally. Among the services that will be developed are e-services addressed in the Service directive, i.e. issuing licences for businesses needed on a National and cross-border level, which is expected to have an impact on regional competitiveness.

4. Estimated cost of the activities and the source of financing

For three years, the cost is estimated at EUR 5,900,000 million, financed both from IPA funds and national budget.

From the IPA 2017 project "Enhancing e-Government", EUR 3,900,000 of IPA funds are evenly distributed in 3 years. Procurement of equipment is planned with a total of EUR 1,177,000 for 2021; out of which 1,000,000 from IPA funds and 177,000 from the national budget. In the second year, 3 new employments are planned in the national budget: one head of department and 2 advisors, in the total amount of gross income of EUR 25,000 per year. For the next three years, in the national budget will be allocated: roughly EUR 65,000 per year, for the collocation of the abovementioned equipment, and roughly EUR 270,000 per year for the maintenance of the National Portal for e-services.

In EUR	2021	2022	2023
1. Budgetary expenditures*	447,000	360,000	335,000
2. Non-budgetary financing	2,300,000	1,300,000	1,300,000
2.1 of which IPA funding, including WBIF funding	2,300,000	1,300,000	1,300,000
Total	2,747,000	1,660,000	1,635,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

By reducing the administrative burden on companies and increasing their competitiveness, they could expand their activities and increase employment. Electronic services are equally accessible to all users, both businesses and citizens, regardless of location (urban and rural), gender and social background, degree and type of disability, etc.

Additionally, even the persons severely impacted by COVID19 pandemic (e.g. in isolation) will be able to use digital services

6. Expected impact on the environment

Paperless offices will have impact in all social spheres. Digital services can be consumed 24/7, from any internet connected point, which reduces the need for transport, thus indirectly impacting the pollution levels.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Commitment on the highest level within the beneficiaries is not reflected in the commitment on operational level.	Low	Establishing working group with representatives from top management from each beneficiary, and continue maintaining the regular cooperation through regular meetings.
Insufficient coordination, involvement and commitment between all relevant stakeholders to ensure that all institutions and their staff are aware of their responsibilities	Low	The Government will oblige all relevant state bodies to cooperate and provide all necessary information as well as human and financial resources for successful implementation and ensuring sustainability of the project.
Inability to travel and have face-to-face meetings and analysis between the selected implementers and beneficiaries	High	Using video conferencing tools and offer technical support to the working group

5.3.5. Economic integration reforms

Travel restrictions and border closures have been an important part of the initial policy response to the COVID 19 pandemic, and these measures have directly affected trade in goods and services. They have disrupted freight transport, business travel and the supply of services that rely on the presence of individuals abroad. Transport and travel costs constitute an important part of trade costs, and, depending on the sector, are estimated to account for 15 to 31 per cent. Travel restrictions are therefore likely to account for a substantial increase in trade costs for as long as they remain in place³⁹. International land transport has been affected by border controls, sanitary measures (such as measurement of the temperature of drivers) and special arrangements, such as the closure of certain border posts and detours.

The risks associated with travel to affected economies may also have resulted in a lack of drivers. These factors have caused delays in road cargo transport. To alleviate these issues, some exporters have tried to shift the load from road to rail, as the latter needs far fewer drivers and controls per amount of cargo. Beyond specific measures to facilitate trade in medical products and personal protective equipment, there have been general moves to facilitate the border clearance of goods, with automated procedures that reduce the need for personal contact. For instance, some members notified the WTO that during the pandemic, they were accepting electronic veterinary and phytosanitary certificates, rather than the standard physical certificates. If kept in place, such measures could lower the cost of crossing borders. The digitalisation of customs and regulatory procedures may potentially have positive long-term effects on border costs.

The Covid-19 pandemic has brought to the forefront the high level of market integration and the interdependence between the EU and the Western Balkan economies, as well as amongst the latter themselves. Ensuring an unobstructed flow of goods has been a key focus throughout the crisis. To do so, the WB have swiftly and efficiently established green lanes at critical border crossing points⁴⁰. EU is the leading trade partner accounting for almost 70% of the region's total trade and has grown by almost 130% over the past years, with the total trade between the EU and the Western Balkans reaching EUR 55 billion in 2019⁴¹. The SAAs have established a free-trade area over a transitional period which has now ended for all but Kosovo* (2026). The Agreements foresee the elimination of duties and non-tariff restrictions on bilateral trade and cover goods in all Chapters of the Harmonised System. Only few exceptions, concerning some agricultural and fishery products, are not fully liberalised, and are subject to reduced duties and/or preferential quantitative concessions. In 2000, the EU granted autonomous trade preferences to all the Western Balkans. These preference, which expire at the end of 2020, allow nearly all exports to enter the EU without customs duties or limits on quantities. Only sugar, wine, baby beef and certain fisheries products enter the EU under preferential tariff quotas. A Commission proposal to

³⁹https://www.wto.org/english/tratop_e/covid19_e/trade_costs_report_e.pdf

⁴⁰https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf

⁴¹<https://ec.europa.eu/trade/policy/countries-and-regions/regions/western-balkans/>

extend the autonomous trade preferences until the end of 2025 is currently being considered by the European Parliament and Council. As mentioned in the Economic and Investment Plan for the Western Balkans, the countries in the region should build a Common regional market based on EU rules. Securing integration both with the region and with the EU, is an important milestone for the EU accession.

The Commission's Country Progress Report 2020⁴² states that North Macedonia continued its active participation in CEFTA. The country is yet to implement Additional Protocol 5, particularly based on the decisions taken by the CEFTA Joint Committee on Authorised Economic Operators (AEOs), fruit and vegetables (*note by authorities: The Decision 1/2020 for Facilitating Trade on Fruit and Vegetables was adopted in Republic of North Macedonia as well as on the CEFTA Joint Committee and its implementation here already started*), and the risk management strategy for customs. Swift ratification and implementation of the newly adopted Additional Protocol 6 on liberalisation of trade in services still needs to be completed. Regarding Additional Protocol 7 on trade dispute settlement, North Macedonia's constructive role is important for ensuring the completion of negotiations in 2020. Within the framework of REA, standards on investment at regional level still need to be adopted to reflect the latest EU policy developments, which will be used when negotiating investment treaties with third countries and reflected in the Bilateral Investment Treaty (BIT) template under preparation.

Trade corridors, such as TEN-T corridors, are the geographic interface within the WB region and the locus of cooperation efforts. Removing constraints in trade corridors can allow the formation of GVCs and promote better specialisation of industries in the region. Trade in goods is not hampered by tariffs in the region and the greater part of the cost of exporting and importing is related to compliance with procedures and time spent at the Border Crossing Points and Crossing Points, which include inspections, and customs clearance procedures. Exports can enter to EU tariff free, apart from quota restrictions on certain agricultural products. Yet, only 10-20 percent of firms are exporters. Thus, the crucial actions for trade in goods is not market access but to reduce the non-tariff measures and time costs to trade⁴³.

Measure 15: Trade facilitation

1. Description of the measure

The measure is rolled over from the previous year, details on its implementation are presented in Table 11.

The measure is related to the implementation of the Additional Protocol 5 to the CEFTA Agreement aimed at simplifying the inspections related to all clearance procedures and reducing formalities to the maximum extent possible through electronic exchange of information between customs authorities. One party - Kosovo has still not ratified AP 5. The parties are also waiting from EC for the decision to include Moldova in SEED+ project activities.

It is expected to simplify inspections (Food and veterinary agency, Phytosanitary agency) related to all clearance procedures and reduce formalities to the possible maximum extent, to exchange data between customs authorities to the extent that each national legislation allows mutual recognition of the national Authorised Economic Operators' Programmes in each CEFTA Party, provided that both the legislation and implementation of each national programme is fully in line with the relevant EU acquis.

Trade policy and its facilitation are part of the Integrated Growth Pillar of the South East Europe 2020 Strategy. It is also presented in the Trade component of Multi-Annual Action Plan of Regional Economic Area (MAP REA). The main goal of this pillar is to promote regional trade that is non-discriminatory, transparent and predictable, and intensifies the flow of goods and services in the region. Trade policy is also linked with activities in other 3 components of MAP REA – investment, mobility and digital society.

The measure is linked and is complementary with the Measure 16 for facilitating North Macedonia - Serbia joint railway border crossing and integrated border management on Tabanovce - Presevo border crossing. Activities for integrated border managing are to be implemented on cross-border crossings with Republic of Albania and Republic of Kosovo, too, but there is a delay due to the pandemic crisis. Though, notable activities are done as a result of the initiative for facilitating trade under mentioned circumstances by establishing of Green lanes on key

⁴²https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/north_macedonia_report_2020.pdf

⁴³<http://documents.worldbank.org/curated/en/919401555624976466/Western-Balkans-Trade-and-Transport-Facilitation-Project>

border/countries crossing points (BCP/CCP's). They provided faster transit of certain transfer of necessary goods in the pick of the pandemic and in the future will be extended on the crossing points of WB countries with EU.

a. Planned activities in 2021

Activities planned for 2020 have been postponed for 2021. The delay is due to the fact that the signed grant with EC in December 2018 is operational as of end 2019. Staff is allocated in CEFTA Secretariat that will be responsible for maintaining SEED+. The ratifying procedure in Kosovo is still pending, and also settling the status in Moldova for including in SEED+.

- Purchase of a new server with appropriate storage for incoming SEED + data and a new Firewall / Router to improve the current and to establish additional VPN links for processing of increased flow of messages and creating active network security equipment (Customs Administration).
- Develop transparent tools for extending the TRACEE Certificate of Veterinary Application with an appropriate warehouse for hosting a new software module to support the workflow of issuing certificates and Firewall equipment (Food and Veterinary Agency).
- Create system for phytosanitary certificates for which a new central server will be procured with adequate storage of a national phytosanitary software application and a firewall/router to establish VPN links to remote locations with permanent licenses for VPN clients (Phytosanitary Directorate).

2. Results indicators

Indicator	Baseline (2019)	Intermediate target (2022)	Target (2023)
Reduced time for customs clearance	9 hours	-	6 hours
Reduction of trade costs	USD 103 (around EUR 85)	-	USD 70 (around EUR 58)

3. Expected impacts on competitiveness

The reduction of time and costs will contribute to an annual increase of exports to other CEFTA countries by 3.5% and to GDP growth of 0.9%. In scope of these data, the impact of trade flow slowing due to current situation with Covid-19 and reflected in decreased transit of goods and services, should be taken into account.

4. Estimated costs for activities and the source of financing

The estimated cost of planned activities is in the amount of EUR 55,100. The estimated costs for maintaining of the equipment are EUR 3,600 per year.

In EUR	2021	2022	2023
1. Budgetary expenditures*	51,500	0	3,600
2. Non-budgetary financing	0	0	0
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	51,500	0	3,600

*national public finance sources

5. Expected impact on employment and gender

More open markets for goods and services stimulate job creation. Gender equality will be respected in the process of implementation of the measure.

6. Expected impact on the environment

The measure will contribute to increase the level of using paperless procedures within synchronised, transparent electronic procedure.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Coordination problems between CEFTA	Medium	Regular consultation meetings between

parties might arise in the implementation phase		countries involved
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Measure 16: Facilitating North Macedonia-Serbia cross-border crossing

1. Description of the measure

This measure is rolled over from last year. The implementation details are presented in Table 11.

In February 2015, the Government of the Republic of Macedonia and the Government of the Republic of Serbia signed an Agreement on the establishment of border procedures, in accordance with the Directive 2012/34 for creation of a single European railway area. Protocols between the relevant services from Macedonia and Serbia (police, customs, inspection services etc.) were signed in June 2016, by which the official staff of the two countries defined the method, methodology and procedures for the work of the joint station. Upon the operation of this station the effects of the soft measures envisaged in the agreement and the protocols will provide the facilitating effects.

This project is part of the national measures contained in the regional reform measures as part of the EC Connectivity Agenda and meets the requirements contained in soft measures related to border crossing points in WB6 countries to facilitate rail transport. Such national measures were promoted at the WB6 Summit in Vienna in August 2015.

The measure foresees construction of new Joint Railway Border Station (JRBS) between Macedonia and Serbia. Currently, all international and transit trains have to make two stops, one in Tabanovce (Macedonia) and one in Preshevo (Serbia). In each of these two stations the authorities execute customs, border police, phytosanitary, veterinary, radiology, as well as railway infrastructure and operation controls. By building JRBS in Tabanovce, these controls will be carried out only once and jointly by the authorities from the both countries on the basis of "one stop shop" principle.

The project envisages construction of a new, modern joint station in accordance with the standards of the European Union, where the official staff of the Border Police, Customs and inspection services from both countries will be accommodated, upgrade of existing buildings for accommodation of staff from the railway infrastructure and railway carriers from both countries, construction of a new water supply and sewage system with a water treatment plant and improve the connection between the road and railway crossing with construction of a new access road. The project documentation is in phase of preparation for the new access road to the station. The total area of the facilities is 2,500 m².

This measure is closely related to the measure 15: Trade facilitation.

a. Activities planned in 2021

- Tender procedure for selection of the Constructor and Supervisor engineer.

b. Activities planned in 2022

- Implementation of construction activities such as construction works on the access road and on the joint border station building.

c. Activities planned in 2023

- Finalisation of the construction works of the joint border station and putting into the operations

Ministry of transport and communications is in charge for implementation of activities.

2. Results Indicators

Indicator	Baseline 2018		Target 2023	
	Minutes	Percentage decreased	Minutes	Percentage decreased
Passenger train time savings	60	0%	30	50%
Freight train time savings	180	0%	90	50%

3. Expected impact on competitiveness

The construction of JRBS is expected to improve the competitive advantage of the rail compared to the road transport. The greatest impact is expected to be in the time saving. Total travel time saved, as a result of the construction of the JRBS is due to the fact that most controls will be done on the moving train. Companies performing transport activities will experience lower costs and lower transport times, which will create conditions for increased amount of transport by railway.

Regarding the railway market opening, in 2021 is foreseen to be adopted the 4th Railway package of the EU regulations. The Business segmentation study with the focus of privatisation of the National Transport Company was completed in April 2020. As it's recommended in the Study, before privatisation of the Company the preparatory works has to be done by the owner of the Company and the Government of the Republic of North Macedonia, in terms of solving the debt issues, segmentation of the accounts for the passengers and the freight income and expenses, separation of the staff, liabilities, and fleet management.

4. Estimated costs of the activities and the source of financing

The estimated investment value is EUR 5,136 million. Once the JRBS is operational, for the maintenance of the facilities it is estimated that it will take EUR 50,000 annually for all components and phases (for buildings - construction part, electricity, machine parts, water treatment and sewage treatment plant, equipment and parking with access road). At the WBIF Steering Committee held in mid-December 2019, 52% of the required planned funds were allocated, as an investment grant.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	0	1,300,000	3,836,000
2.1 of which IPA funding, including WBIF funding	0	1,300,000	3,836,000
Total	0	1,300,000	3,836,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality, access to health care

The construction of the JBS will have short-term direct impact on employment by engaging construction workers. The gender equality will be respected in the process of implementation of the measure.

6. Expected impact on environment

The project documentation of the construction of the building of the JBC Tabanovce respects the highest environmental protection requirements; such are the energy efficiency buildings requirements and a sewage system with a water treatment plant.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Prolongation of construction activities for completion of the railway border crossing	High	Regular monitoring of the implementation of activities for construction of the JRBS. The regional dimension of the measure contributes to reduce the risk of untimely implementation of activities.

Measure 17: Strengthening the internal market in the Republic of North Macedonia

1. Description of the measure

The measure will enhance the harmonisation with the EU acquis in the area free movement of goods and services and strengthen the market surveillance for protection of consumers' rights. Furthermore, through this measure the national institution will be supported in establishing a better regulation for functioning of companies. More specifically, the measure will include activities for:

- Investment in preparing the Ministry of Economy to draft and monitor the implementation of the new legislation in the area of free movement of goods and services and to apply corrective measures where necessary;

- Provide support for the putting in operation of a real functioning Point of single contacts in accordance with the requirements of the EU Services Directive. Business operators and business organisations will be acquainted with the new legislation and supported in ensuring compliance with it;
- Support the market surveillance through functional reorganisation of the State market inspection service, upgrade of the surveillance methodology and introduction of new tools, facilitating the work of the market inspectors, as well as by enhancing the coordination and the methodological synchronisation among the various market surveillance entities.
- Support the national metrology body to improve its measurement standards and services, the coordination with business and secure transparency in the metrology work.

Activities planned in 2021, 2022 and 2023

The dynamics of realisation of the activities will depend on the dynamics of the realisation of the tender procedure for engagement of expert assistance. A detailed implementation plan will be prepared after the engagement of the expert assistance, however, in general, the following activities are planned to be implemented:

- Screening of domestic legislation and administrative practices in the area of free movement of goods and services;
- Drafting new legislation in the area of free movement of goods and services;
- Capacity building of the relevant institutions in the area of free movement of goods and services;
- Designing of a system for functional Point of single contacts;
- Functional analyses of the State market inspection services;
- Design of an e-Inspection as a single inspection interoperable database;
- Upgrading of an existing Register of measuring instruments and improvement of the risk analysis methods based on the data from the register;
- Upgrading of calibration and verification working procedures and laboratory manuals;
- Development of new measurement standards and services;

The activities will be implemented by external partner contracted by the EUD in North Macedonia in cooperation with national institutions lead by Ministry of Economy.

2. Results Indicators

Indicator	Baseline (2019)	Intermediate target (2020)	Target (2021)
New legislation drafted	0	0	20
Capacity building events conducted (trainings, workshops etc.)	0	0	5
Functional Point of single contracts	0	0	1
Digital tools introduced in the inspection institutions	1	1	4
Measurement standards and services developed	/	/	5

3. Expected impact on competitiveness

The Action will contribute to boosting the economic development and trade relations with the EU while improving conformity with health, safety and environmental requirements. It will enhance the harmonisation with the EU acquis in the area of internal market with a primary focus on free movement of goods and services, protection of consumers' rights and better regulation of the business functioning. The capacity building measures will contribute the enforcement of laws and will enhance the new established processes and structures. Particular focus is put on improving market surveillance and consumer protection.

More widely this measure will increase the possibility for trade by allowing consumers to buy more, better-quality products at lower costs. It drives economic growth, enhanced efficiency, increased innovation, and the greater fairness that accompanies a rules-based system.

4. Estimated cost of the activities and the source of financing

The cost is estimated at EUR 3,600,000. The funds are secured by the IPA assistance of the EC for the Competitiveness and Innovation Sector in 2019 programming year.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	1,200,000	1,200,000	1,200,000
2.1 of which IPA funding, including WBIF funding	1,200,000	1,200,000	1,200,000
Total	1,200,000	1,200,000	1,200,000

*national public finance sources

5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Indirectly by increasing the possibility for export by introducing better production standards and business environment, companies will be able to increase their market share and ideally to expand their sales to foreign (EU) markets. This should increase company's revenues/profit and will create possibilities for increasing the production and opening new jobs.

6. Expected impact on the environment

This measure will vigorously promote respect to the principles of environmental suitability. The transposition of the new legislation on free movement of goods is very much linked to addressing modern environmental challenges and ensuring compliance of the national markets with the environmental requirements along with the requirements for safety and health. Thus this measure will contribute to "greening" of the policy-making in the country.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Required preconditions in the involved institutions are not met (human resources, system readiness, outsourcing contracts, etc.).	Medium	Preparation of working plans based on the analysis for realistic targets, involvements and deadlines.
Commitment on the highest level in the institutions involved in accelerator development is not reflected in the commitment on operational level.	Medium	Regular communication and reporting to the ministerial level for the progress and early warning notifications.

5.3.6. Education and skills

Before the outbreak of the global COVID-19 pandemic, the education system in North Macedonia, though struggling, showed substantial improvement. In fact, North Macedonia was one of the top improvers in PISA 2018, improving reading scores by 40 PISA points from 2015. Despite improvements, student reading performance in the country was 94 PISA points (roughly equivalent to two and a half years of schooling) below the OECD average. Over half the students tested by PISA performed below functional literacy. Despite the need to sustain improvements, COVID-19 has forced North Macedonia to close schools and transition to emergency remote teaching using online platforms and TV-based broadcasts.

The Ministry of Education and Science adopted Concept for developing the education system on distance in primary and secondary schools. The Assembly of the Republic of North Macedonia approved the amendments to the Laws on Primary and Secondary Education, which ensure the smooth organisation of teaching in times of emergency, such as the case of the pandemic with Covid-19.

However, due to the emergency nature of remote teaching initiatives, effectiveness is likely to be lower than traditional instruction. As most students in the country currently perform around the threshold for functional literacy, and assuming some will lose more than others, the estimates suggest that the percentage of students performing below functional literacy may increase by up to 10 percentage points (from 55 to 65 percent). Students with special needs may similarly face unique challenges accessing remote learning content.⁴⁴

According to the Human Capital Index, a child born today in North Macedonia when he grows up will be productive 56 percent of what it could be if he had full education and full health. It is lower than the average for the Europe and Central Asia region and for high-income middle-income countries. Between 2010 and 2020, the value of the HCI for North Macedonia increased from 0.54 to 0.56.

Western Balkans to lose 11.6% of hours worked due to the COVID-19 pandemic, according to ILO estimates, in the second quarter of 2020 the Western Balkans will lose 11.6% of hours worked due to the COVID-19 pandemic. The lockdown has produced an unavoidable spike in unemployment across the region. The data from Public Employment Services in Six Western Balkans economies collected in May 2020 show a considerable increase in unemployment numbers:

Table 5.6 Unemployment in WB6

Country	Newly registrated unemployed	Total unemployed
Albania	12.744	80.689
Bosnia and Hercegovina	18.000	403.000
Kosovo	32.377	129.529
Montenegro	4.864	40.361
North Macedonia	8.852	114.762
Serbia	9.748	513.052

Youth unemployment, long-term unemployment, female unemployment and regional disparities are among the challenges facing North Macedonia. Long-term unemployment (LTU) in 2017 stood at 17.4% and more than half of long-term unemployed have been seeking employment for 4 or more consecutive years. Young women, the low skilled, young people living in rural areas and less represented ethnic groups are particularly exposed to unemployment or informal employment. The youth unemployment rate remains a serious problem. It peaked at close to 60% in 2007 but decreased over the years to reach 45.4 in 2018. The employment gap between best performing region (Southeast) and the weakest one (Northeast) remains significant at 25%. The high inactivity rate among women is closely related to educational attainment, which may signal some barriers to employment for women with lower levels of education. 30% of women in the labour force have a university level education compared to 17% of men, however, 12% of men are unemployed compared to 31% of women. Despite some increase in women's employment in the past years, the gender employment gap for people aged 20-64 is 21.9 pps (2017), almost double the EU-28 average. Considering low education levels, men have more than 2 times higher employment rate than women, even if employed women are on average better educated than employed men. The unemployment rate of Roma stagnates around 50% despite labour market improvements and several – largely ineffective – support schemes and policies.

Low quality employment affects the labour market dynamic and youth employment in particular. Approximately half of young workers aged 15-24 are in low quality employment. Particularly worrying is the high share of young people (estimated at 35%) in informal employment. A quarter of young people in 2017 (24.6% in Q3 2018) are not in employment, education or training (NEETs). Young people under 30 represent more than one third of all unemployed (37.9% in 2017). Knowledge-based service sectors have grown fast, but their share in employment remains rather low (around 10% in 2017)⁴⁵.

According to OECD Competitiveness Outlook 2018, the assessment of the dimension on education shows that North Macedonia achieves a score of 2.8⁴⁶, with the average for the countries of South-East Europe being 2.5,

⁴⁴ North Macedonia Estimate of COVID-19 Impact on Learning Loss

⁴⁵ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/north_macedonia_2019-2021_erp.pdf

⁴⁶ (Competitiveness in South east Europe, A policy Outlook 2018).

<http://mrk.mk/wp-content/uploads/2019/02/%D0%98%D0%B7%D0%B2%D0%B5%D1%88%D1%82%D0%B0%D1%98-%D0%B7%D0%B0-%D1%80%D0%B5%D0%B0%D0%BB%D0%B8%D0%B7%D0%B8%D1%80%D0%B0%D0%BD%D0%B8-%D0%B0%D0%BA%D1%82%D0%B8%D0%B2%D0%BD%D0%BE%D1%81%D1%82%D0%B8-%D0%BE%D0%B4-%D0%A1%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%98%D0%B0-%D0%B7%D0%B0-%D0%BE%D0%B1%D1%80%D0%B0%D0%B7%D0%BE%D0%B2%D0%B0%D0%BD%D0%B8%D0%B5-2018-2025-%D0%B7%D0%B0-2018.pdf>

meaning that there is a solid strategic framework, but it is not always followed by implementation and the process of monitoring the public policies for providing feedback and corrections.

The Education Strategy for 2018-2025, defines a number of challenges related to the system of Vocational Education and Training as one pillar which directly addresses the issues of better employability, such as:

- insufficient attractiveness of VET (except certain vocations in the field of healthcare, economics and law), particularly regarding 2-year and 3-year vocational education,
- lack of modern post-secondary education system,
- mismatch between the VET supply and the labour market demand,
- additional complications arising from inflexibility and ineffectiveness of the new VET qualifications development system and procedures for adapting the VET curricula to the labour market requirements.

Enhanced support should be provided especially for vocational education and training, as well as good trainings for teachers and pre-school education⁴⁷.

It is necessary to invest in post-secondary education, which does not attract a sufficient number of students due to obsolete and unreformed professional profiles. The Centre for Adult Education started to develop a system for validation of non-formal and informal learning (VNIL) by creating relevant conceptual guidance.

In the academic year 2019/20, there were 42,641 students enrolled in upper-secondary VET programmes. From this number 19,177 or 45 % are female. 93 % of the VET students follow 4-year vocational education. Around 52 qualifications were offered. 7 % or 3,131 of the VET students follow 3-year vocational education. Some 42 qualifications are currently offered. 25 % or 778 of the students are women. VET programmes are currently offered in 75 schools.

The reformed 4-year vocational education is based on 45% general education and 55% vocational theory and practical training. All curricula are based on learning outcomes and work-based learning is included in the syllabi.

In December 2019, the Ministry of Education and Science has established a national "Financing Expert Group" (FEG). FEG with the support of the project "Employment for Education in North Macedonia" (E4E@mk) and the European Training Foundation (ETF).

The Concept for developing Regional centres for vocational education and training, which covers the formal, non-formal, adult education and validation of the non-formal and informal learning was prepared upon initiative from the Ministry of Education and Science, and in the past two years it was supported by the European Training Foundation. The objective is to provide guidance for innovative, progressive and sustainable VET, which is integrated into the national educational system, but also in the regional and European area, with evidence based mechanisms for provision of educational and vocational learning outcomes.

At the beginning of 2018, the Law on Higher Education was enacted, and establishment of a Quality Assurance Agency was done. The New Law stipulates establishment of a National Council for higher education, science and research, which has an obligation to propose to the Government a new model for financing the higher education and scientific research activity, which should contribute to advancing the investment in science and increasing the quality of higher education.

The key strategic documents targeting these challenges in a coordinated manner are: SEE Strategy 2020, Education strategy 2018-2025, VET strategy in the context of lifelong learning 2013-2020, Adult education strategy etc.

Measure 18: Further development of the qualification system

1. Description of measure

This measure is rolled over from last year; details on the implementation are presented in Table 11.

⁴⁷ A credible enlargement perspective for and enhanced EU engagement with the Western Balkans" - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions.

Due to the pandemic with COVID 19, the following measures were undertaken: Protocols for safe reopening of kindergartens were adopted having in mind the social wellbeing of the children and the needs of the parents/legal guardians, this served as a base for reopening on 9th of September. The Assembly of the Republic of North Macedonia approved the amendments to the Laws on Primary and Secondary Education, which ensure the smooth organisation of teaching in times of emergency. For the school year 2020/2021 duration of the school year will last 160 days unlike the usual 180 days. With these legal changes, the teaching in the primary and secondary school will be able to be organised with the physical presence of the students, or at a distance by using means of electronic communication. Plan and several protocols were adopted for reopening of the schools on October 1st. Shortened curricula for primary and secondary education were developed and approved (for school year that will last 160 days). Pupils from first to third grade are attending classes with physical presence in the school premises, however is given an option to attend classes remotely, with a written statement of the parents/ legal guardians.

A National Platform for Online Learning that allows two-way communication between students and teachers was developed and it's available to users through the address www.schools.mk. Before the start of the school year students and parents are invited to use it in order to identify all obstacles. Video material, tutorials and manuals are posted on the platform, as well as other contents. During September trainings for all teachers were organised by implementing cascade model. An educational TV show with the teaching materials is broadcasted on the National TV Station in order to reach all children.

A new Law on Primary Education and a new Law on Teachers and Associates in Primary and Secondary Schools were adopted. In line with this the Concept for inclusive education is adopted.

Establishing Regional Vocational Education and Training (VET) Centers it can be seen as a part of the plan for reforming VET, restarting the economy, protecting and creating jobs and making the regional labour market more sustainable for future generations. These Regional VET Centers are planned to respond to the needs of the labour market but also are in line with the need for regional specialisation (through Improving and adapting skills, knowledge and competences of the youth and adults). Regional VET centres will match the challenges of the world of work and world of education by strengthening the cooperation within a high-quality, comprehensive and inclusive network, and thereby meet the emerging needs from the introduction of new technologies, climate changes, migration, new skills and new development possibilities. In this process the focus remains on working with the learner while developing new knowledge, values and competences.

Amendments to the Law on Secondary Vocational Education were adopted, with focus on introducing Regional VET centres in three pilot regions in the country: South-West, Polog and North-East region, through transformation of chosen secondary VET schools into centres. Eight qualifications are developed which will be covered under the RVET Centers: mechanical technician for motor vehicles and electrical engineering for computer technology and automation in Tetovo, catering technician, waiter and cook in Ohrid, food technician, phytomedicine technician and agro-technician in Kumanovo.

In line with the Law on VET, the VET Center developed standards for space and equipment for schools. The concept for developing Regional centres for vocational education and training, which covers the formal, non-formal, adult education and validation of the non-formal and informal learning (VNIL) was prepared upon initiative from the Ministry of Education and Science, and in the past two years it was supported by the European Training Foundation. The objective is to provide guidance for innovative, progressive and sustainable VET, which is integrated into the national educational system, but also in the regional and European area, with evidence based mechanisms for provision of educational and vocational learning outcomes.

Detailed analysis of the three regions is prepared and following functions of the centres came as priorities: continuous professional development of teachers, increase of the number of students and adults with special needs in education and training, validation of knowledge acquired, adult education at all levels, coordination of the practical teaching and close cooperation with the business community.

In order to build a flexible education system, a new approach of financing the VET is needed. This process will be open for discussion and will be finalised in 2021/2022. Piloting of the mentoring system that started in 2019 with the introduction of mentors to students in the companies will continue in the following years. The Concept for Work base learning was developed, and consequently the Protocol for preventive measures in the realisation of work-based learning, the ferial practice, practical training and exercises of students at an employer.

According to the procedures for programs for adults, on a regular base those programs are approved. Until September 2020, 303 providers successfully fulfill procedures of accreditation.

The Adult Education Centre continued the piloting phase for establishing the Validation of the noformal and Informal Learning - VNFIL system, with two qualifications: facade worker and waiter. The pilot schools are VET school Zdravko Cvetkovski for facade worker in construction and VET school Lazar Tanev for waiter in catering.

Regarding higher education, activities will continue for harmonising bylaws and accreditation and evaluation rules with the European standards and criteria. The Quality Assurance Agency in accordance with the new Law on Higher Education was established in December 2019. Additionally an Action Plan for becoming a member of ENQA and EQAR is developed.

Establishing a solid foundation for creating evidence-based politicians is a key factor in promoting a continuous system of improving. In that direction, a new organisational unit has been established in the Ministry of Education and Science for research and development of educational politicians. Regarding the Education Strategy 2018-2025, two Reports are prepared: for 2018 and 2019/2020.

a. Activities planned in 2021

Planned activity	Institution in charge
1. Development of 5 qualifications required by employers and flexible access to their acquisition	National Board for the Macedonian Qualifications Framework; Sectoral committees; Ministry of Education and Science; VET Centre; Providers of educational services
2. Development of training programmes and trainings for specific workplaces for further qualification	Providers of educational services and higher education institutions
3. Piloting phase for establishing the Validation of the noformal and Informal Learning - VNFIL system, with two qualifications: facade worker and waiter.	Universities and higher education institutions; Secondary vocational schools; Companies.
4. Adopting a new law for Vocational Education and Training	Ministry of Education and Science, VET Centre and other relevant stakeholders

b. Activities planned in 2022

Planned activity	Institution in charge
1. Trainings on transversal skills at the request of employers	Employers; Providers of educational services
2. Establishment of a system for Validation of non-formal education for acquiring specific qualifications - recognition of previous learning	VET Centre; Special accredited institutions for validation of non-formal education
3. Refurbishment and adapting premises of 3 VET schools for Regional VET Centres	Ministry of Education and Science; VET Centre; Municipalities,

c. Activities planned in 2023

Planned activity	Institution in charge
1. Establishment of a system for Validation of non-formal education for acquiring specific qualifications - acknowledgment of previous learning	VET Centre; Special accredited institutions for validation of non-formal education
2. Development of 5 qualifications at level V - specialist and master for the needs of the labour market and the opportunity for self-employment in craft activities	National Board for the Macedonian Qualifications Framework; Sectoral committees; Ministry of Education and Science; VET Centre; National Chamber of Crafts of Republic of North Macedonia, Providers of educational services
3. Investments in human resource capacities for management of the new functions of the three Regional VET Centres, as well as acquirement of equipment	Ministry of Education and Science, VET Centre, Municipalities

2. Results indicators

Indicator	Baseline (2019)	Intermediate target (2020)	Intermediate target (2021)	Target (2022)
Ratio of students enrolling to VET schools compared to	55% - 45%	58% - 42%	60% - 40%	60% - 40%

general education				
System for validation of non-formal and informal learning	-	-	Piloting	Established system for validation
Established 3 Regional Centres	-	Adoption of changes in the Laws	Refurbishment and Transforming 3 VET schools	Purchase of equipment and development of programmes for 3 regional VET Centres
Participation in Life Long Learning (from 25 to 64 participating in education or training)	2.8	2.8	3.0	3.0
Early leavers from education and training at age 18 to 24	7.1	7.1	7.0	6.9

3. Expected impact on competitiveness

Employees with higher qualifications will provide for higher efficiency and productivity in the companies and reduce the cost of training of employees for further qualification. The measure will contribute to reducing the inadequacy of education and labour market needs, acquiring skills and competences that will meet labour market needs, recognising acquired qualifications in the state by foreign investors and recognising qualifications acquired overseas by domestic employers, which will help for easier employability of job seekers.

4. Estimated cost of the activities and the source of financing

In EUR	2021	2022	2023
1. Budgetary expenditures*	1,444,761	1,494,761	1,494,761
2. Non-budgetary financing	1,360,000	1,436,000	1,586,000
2.1 of which IPA funding, including WBIF funding	1,360,000	1,436,000	1,586,000
Total	2,804,761	2,930,761	3,080,761

*national public finance sources

This measure is planned to be financially supported by IPA 2019 – sectoral budget support.

5. Expected impact on social outcomes, such as employment, poverty reduction, equality and gender

Increasing the quality of curricula will lead to the acquisition of knowledge, skills and competences that will enable smooth transition from school to work. Additionally, strong transversal skills acquired as a result of new reformed curricula will contribute to better mobility of the workforce and career development. Most of the companies in North Macedonia are SMEs that do not have the capacity to recognise and develop the potential of their employees, so the NQF as a "focal point" for all stakeholders will contribute to better recognition of the necessary skills and competences.

6. Expected impact on the environment

The measure is expected to have neutral impact on environment.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Lack of an overall framework for implementation of all activities might contribute to various non systemic decisions	High	Establishing accompanying bodies for support of NQF (sectoral committees) consisting of employers' organisations, trade unions, students, higher education institutions, government institutions, associations etc.
Insufficient interest of the relevant parties, particularly employers, whose opinions and suggestions are crucial	High	Awareness raising for the role of NQF; Finding adequate instruments to motivate employers

5.3.7. Employment and labour market

In the medium-term period between 2015 and 2019, the number of employed persons increased by 91.600 i.e. by 11.5%. The average annual growth rate of the number of employed persons was 3.1%. The largest number of new jobs could be observed in the manufacturing industry and trade, whereas a decrease was reported in agriculture. In 2019, the employment rate of the population aged 15-64 was 54.7%. It remained at a low level which indicates a lack of utilisation of the workforce as a development potential. The gender gap in employment was high. In 2019, the employment rate of men (64.4%) was higher than that of women (44.7%) by 19.7 pp.

The employment rate of young people was low: only 20.7% of young people aged 15–24 were employed. One of the reasons for this was the low activity rate of young people (32.2%), which was mainly due to their participation in the educational system. The share of youth (aged 15–29 years) not in employment, education or training (NEET youth) showed a significant decrease from 29.8% in 2018 to 24.5% in 2019, with women being more likely to not be in employment, education or training compared to young men. The main reason behind this are family obligations of women.

Even though the unemployment rate was declining continually, the country was still facing a high unemployment rate. The unemployment rate (of people aged 15–74 years) was 17.3% in 2019 (reduced from 26.1% in 2015), and there were no major gender differences. Out of all unemployed persons in 2019, 48.4% were also looking for a job through the Employment Service Agency of the Republic of North Macedonia.

The activity rate (of people aged 15-64 years) was 66.3% in 2019, which is by 1.4 pp higher than in 2015. Analysed by gender, the activity rate in 2019 was higher among men with 77.3% (it was 54.8% among women). The percentage of inactive women was disproportionately distributed among young women, women in rural areas, and the unskilled, with one of the most important reasons for the inactivity of women being household obligations. The activity rate was higher among those with higher educational level attainment.

In the second quarter of 2020, there were no significant negative changes in the labor market compared to the second quarter of 2019, given the COVID-19 pandemic. The activity rate decreased by 0.5 pp, and it stood at 65.6% in the second quarter of 2020 (of persons aged 15–64 years); the employment rate grew by 0.1 pp, and stood at 54.5%; whereas the unemployment rate reduced by 0.7 pp compared to the second quarter of 2019, and it stood at 16.9%.

According to the Employment and Social Reform Programme 2020, the Employment Strategy 2016–2020, and the National Economic Reform Programme 2015, the medium-term goal is to increase the employment rate to 46.9% by 2020 and to reduce the unemployment rate to 21.5%.

In terms of employment and the labor market, the joint conclusion of the Economic and Financial Dialogue of May 2020 was to continue undertaking measures aimed at preserving jobs, including part-time jobs and flexible work arrangements, as well as to enhance the capacity of and the cooperation between the Employment Service Agency and the Centers for Social Work for the purposes of providing integrated services and measures for inclusion in the labor market, including skill development training and retraining.

5.3.8. Social protection and inclusion, including health care

According to the latest data published by the State Statistics Office, the at-risk-of-poverty rate in 2019 amounted to 21,9%, whereas the Gini coefficient (Gini – a measure of inequality in the distribution of income) decreased compared to the previous years and amounted to 30.8%. In comparison, the at-risk-of-poverty rate in EU28 amounted to 16,8%, whereas the Gini coefficient amounted to 30.2%.

Table 5.7. Laeken indicators on poverty and social exclusion, 2013-2018

	2013	2014	2015	2016	2017	2018	2019
At-risk-of-overty rate,by % of population	24.2	22.1	21.5	21.9	22.2	21.9	21.9
Men	24.6	22.3	21.5	22.1	22.4	21.8	21.4
Women	23.9	21.9	21.5	21.6	22.0	22.0	22.5
By age							
0-17	30.9	29.0	28.6	28.6	29.9	29.3	27.8
18-64	23.6	21.4	20.7	21.3	21.1	21.2	21.6
65 and over	16.5	14.5	14.5	14.5	16.1	14.6	15.4
According to most frequent status of							

the economic activity							
Employed	11.1	9.8	8.9	9.0	9.0	8.8	8.8
Unemployed	43.7	40.5	39.7	41.1	38.7	41.9	42.1
Retirees	10.9	8.4	7.3	7.1	7.7	7.9	7.8
Other inactive persons	29.2	26.1	26.7	29.4	32.1	31.1	33.7
According to the number of dependent children in the household							
Household with no dependent children	19.5	16.5	14.1	14.2	12.8	12.7	14.2
Household with dependent children	26.5	25.0	25.3	26.0	27.5	27.2	26.4
Number of people who live below the poverty threshold, in thousands	500.4	457.2	445.2	453.2	460.3	455.1	455.6
Poverty threshold for single household, annual equivalent income in denar	70,275	71,925	78,362	82,560	90,120	97,000	100,080
Poverty threshold for a four member household (two adults and two children under 14), annual equivalent income in denar	147,578	151,043	164,560	173,376	189,525	203,700	210,168
Poverty rate before social cash transfers and pensions, by % of population	41.0	41.7	40.5	41.6	40.7	40.8	41.6
Poverty rate before social cash transfers with included pensions, by % of population	26.8	24.8	24.8	25.7	25.9	25.7	25.7
Inequality in distribution of income, S80/S20 income quintile ratio, %	8.4	7.2	6.6	6.6	6.4	6.2	5.6
Inequality in distribution of income, Gini coefficient, %	37.0	35.2	33.7	33.6	32.5	31.9	30.8

Source: State Statistical Office

The 2019 reform of the social protection system contributed to the improvement of the living conditions of children and the elderly. The child poverty rate (0-17) in 2019 compared to 2018 decreased from 29.3% to 27.8%, and poverty rates in all households with dependent children decreased, with the exception of single parents. However, total poverty did not decrease (21.9%) and over 455 thousand people live below the relative poverty line. Namely, the other government policies such as the increase in the minimum wage, wage subsidies and the growth of the economy probably increased the poverty threshold, and thus the relative poverty rate remained at the same level.

However, poverty among the unemployed, which amounts to 42.1%, has even increased compared to previous years. That is why the activities for activation of the beneficiaries of the social protection system and their inclusion in the labor market are of exceptional importance. In this regard, it is necessary to encourage the development of programs that enable activation and work rehabilitation of vulnerable groups of citizens, which would increase their participation in the labor market, and thus provide a way out of the vicious circle of poverty and social exclusion.

Also, in order to reduce the social exclusion of certain categories of persons, the development of social services according to the needs of beneficiaries and to local circumstances is envisaged, which means providing quality and innovative social services available in the place of residence of the beneficiary, with a view to prevent institutionalisation and social exclusion.

Currently, in compliance with the Law on Social Protection, 20 social service providers are licensed, but this number is expected to increase, with the coverage of licensed service providers of all categories, thus increasing the coverage of beneficiaries who will have access to the necessary services in their own community.

Measure 19: Strengthening the system for social inclusion of the vulnerable categories of people

1. Description of measure

This measure is rolled over from last year, details on the implementation are presented in Table 11. For the reason of providing more thorough description of the social protection reform, the measure is defined as set of two components, and activities have been amended.

This measure is linked to the 5th Policy guidance from the Joint Conclusions of the Economic and Financial Dialogue from May 2020 referring to the extension of social protection coverage and the 6th Policy Guidance referring to the increase the capacity of and cooperation between the Employment Agency and Centres for social work to provide integrated services and measures for inclusion in the labour market including training upskilling and reskilling.

Response to Covid-19 pandemic. The Government of the Republic of North Macedonia on a session held on the April 24, 2020, adopted a Decree with legal force amending the Decree with legal force for application of the Law on social protection during a state of emergency ("Official Gazette of the Republic of North Macedonia") No. 198/20), which enabled guaranteed minimum assistance (GMA) for persons whose employment was terminated during the pandemic, to be claimed under facilitated conditions, calculated from April to December 2020.

Namely, the material insecurity of the household is determined by calculating the amount of all incomes of all members of the household on all grounds in the month before submitting the request for exercising the guaranteed minimum assistance right and in the month before the current month of exercising the right, in the period from April to December 2020. In addition, the guaranteed minimum assistance right may be exercised by a household in which a household member has been deleted from the records of unemployed persons due to irregular registration or whose employment was terminated by agreement, at his request or by the employer due to breach of contract or other employment obligations. The guaranteed minimum assistance right does not terminate if the beneficiary does not register with the competent employment center and does not regularly fulfill the obligations for registration in accordance with the regulations for employment and insurance in case of unemployment.

The effect of the facilitated access to the GMA right, according to the dynamics of submitted requests and the duration of the pandemic in the coming period, by the end of 2020 it is expected about 3,500 new households to be covered (who will continue to use the right in 2021), while in 2021 with this right 6,500 new households to be acquired (10,000 households in total).

The introduced amendments to the Law on Social Protection and the Law on child protection, as well as adoption of the Law on Social Security of Elderly in 2019, marked the start of reforms in the area of social protection. The necessary bylaws have been adopted, too.

The final goal of this reform is decreasing the poverty rate, especially for vulnerable categories and their successful re-integration in the society. Hence, of utmost importance is linking social benefits with the activation of GMA beneficiaries. Therefore, the cooperation between the employment and social protection services will be further enhanced and deepened, in order to support and activate the employable GMA beneficiaries.

Activities of the measure are grouped into two components:

I. Activation of vulnerable individuals in the labour market

a. Activities planned in 2021

1. Monitoring and evaluation of the activities for activation of minimum guaranteed assistance users on the labor market;
2. Creation of a legal framework conducive to delivery of social services for supported employment (e.g. mentoring, counseling, etc.) by various providers;
3. Provision of financial and technical support for setting up or running of social enterprises leading to job creation and integration of the most disadvantaged categories into the labour market, including persons with disabilities. The activity includes:
 - Management and operation of support structure (center) for social enterprises;
 - Capacity building of relevant institutions at national and local level and social enterprises;
 - Awareness raising, communication and visibility events and activities for and about social enterprises/entrepreneurs

b. Activities planned in 2022

1. Monitoring and evaluation of the activities for activation of minimum guaranteed assistance users on the labor market;
2. Creation of a legal framework conducive to delivery of social services for supported employment (e.g. mentoring, counseling, etc.) by various providers;
3. Provision of financial and technical support for setting up or running of social enterprises leading to job creation and integration of the most disadvantaged categories into the labour market. The activity includes:
 - Management and operation of support structure (center) for social enterprises;
 - Capacity building of relevant institutions at national and local level and social enterprises;
 - Awareness raising, communication and visibility events and activities for and about social enterprises/entrepreneurs.
4. Modernising the legal framework for employment, including professional rehabilitation of persons with disabilities

II.Improved availability of quality social services

a. Activities planned in 2021

- Provision of financial and technical support for development and thus expanding the social services network in local communities;
- Strengthening the capacity of existing and potential social service providers, including institutional stakeholders for high quality and effective service provision;
- Enhancement of local self-government involvement for the improvement of the availability of community based social services;
- Implementation of awareness-raising activities aimed at national and local level towards the general public (brochures, videos, brief documentaries, social media information activities, etc.) on the benefits of community based social services;
- Development and testing of new software integrating both social protection benefits and services;

b. Activities planned in 2022

- Provision of financial and technical support for further development and diversification of social services in local communities across the country;
- Deployment of the new software integrating both social protection benefits and services, including data migration;
- Development of a Monitoring, Supervision and Quality Assurance System for Social Services in accordance with the national standards for quality of social services;

c. Activities planned in 2023

- Provision of financial support for development of social services in all local communities across the country;
- Deployment of the comprehensive Monitoring, Supervision and Quality Assurance System for Social Services, which will include a mechanism for quality control, complaints, licensing and tools for monitoring and quality assurance at the level of social service providers, at the level of social work centers, at local and national level for all types of social services foreseen in the Law on Social Protection.

2. Results Indicators

Indicators	Baseline	Intermediate	Target
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	(2018)	target (2022)	(2023)
At-risk-of-poverty rate	21.9%	16.9%	16.5%
Percentage of persons (0-59) living in households with very low work intensity	16.4% ⁴⁸	15.3%	15.1%
Percentage of the social welfare/GMA recipients in employment upon leaving support of services and measures for labour market activation	0	25%	25%
Percentage of severely materially deprived persons	30.5%	-	28%
Number of licensed service provided (by type of service; home based, community based, extra-familial care)	0	40	50

3. Estimated cost of the activities and the source of financing

The funds for implementation of the activities are estimated to EUR 11,855,000 for 3 years.

In EUR	2021	2022	2023
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	5,720,000	4,770,000	1,365,000
2.1 of which IPA funding, including WBIF funding	4,720,000	3,720,000	500,000
Total	5,720,000	4,770,000	1,365,000

*national public finance sources

4. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care

Better targeting and increasing the effectiveness of cash transfers and their connection with the measures for activation of the labor market and social services contributes to exit the poverty circle, economic strengthening and social inclusion, i.e. achieving the target poverty rate of 16% in 2022. The measure will contribute to optimal utilisation of financial resources aimed at providing social services.

Furthermore, social services sector is labour intensive, so that its growth has a potential to create a great number of jobs that attract dominantly women. Moreover, social enterprises as an emerging field may play a significant contribution in local economy through job creation, improving quality of life and provision of valuable social services.

Improving the availability and access to social care services on its own is essential if women are to have equal opportunities in the labour market. Within this measure, appropriate activities are planned for strengthening the capacities and employability of women from vulnerable categories. Gender equality will be respected in the implementation of this measure. This is the most directly related to SDG goal 1 (no poverty), but also with goal 2,5 and 8 (0 hunger, gender equality and decent work and economic growth).

5. Expected impact on the environment

Reducing poverty and social exclusion has an impact on the life style of the population and creates conditions for improving the environment.

6. Potential risks

Risk	Probability (low or high)	Mitigating actions
Low interest by the municipalities for service development and lack of human potential	Medium	Direct contacts with all municipalities, organising round tables, focus groups, development of measures for retraining the unemployed persons for services delivery
Untimely implementation of a new software solution for social protection rights and services	High	Detailed process monitoring

⁴⁸https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=sdg_01_40&plugin=1

Resistance in maintaining cooperation between Employment Centers and Social Work Centers regarding activation of the recipients of Guaranteed Minimum Assistance	Medium	Ensuring close monitoring, coordination and dialogue between the institutions and by creation of clear inter-institutional rules of operation
The crisis caused by COVID-19 negatively affects activation of recipients of Guaranteed Minimum Assistance in the labour market	High	Embed incentives in the design of Active labour Market Measures and Programmes encouraging employment of workers coming from the cohort of vulnerable groups

Table 10a: Costing of structural measures (in EUR)

Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
Measure 1: Increasing the competitiveness of the electricity market					
Year 2021	120,000	150,000	360,000	30,000	660,000
Year 2022	120,000	130,000	200,000	30,000	480,000 ⁴⁹
Year 2023	0	0	0	0	0
Measure 2: Promotion of renewable energy sources					
Year 2021	0	867,000	1,220,000	0	2,087,000
Year 2022	0	0	1,464,000	0	1,464,000
Year 2023	0	0	1,756,800	0	1,756,800
Measure 3: Improvement of energy efficiency					
Year 2021	0	300,000	0	3,805,113	4,105,113
Year 2022	0	0	0	556,538	556,538
Year 2023	0	0	0	501,393	501,393
Measure 4: Implementation of an Intelligent Transport System (ITS) along Corridor 10					
Year 2021	0	4,923,577	0	0	4,923,577
Year 2022	0	13,739,837	0	0	13,739,837
Year 2023	0	1,082,602	0	0	1,082,602
Measure 5: Improving of irrigation systems					
Year 2021	0	4,301,870	0	48,399,931	52,701,801
Year 2022	0	0	0	30,367,976	30,367,976
Year 2023	0	0	0	55,639,674	55,639,674
Measure 6: Consolidation and defragmentation of agricultural land					
Year 2021	0	600,000	0	1,149,000	1,749,000
Year 2022	0	350,000	0	500,000	850,000
Year 2023	0	340,000	0	500,000	840,000
Measure 7: Agricultural cooperatives					
Year 2021	0	1,800,000	0	1,060,000	2,860,000
Year 2022	0	0	0	1,060,000	1,060,000
Year 2023	0	1,380,000	0	1,060,000	2,440,000
Measure 8: Farm road (re)construction					
Year 2021	0	0	500,000	0	500,000
Year 2022	0	0	750,000	0	750,000

⁴⁹ The funds are intended for activities of the market operator

Year 2023	0	0	1,000,000	0	1,000,000
Measure 9: E-marketplace for low value procurement					
Year 2021	0	400,000	0	0	400,000
Measure 10: Streamline the use of para-fiscal charges					
Year 2021	0	15,000	0	0	15,000
Year 2022	0	250,000 ⁵⁰	0	0	250,000
Year 2023	0	250,000 ⁵¹	0	0	250,000
Measure 11: Support start-ups and SMEs in selected less-developed regions of the country to grow, produce added value and create a local living economy					
Year 2021	1,000,000	0	0	0	1,000,000
Year 2022	1,000,000	2,000,000	1,500,000	0	4,500,000
Year 2023	1,000,000	1,000,000	1,500,000	0	3,500,000
Measure 12: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities					
Year 2021	0	145,000	0	0	145,000
Year 2022	0	75,000	0	0	75,000
Year 2023	0	0	0	0	0
Measure 13: Enhancing cooperation between the academy and the industry					
Year 2021	0	0	0	0	0
Year 2022	0	120,000	0	0	120,000
Year 2023	0	0	0	880,000	880,000
Measure 14: Broadening the scope of digital services provided on National E-service Portal					
Year 2021	0	1,570,000	0	1,177,000	2,747,000
Year 2022	25,000	1,635,000	0	0	1,660,000
Year 2023	0	1,635,000	0	0	1,635,000
Measure 15: Trade facilitation					
Year 2021	0	51,500	0	0	51,500
Year 2022	0	0	0	0	0
Year 2023	0	3,600	0	0	3,600
Measure 16: Facilitating North Macedonia – Serbia cross-border crossing					
Year 2021	0	0	0	0	0
Year 2022	0	0	0	1,300,000	1,300,000
Year 2023	0	0	0	3,836,000	3,836,000
Measure 17: Strengthening the internal market in the Republic of North Macedonia					
Year 2021	0	1,200,000	0	0	1,200,000
Year 2022	0	1,200,000	0	0	1,200,000

⁵⁰Pending upon IPA project proposal approval by EUD (total estimated EUR 500.000, splitted in two years implementation)

⁵¹Pending upon IPA project proposal approval by EUD (total estimated EUR 500.000, splitted in two years implementation)

Year 2023	0	1,200,000	0	0	1,200,000
Measure 18: Further development of the qualification system					
Year 2021	2,804,761	0	0	0	2,804,761
Year 2022	2,930,761	0	0	0	2,930,761
Year 2023	3,080,761	0	0	0	3,080,761
Measure 19: Strengthening the system for social inclusion of the vulnerable categories of people					
Year 2021	0	980,000	4,220,000	520,000	5,720,000
Year 2022	0	700,000	3,290,000	780,000	4,770,000
Year 2023	0	65,000	1,300,000	0	1,365,000

Table 10b: Funding of structural reform measures (in EUR)

Year	Central budget	Local budgets	Other national public finance sources	IPA funds	Other grants	Project loans	To be determined	Total
Measure 1: Increasing the competitiveness of the electricity market								
Year 2021	0	0	560,000	0	100,000	0	0	660,000
Year 2022	0	0	480,000	0	0	0	0	480,000 ⁵²
Year 2023	0	0	0	0	0	0	0	0
Measure 2: Promotion of renewable energy sources								
Year 2021	1,220,000	0	0	0	867,000		0	2,087,000
Year 2022	1,464,000	0	0	0	0		0	1,464,000
Year 2023	1,756,800	0	0	0	0		0	1,756,800
Measure 3: Improvement of energy efficiency								
Year 2021	0	0	0	0	3,300,000	805,113	0	4,105,113
Year 2022	0	0	0	0	0	556,538	0	556,538
Year 2023	0	0	0	0	0	501,393	0	501,393
Measure 4: Implementation of an Intelligent Transport System (ITS) along Corridor 10								
Year 2021	0	0	0	0	0	4,923,577	0	4,923,577
Year 2022	0	0	0	0	0	13,739,837	0	13,739,837
Year 2023	0	0	0	0	0	1,082,602	0	1,082,602
Measure 5: Improving of irrigation systems								
Year 2021	32,165,738	0	0	4,500,000	4,301,870	11,734,193	0	52,701,801
Year 2022	20,588,253	0	0	2,300,000	0	7,479,723	0	30,367,976

⁵² These funds are planned for activities related with market operator

Year 2023	19,313,236	0	0	0	0	36,326,438	0	55,639,674
Measure 6: Consolidation and defragmentation of agricultural land								
Year 2021	569,000	0	0	830,000	350,000	0	0	1,749,000
Year 2022	350,000 ⁵³	0	0	500,000	0	0	0	850,000
Year 2023	840,000 ⁵⁴	0	0	0	0	0	0	840,000
Measure 7: Agricultural cooperatives								
Year 2021	1,060,000	0	0	1,800,000	0	0	0	2,860,000
Year 2022	1,060,000	0	0	0	0	0	0	1,060,000
Year 2023	1,060,000	0	0	1,380,000	0	0	0	2,440,000
Measure 8: Farm road (re)construction								
Year 2021	500,000	0	0	0	0	0	0	500,000
Year 2022	750,000	0	0	0	0	0	0	750,000
Year 2023	1,000,000	0	0	0	0	0	0	1,000,000
Measure 9: E-marketplace for low value procurement								
Year 2021	0	0	0	400,000	0	0	0	400,000
Measure 10: Streamline the use of para-fiscal charges								
Year 2021	15,000	0	0	0	0	0	0	15,000
Year 2022	0	0	0	250,000 ⁵⁵	0	0	0	250,000
Year 2023	0	0	0	250,000 ⁵⁶	0	0	0	250,000
Measure 11: Support start-ups and SMEs in selected less-developed regions of the country to grow, produce added value and create a local living economy								
Year 2021	0	0	0	1,000,000	0	0	0	1,000,000
Year 2022	0	0	0	4,500,000	0	0	0	4,500,000
Year 2023	0	0	0	3,500,000	0	0	0	3,500,000
Measure 12 Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities								
Year 2021	0	0	0	145,000	0	0	0	145,000
Year 2022	0	0	0	75,000	0	0	0	75,000
Year 2023	0	0	0	0	0	0	0	0
Measure 13: Enhancing cooperation between the academy and the industry								
Year 2021	0	0	0	0	0	0	0	
Year 2022	120,000	0	0	0	0	0	0	120,000
Year 2023	880,000	0	0	0	0	0	0	880,000
Measure 14: Broadening the scope of digital services provided on National E-service Portal								

⁵³ estimated⁵⁴ estimated⁵⁵ Pending upon IPA project proposal approval by EUD (total estimated EUR 500,000, splitted in two years implementation)⁵⁶ Pending upon IPA project proposal approval by EUD (total estimated EUR 500,000, splitted in two years implementation)

Year 2021	447,000	0	0	2,300,000	0	0	0	2,747,000
Year 2022	360,000	0	0	1,300,000	0	0	0	1,660,000
Year 2023	335,000	0	0	1,300,000	0	0	0	1,635,000
Measure 15: Trade facilitation								
Year 2020	51,500	0	0	0	0	0	0	51,500
Year 2021	0	0	0	0	0	0	0	0
Year 2022	3,600	0	0	0	0	0	0	3,600
Measure 16: Facilitating North Macedonia – Serbia cross-border crossing								
Year 2021	0	0	0	0	0	0	0	0
Year 2022	0	0	0	0	1,300,000	0	0	1,300,000
Year 2023	0	0	0	0	3,836,000	0	0	3,836,000
Measure 17: Strengthening the internal market in the Republic of North Macedonia								
Year 2021	0	0	0	1,200,000	0	0	0	1,200,000
Year 2022	0	0	0	1,200,000	0	0	0	1,200,000
Year 2023	0	0	0	1,200,000	0	0	0	1,200,000
Measure 18: Further development of the qualification system								
Year 2021	1,444,761	0	0	1,360,000	0	0	0	2,804,761
Year 2022	1,494,761	0	0	1,436,000	0	0	0	2,930,761
Year 2023	1,494,761	0	0	1,586,000	0	0	0	3,080,761
Measure 19: Strengthening the system for social inclusion of vulnerable categories of people								
Year 2021		0	0	4,720,000	0	1,000,000	0	5,720,000
Year 2022	0	0	0	3,720,000	0	1,050,000	0	4,770,000
Year 2023	0	0	0	500,000 ⁵⁷	0	865,000	0	1,365,000

⁵⁷ Proposed under IPA III, still in negotiation and pending approval by the European Commission

Table 11: Reporting on the implementation of the structural reform measures of the ERP 2020-2022

Stage of reform implementation: 0=no implementation; 1=implementation is being prepared; 2=initial steps have been taken; 3=implementation ongoing with some initial results; 4=implementation is advanced; 5=full implementation

	Name and number of reform measure	Stage of reform implementation (1-5) ⁵⁸
	Measure 1: Increasing the competitiveness of the electricity market	Stage of reform implementation (1-5)
Activities planned for 2020	1. Activities connected with day ahead market coupling between IBEX (Bulgaria) and MEMO (North Macedonia)	
	- Communication to stakeholders	2
	- Coordination with MRC OPSCOM	2
	- Testing with MRC Simulation facility	1
	- Coupling Go-live preparation	2
	- Decision on the PX administration model (Serviced, own LTF, etc.)	1
	- Observer status in MRC of the newly established company (PX)	2
	- Full or partial CACM adoption in MK - NEMO designation process (NRA)	3
	- MK to become a signatory of the global DAOA	2
	- Removal of the "export tariffs" from the Bulgarian side	1
	- Go-live date determination and dry run testing with real participant	1
	- LTF (local trading solution) testing	1
	- Market maker agreement with key player (s)	1
	- Products definition and system(s) establishment	1
	- Public presentation	1
	- Training materials preparation and members' training organisation	1
	2. Adoption of programme for protection of Vulnerable Energy Consumers	5
Description of implementation and explanation if partial or no implementation	1. All of the activities regarding the MKD-BG coupling project depends from the establishment of the day ahead market in North Macedonia. For now MEMO was designated to establish and to operate the day ahead market and was designated as NEMO and MCO for the bidding zone of North Macedonia. After the necessary changes in the license, this project can go live and continue its activities.	
	2. The programme for protection of Vulnerable Energy Consumers for 2020 was adopted, but due to the COVID-19, only the measure for subsidising the vulnerable consumers for instalment of pellet stoves was implemented. Total of 20 vulnerable consumers were subsidised with total of 600,000 MKD (approximately EUR 9,732)	
	Measure 2: Promotion of renewable energy sources and improvement of energy efficiency	Stage of reform implementation (1-5)

⁵⁸ 0=no implementation; 1=implementation is being prepared; 2=initial steps have been taken; 3=implementation ongoing with some initial results; 4=implementation is advanced; 5=full implementation

Activities planned for 2020	1. Adoption of Programme for implementation of the Energy Development Strategy.	1
	2. Adoption of the Integrated National Energy and Climate Plans.	4
	3. Analysis of the possibilities for introduction of Guarantees of Origin for electricity produced from renewable energy sources, as well from highly efficient combined energy plants.	5
	4. Adoption of bylaws arising from the Energy Efficiency Law (Decree for establishing a binding energy efficiency scheme, Decree regulating the energy service contracts, MVP Rulebook, Rulebook regulating the methodology for determining the level of energy efficiency in the conduct of public procurement procedures, Rulebook on Energy Audit of Large Traders, Rulebook on high efficiency cogeneration plants).	2
	5. Annual plan for reconstruction of at least 1% of the total useful floor area of buildings published in a list of buildings that do not meet the minimum energy performance requirements owned and used by public sector entities at the state level.	3
	6. Conducting procedure for authorisation of large traders energy auditors and issuing licence for companies performing energy audits.	0
	7. Comprehensive assessment of the potential for applying highly efficient combined energy generation and efficient central heating and air conditioning systems.	0
	8. Preparation of typology of buildings needed for adoption of the Strategy for reconstruction of buildings by 2030.	2
	9. Adoption of Law on Establishing Energy Efficiency Fund.	2
Description of implementation and explanation if partial or no implementation	1. The development of the Programme for implementation of the Energy Development Strategy has not yet been started due to COVID-19 crisis, as there were difficulties to engage technical assistance for this activity.	
	2. The first draft of the NECP is prepared with technical assistance along with consultation with the relevant stakeholders. This document in the next phase shall include post COVID-19 measures and it will be available for public debate. Also, by the end of 2020 the Ministry of economy will start the procedure for preparation of the SEIA and this process will be finalised in 2021. The NECP is planned to be adopted by the Government by June 2021. In the meantime amendments of the Energy Law shall be adopted by the Parliament giving the NECP legal basis.	
	3. In 2020 a Study on the opportunities for increased use of guarantees of origin was prepared with technical assistance. This study will be shared with the relevant stakeholders for consultation in order to define the key findings and recommendations which may cause the need for amendment of the existing Energy Law and bylaws, in order to set stable platform for this support measure.	
	4. The process of development of the Rulebook on MVP is ongoing with technical assistance which has been provided by GIZ. The first draft of the MVP Rulebook has been realised. The Ministry of Economy has submitted request to UNOPS for technical assistance for preparation of the Rulebook for energy audits of the large enterprises which was officially approved. The Energy Performance of Buildings Directive has been partially transposed into the existing Energy Law, the Rulebook on Energy Performance of Buildings and the Rulebook on Energy Audits. Under the "Policy Window" of the Regional Energy Efficiency Program (REEP Plus) the Ministry of Economy has requested from EBRD a consultancy for preparation of the package by-laws for buildings arising from the Energy Efficiency Law and the Decree determining the obligation scheme for energy efficiency, which were officially approved as well. In addition, there are ongoing activities for preparation of the secondary legislation in the part of energy consumption labeling and eco design with technical assistance provided from USAID.	
	5. The list of buildings that do not meet the minimum energy performance requirements owned and used by public sector entities at the state level has been published.	
	6. This procedure has not yet been conducted.	
	7. The Comprehensive assessment of the potential for applying highly efficient combined energy generation and efficient central heating and air	

	conditioning systems has not yet been developed.	
	8. A technical assistance by HABITAT was provided for development of the Typology for buildings in accordance with the TABULA methodology.	
	9. Components two and three of the World Bank Energy Efficiency Project in the Public Sector, which is planned to start with implementation in Q4 2020, provide technical support for the establishment of the Energy Efficiency Fund as well as start-up capital for the Energy Efficiency Fund, in the amount of EUR 5 million.	
	Measure 3: Implementation of an Intelligent Transport System (ITS) along Corridor 10	Stage of reform implementation (1-5)
Activities planned for 2020	1. Provision of funds for implementation and project approval.	3
	2. Start the process for selection of the contractor for construction and selection of supervision of construction. Signing contracts and start of construction activities. The length of the contract for construction is 12 months and for supervision is 18 months. It is expected then installation to start by the end of 2020.	0
Description of implementation and explanation if partial or no implementation	1. Funds are secured by the World Bank and activity will be implemented through the WB Trade and Transport Facilitation Project. Design for deployment of ITS along Corridor 10 is prepared and revised according to WB and CONECTA comments. Bidding Documents for selection of the contractor for ITS and for supervision are in preparation stage. Expected launching the two BDs is 2021-Q2. BD for selection of consultant for preparation of National ITS Strategy shall be launched in December 2020.	
	2. Selection of the contractor for construction and selection of supervision of construction is expected in the Q3 of 2021. Expected start of construction and activities is Q4 of 2021.	
	Measure 4: Improving of irrigation systems	Stage of reform implementation (1-5)
Activities planned for 2020	1. Continuing construction works of dam Konsko.	4
	2. Continuing construction works of dam Rechani.	4
	3. Continuing construction works of irrigation system Raven – Rechica.	4
	4. Starting procedure for providing construction license for construction of dam on Slupchanska river.	1
	5. Second and third phase on HS Zletovica - Finishing negotiations with EIB for financing of project and starting with tender preparation.	1
	6. Second phase of South Vardar irrigation system - Continuing construction works.	4
	7. IPA small irrigation systems - Finishing construction of 3 irrigation systems started in 2019. Finishing with technical documentation preparation for other 5 irrigation systems.	4
Description of implementation and explanation if partial or no implementation	1. Dam Konsko started with construction in 2016 and until October 2020 60% of work has been realised.	
	2. Dam Rechani started with construction in 2019 and until October 2020 3% of work has been realised.	
	3. Irrigation system Raven – Rechica started with construction in 2018 and until October 2020 30% of work has been realised.	
	4. Starting procedure for providing construction license for construction of dam on Slupchanska river is planned for 2021.	
	5. Finishing negotiations with EIB for financing of project and starting with tender preparation is planned for 2021.	
	6. Continuation of construction works.	
	7. Finishing construction of 2 irrigation systems started in 2019. Technical documentation preparation finished for all 8 irrigation systems. During next period 2021-2023 other 6 irrigation systems should be constructed.	

	Measure 5: Consolidation and defragmentation of agricultural land	Stage of reform implementation (1-5)
Activities planned for 2020	1. Continuation with strengthening of the capacities of MAFWE, especially the regional units and the Department for Consolidation of agricultural land, exchange and identification of land parcels.	3
	2. Continuing the training of service providers for preparation of re-allotment and infrastructure plans.	3
	3. Finalisation of new 4 re-allotment plans.	4
	4. Finalisation of 4 infrastructure plans and construction.	4
	5. Finalisation of 4 environmental impacts analyses in the areas where agricultural land consolidation is carried out.	4
	6. Utilisation of the land consolidation measure (sub-measure 124) from the National Programme for Agriculture and Rural Development.	5
Description of implementation and explanation if partial or no implementation	1. On-the-job training and strengthening of the capacities of MAFWE is undergoing. Training of employees in regional units for their role as appointed legal representatives for deceased landowners in the land consolidation project area Logovardi has been implemented in June 2020. Regular meetings and consultations with employees in the MAFWE's Department for land consolidation is undergoing	
	2. Service Providers' teams of experts are continuously trained on all phases of land consolidation project, with special emphasis on the projects second phase / re-allotment planning and preparation of infrastructure designs.	
	3. By the end of 2020 in total 6 re-allotment plans will be finalised/in the final stage of planning (Egri, Logovardi, Opticari and Trn in Municipality of Bitola, Spancevo and Sokolarci in Municipality of Cheshinovo – Obleshevo). And 2 re-allotment plans, one in Kozle - Municipality of Petrovec and one in Dabjani - Municipality of Dolneni will be finalised in 2021.	
	4. One infrastructure plan (Egri) will be finalised by the end of 2020. Additional 4 are expected to be finalised in the first half of 2021. Delay occurred due to Covid 19 crisis and lockdown that took place in the period March/June 2020. Field visits and communication with relevant institutions was stopped in that period.	
	5. One environmental impact analyses (Egri) will be finalised by the end of 2020. Additional 4 are expected to be finalised in the first half of 2021. Delay occurred due to Covid 19 crisis and lockdown that took place in the period March/June 2020. Field visits and communication with relevant institutions was stopped in that period.	
	6. Land consolidation measure (sub-measure 124) from the National Programme for Agriculture and Rural Development is fully operational. It's utilisation will start in 2021, following the implementation plan of the on-going land consolidation projects (Logovardi, Opticari and Dabjani).	
	Measure 6: Agricultural cooperatives	Stage of reform implementation (1-5)
Activities planned for 2020	1. Providing continued financial support for cooperatives (continues from the previous period).	0
	2. Revising the legal framework for agricultural cooperatives in the way that cooperative principles are better fulfilled.	3
	3. Developed monitoring system for agricultural cooperatives functioning and effectiveness of national support measures.	3
	4. Encouraging the process of market-oriented association of farmers into cooperatives.	0
	5. Support for investments in processing, finalisation and placement of agricultural products.	0
Description of implementation and explanation if partial or no	1. No implementation. Due to Covid -19 crisis no public call was announced.	
	2. The activities are carried out with the support of the project "Support to agricultural cooperatives in the Republic of North Macedonia" funded	

implementation	from Delegation of the European Union. Draft amendments to the Law on Cooperatives and the Law on Agriculture and Rural Development have been made.	
	3.	The activities are carried out with the support of the project "Support to agricultural cooperatives in the Republic of North Macedonia" funded from Delegation of the European Union. A version of the system for monitoring the functioning of agricultural cooperatives has been created.
	4.	No implementation due to delay in the procedure of amending the Law on agricultural cooperative due to Covid -19 crisis
	5.	No implementation due to delay in the procedure of amending the Law on agricultural cooperative due to Covid -19 crisis
	Measure 7: Increasing competitiveness in the tourism and hospitality sector	
Activities planned for 2020	Stage of reform implementation (1-5)	
	1.	Further implementation of a set of activities related to establishing a destination management process and implementation of the concept of organisations that will play a role in destination management.
	2.	Implementation of large infrastructure and small investment sub-grants under the grant scheme
	3.	Strengthening the capacity to implement the activities of key government institutions, as well as the private sector and civil society organisations, in order to play an active role in tourism development
Description of implementation and explanation if partial or no implementation	4.	Improved access to international markets, improved destination management and improved tourism services.
	1.	Three pilot destinations have been selected and core stakeholder groups (CSGs) have been formed based on public-private partnership. Each of the 3 CSGs continued developing a destination management process more extensively, two of them went on a study tour in Slovenia to acquire knowledge and best practices regarding DMO in Slovenia, all CSGs worked on defining and recommending the applicable DMO model in their destinations respectively and are now awaiting decision on formalising the structures and institutionalising the DMOs. Legal expert has been engaged to assess, review and provide recommendations for development and improvement of the national legislative and regulatory framework in the RNM to embed the DMOs.
	2.	Implementation regarding the grant scheme is well advanced. Most of the implementation of the large infrastructure sub-projects is on-going with some initial results, whereas several sub-projects are implemented at the very advanced stage or almost completed. There are expected delays in realisation of some infrastructure sub-projects partial due to Covid-19 and for some due to late signing of sub-grant agreements. Regarding small investment sub-grants where association sub-projects are included, 60% of the total number of the sub-projects are fully completed and for the rest the implementation is at the advanced stage. For micro and small enterprises the implementation is fully completed for 50% and the implementation of the others is advanced whereas for a few the implementation is ongoing with some initial results.
	3.	The activities under the Component related to Central level capacity, coordination & policy have been postponed due to effects of COVID-19 pandemic. The status of the planned activities is for: a) Specific Training for MoE and APST - initial steps have been taken which means that the procurement process for training consultant has been completed and the consultant firm has been selected; b) Strengthening the tourism sector statistics system - the initial steps have been taken which included the development and approval of ToR for consultancy; c) The Republic of North Macedonia's 2021-2026 National Tourism Strategy and Action Plan- the initial steps have been taken which included the development and approval of ToR for consultancy. As it relates to strengthening the capacity of the private sector and civil society organisations, the following results have been achieved as per M&E Reporting and IO.4 Intermediate Indicator - Private stakeholders that participate in project-supported capacity-building activities (e.g.

	training, supplier development, others) the end target of 300 has already been achieved and even exceeded as it has been reported that 797 private stakeholders participated in project-supported capacity-building activities, which focused primarily on destination management, sales and promotion skills, on-line marketing and communication, skills for leadership and creation of local brands.	
	4. The capacity building activities implemented under the sub-project beneficiaries shall give benefit to the tourism related participants to build their capacities and improve tourism services. In three pilot destinations (out of 10), the destination management process has been developed at an advanced level. All activities under sub-project activities were mostly focused on improved tourism services and contributed to their achievements.	
	Measure 8: Harmonisation of the Public Procurement Legal framework with the Acquis	Stage of reform implementation (1-5)
Activities planned for 2020	1. Development of low-value procurements e-market place	3
	2. Professionalisation of civil servants working with public procurement.	5
Description of implementation and explanation if partial or no implementation	1. The tender procedure for the development of the e-market place, which is conducted by the EU Delegation in Skopje, was launched with delays. Currently, the award was made and the implementation of the software development is ongoing.	
	2. This is an ongoing activity, which PPB conducts according to the annual training plan.	
	Measure 9: Development of a National E-Services Portal	Stage of reform implementation (1-5)
Activities planned for 2020	1. Qualitative and quantitative analysis of data in the Catalogue for administrative guillotine;	0
	2. Analysis of the usage of the National e-services Portal;	5
	3. Training for public sector employees –portal operators;	2
	4. Development of new electronic services;	5
	5. Upgrade the portal with functionality for creation of legal persons' profiles and enabling them to be users.	2
Description of implementation and explanation if partial or no implementation	1. Human resources have been reallocated and the donor support has been redirected to Covid-19 relief.	
	2. The usage of the National e-services Portal is monitored on regular basis, especially regarding the number of users and number of applications for e-services.	
	3. The resources for the training are included in the adaptive hours within the maintenance support contract for the National Portal.	
	4. New electronic services have been developed mainly supporting Covid-19 relief measures.	
	5. The resources for upgrade of the National portal with functionality for creation of legal persons' profiles are included in the adaptive hours within the maintenance support contract for the National Portal.	
	Measure 10: Reducing the informal economy	Stage of reform implementation (1-5)
Activities planned for 2020	1. Analysis of the availability and quality of data on the informal economy and development of the methodology for measuring the informal economy.	2
	2. Defining the size and characteristics of the informal economy.	2
	3. Training in data crossing/combining, processing and analysing.	1
	4. Pilot project for registration and regulation of seasonal work in the agriculture sector.	2
	5. Defining a voucher system model and preparing a cost-benefit analysis of the impact thereof.	2
	6. Establishing a system for data collection and exchange between institutions.	1
	7. Conducting an awareness raising campaign.	1

Description of implementation and explanation if partial or no implementation	1. Initial steps have been taken. This activity is part of project activities of IPA Project "Improving working condition" for 2020/2021.	
	2. Initial steps have been taken. This activity is part of project activities of IPA Project "Improving working condition" for 2020/2021..	
	3. Implementation of this activity is being prepared, since is part of project activities of the IPA Project "Improving working condition" for 2020/2021.	
	4. Implementation is ongoing, with some initial results made in relation to introducing mechanisms for formalising informal work in agriculture sector. Current situation analysis has been done.	
	5. Initial steps have been taken in Implementation of IPA Project "Improving working condition". This activity is part of the project activities for 2020/2021	
	6. Implementation of this activity is being prepared, since is part of project activities of the IPA Project "Improving working condition" for 2020/2021.	
	7. Implementation of this activity is being prepared, since is part of project activities of the IPA Project "Improving working condition" for 2020/2021.	
	Measure 11: Enhancing cooperation between the academy and the industry	Stage of reform implementation (1-5)
Activities planned for 2020	I. Science and Technology Park (STP)	
	1. Development of bylaws for establishment of the STP	3
	2. Staffing and strengthening the human capacities of the STP	1
	3. Further development of the premises / hard infrastructure	1
	II. Co-financed grants for academia-industry cooperation	
	1. Development of the relevant bylaws	5
	2. Announcement of the public call	5
Description of implementation and explanation if partial or no implementation	3. Implementing calls under the support instruments	5
	(1) Science and Technology Park (STP)	
	1. An event has been organised for the initial launching of the STP on the premises of the technical faculties campus. The accelerator has been incorporated as the first pillar of the STP.	
	2. Due to the fact that 2020 was an election year for North Macedonia, and on the other hand the pandemic of Covid 19 occurred, this activity have been extended for 2022.	
	3. This activity have been extended for 2023.	
	(2) Co-financed grants for academia-industry cooperation	
	1. All necessary bylaws for this instrument are fully developed.	
	2. A public call has been announced on 01.10.2020.	
	3. Under this instrument of support, 71 applications have been received, out of which 34 were approved for funding in total amount of EUR 228,262.	
	Measure 12: Trade facilitation	Stage of reform implementation (1-5)
Activities planned for 2020	1. Purchase of a new server with appropriate storage for incoming SEED + data and a new Firewall / Router to improve the current and to establish additional VPN links for processing of increased flow of messages and	0

	creating active network security equipment (Customs Administration).	
	2. Develop transparent tools for extending the TRACEE Certificate of Veterinary Application with an appropriate warehouse for hosting a new software module to support the workflow of issuing certificates and Firewall equipment (Food and Veterinary Agency).	0
	3. Create system for phytosanitary certificates for which a new central server will be procured with adequate storage of a national phytosanitary software application and a firewall/router to establish VPN links to remote locations with permanent licenses for VPN clients (Phytosanitary Directorate).	0
Description of implementation and explanation if partial or no implementation	1. Customs Administration: No progress achieved in purchasing new server and Firewall/Router. 2. Food and Veterinary Agency: No progress achieved in developing tools for hosting new software module and purchase of Firewall equipment. 3. Phytosanitary Directorate: No progress achieved in purchase of new central server and a Firewall/Router.	
	Measure 13: Facilitating North Macedonia-Serbia cross-border crossing	Stage of reform implementation (1-5)
Activities planned for 2020	1. Conclusion of a grant Agreement with EBRD and final closure of the financial construction.	1
	2. Tendering procedure for Works and Supervision Engineering.	1
Description of implementation and explanation if partial or no implementation	1. In 2019, WBIF approved 50% of the total investment needed for construction of the JBS as well as for the access road. The remain portion of the funds will be secured with loan from EBRD. 2. Once the funds are secured, the procedure for selection of the contractor and supervision engineer will start.	
	Measure 14: Further development of the qualification system	Stage of reform implementation (1-5)
Activities planned for 2020	1. Development of 5 qualifications required by employers and flexible access to their acquisition.	4
	2. Development of training programmes and trainings for specific workplaces for further qualification.	4
	3. Strengthening the cooperation between higher education institutions and the private sector, as well as secondary vocational schools and the private sector in order to ensure quality practical work for students in companies.	4
	4. Adopting legislation for establishment of three Regional VET Centres.	5
Description of implementation and explanation if partial or no implementation	1. On 28 May 2020, the Board for National Qualifications Framework held an online session for adoption of 2 qualifications by the Sectoral Commission for Mechanical Engineering, qualification from the Sector Commission for Personal Services and Qualification from the Sector Commission for Health and Social Protection. On 12 June 2020, the Board for National Qualifications Framework held an online session for reviewing the record for the course of the procedure for amending the Guidelines for Validation of Informal and Experiential Learning, prepared by the Advisory Group for the European Qualification Framework, i.e. for the record for validation in the national skills strategies, prepared by the European Qualifications Framework Advisory Group. In total there are 52 qualifications. 2. According to the procedures for programs for adults, on a regular base those programs are approved. Until September 2020, 303 providers successfully fulfill procedures of accreditation. The Adult Education Centre continued the piloting phase for establishing the Validation of the noformal and Informal Learning - VNFIL system, with two qualifications: facade worker and waiter. The pilot schools are VET school Zdravko Cvetkovski for facade worker in construction and VET school Lazar Tanev for waiter in catering. 3. The Concept for Work base learning is developed, and consequently the Protocol for preventive measures in the realisation of work-based learning, the ferial practice, practical training and exercises of students at employers' company	

	4. Eight qualifications are developed which will be covered under the RVET Centres: mechanical technician for motor vehicles and electrical engineering for computer technology and automation in Tetovo, catering technician, waiter and cook in Ohrid, food technician, phytomedicine technician and agro-technician in Kumanovo. In line with the Law on Vocational Education and Training, the Vocational Education and Training Center developed standards for space and equipment for schools.	
	Measure 15: Youth guarantee	Stage of reform implementation (1-5)
Activities planned for 2020	1. Implementation of YG in 30 employment centres.	5
	2. Establishment of a separate Youth Employment Unit within the Department for Active Employment Measures and Services	5
	3. Trainings for 90 employees of the ESA working on YG.	4
	4. Modernisation of 3 employment centres.	2
Description of implementation and explanation if partial or no implementation	1. In 2020, the YG measure is being implemented throughout the country, with special emphasis on 3 regions (Polog, Northeast, Southwest and), where the number of young people belonging to the category NEETs is the biggest. As of 30.09.2020, the total number of unemployed people included in the YG is 19506, out of which 31% have successfully exited YG in a period of 4 months after registration as unemployed. 8779 young people are still within a period of 4 months	
	2. The new Rulebooks for internal organisation and for systematisation of the work positions in ESA were brought, where new Unit for support and employment of young people was introduced.	
	3. Due to COVID 19 situation, trainings were postponed and are planned to be organised by the end of November 2020.	
	4. The procurement procedure for work contract for reconstruction/modernisation of employment center Kumanovo is ongoing. Depending on the available financial resources, new procurement procedures will be launched for additional 2 employment centers to be modernised.	
	Measure 16: Enhancement of financial benefits in the field of social protection	Stage of reform implementation (1-5)
Activities planned for 2020	1. Public campaign for the new laws in order to familiarise end users.	2
	2. Monitoring the implementation of the new Law on Social Protection, especially in the part of targeting the beneficiaries for guaranteed minimum assistance right and introducing new supporting services for labour market entry.	2
	3. Strengthening the capacities of professionals in the Centres for Social Work and Employment Centres in the field of GMA beneficiaries' activation.	5
	4. Establishment of new social protection services in the direction of strengthening and activation of users.	2
	5. Expanding the social services network in local communities.	3
	6. Development of a software solution for social protection rights and services and its testing.	1
	7. Conducting trainings for the employees in the social protection system for delivery of services in the local community.	0
	8. Establishment of control mechanisms for functioning of the system.	1
Description of implementation and explanation if partial or no implementation	1. Company for development and implementation of public awareness campaign and citizen engagement has been contracted. The company developed a communication and citizen engagement strategy, and the implementation has started.	
	2. Set of Services (PS support and Mentoring) for the GMA recipients prior and during their inclusion into active labour market measures are	

	<p>foreseen under the Direct grant of ESA for Activation of vulnerable groups. These set of services are in tender procedure and should start in Q1 2021.</p> <p>802 individual activation plan for GMA beneficiaries were prepared by experts in the Centers for social work and Employment centers. 49 beneficiaries were involved in active employment measures.</p>
	3. This activity was finished in 2019. The second set of trainings for persons employed in the social protection system is completed.
	4. A Register for issued permits (licences) for providing social services has been established and published on MLSP website. Total of 14 licenses for providing social services have been issued by other providers.
	5. Public call for grants for establishing of new social services has been published, and 43 potential service providers applied for receiving grants. Evaluation of the projects are finished, and 24 contracts are to be signed by the end of 2020 (by the end of November 17 municipalities were awarded grants for establishment of social services) .
	6. The tender documentation for new software solution for social protection rights and services is in phase of preparation.
	7. The activities for trainings for the employees in the social protection system for delivery of services in the local communities are planned to start in November /December 2020.
	8. Activities for designing the monitoring and evaluation system within the EU-funded Project for technical assistance to the deinstitutionalisation process have started.