

North Macedonia
Common Country Analysis
2023 update

October 2022 – October 2023

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About the document

In 2019, the UN Country Team (UNCT) embarked on the contextual analysis to set the basis for the formulation of the new North Macedonia and [UN Sustainable Development Cooperation Framework 2021-2025 \(SDCF\)](#). The [Common Country Analysis \(CCA\)](#) was finalized in early 2020, with most of the analysis conducted prior to the COVID-19 pandemic. To account for the contextual changes that may impact the SDCF implementation, the CCA is [updated](#) every year.

In anticipation of revised statistical trends and full new CCA to be launched in 2024, [CCA 2023 update](#) presents a short contextual analysis prepared by RCO team, reviewed by Outcome Groups and endorsed by Programme Management Team (PMT).

EXECUTIVE SUMMARY

The 2023 update covers the period between October 2021 and October 2023, capturing the key contextual changes and regulatory developments. This year's exercise presents only a short contextual update, pending more substantial analyses of the Census data and a full CCA that is to be launched next year as basis for the new Cooperation Framework 2026-2030.

Section one summarizes key findings of the baseline CCA, the 2021 and 2022 update, with a view on the progress against the Sustainable Development Goals (SDG). The overarching conclusion in 2022 was that while inclusion and participation of stakeholders in policy making has improved, the implementation capacity, equity, and public trust in institutions continued to shrink. The global energy crisis and rising food prices undermined the economic revival by the end of 2021 which intensified with the developments in Ukraine. In the area of climate change, environment and natural resources, despite expected deterioration due to the energy crisis, increased energy prices have also boosted incentives for green transition.

Section two identifies the key developments since the last update – in the political and governance context, the socio-economic impact of the current crisis and the developments in the area of climate change, environment and natural resources. This section also identifies the relevant legal and regulative changes.

In the area of **governance**, the update captures the progress in aligning laws and policies with international standards and EU acquis. The finalization of the National Development Strategy is an important milestone. The participation by CSOs and all stakeholders concerned in decision making has been affected by the fast-track procedures in Parliament. The people's confidence in the governance system and the rule of law continued to erode due to corruption and lack of accountability. While EU screening of all clusters will be finalized by early December, start of accession negotiations remains contingent on delivery of preconditions established in the Negotiating Framework that require amendments of the Constitution.

On the **socio-economic aspects**, the growth remains subdued and despite, Government measures, increased prices remain an acute problem for the Macedonian economy and the living standard. Monetary policy continued tightening that should be followed up with more ambitious fiscal consolidation. Major reforms are undertaken in the area of budget and tax policy, however workers' rights have deteriorated with some of the recent regulatory changes. Human capital remains among the key challenges, with some progress in the education and continuing challenges in the health sector.

In the area of **climate change, environment and natural resources**, positive changes on green energy transition are starting to be visible through investments in renewables that are also decreasing energy dependency. Significant progress has been made improving GHG monitoring and reporting, while air pollution is somewhat decreased, though this requires further ambitious efforts. Progress on wastewater and solid waste continues to be slow-paced and hazardous waste remains a challenge. While the area under protection increased significantly, effective management and protection is limited due to underfinancing and understaffing. Further focus is needed on the protection of the major lakes while significant losses of clean drinking water seem neglected. The country is facing increased occurrence of fires, however capacity to respond to fire and manage flood risks is continuously improving.

Section two also includes a short review of the impact on the most vulnerable groups.

Section three provides a **short review of the UN established 12-factor multidimensional risk analysis** of 2020 and concludes that the same risks remain in place, while adding few specifics related to the recent developments.

Finally, *section four summarizes the key lessons and recommendations* such as streamlining anticipatory and data-driven approach in policy and decision making, taking decisive measure to address institutional mistrust, coordinate monetary and fiscal policy to address poverty, increase investment in environmental projects etc.

1. INTRODUCTION: BASELINE 2019/2020 CCA AND 2021 / 2022 UPDATE

North Macedonia is an upper-middle income and a high human development index (HDI) country, with population of 1.8 million (2021), down from 2.02 million in 2002. The long-delayed 2021 census confirmed the significant outmigration and ageing trends.

Since the start of the EU accession process in 2001, North Macedonia has demonstrated different levels of success in implementing reforms, but its commitment to the **Euro-Atlantic integration** remained uncompromised. In July 2022, EU started the opening phase of the accession negotiations according to the new enlargement methodology. Actual negotiations talks will be launched once North Macedonia meets the relevant criteria agreed in the Negotiating Framework on the inclusion of the Bulgarian minority in the Constitution's Preamble, which, so far, proved challenging. At the same time, the challenges and delays with the start of the EU accession negotiations have **decreased the popular support for the EU integration** and deepened political polarization of society.

The baseline [Common Country Analysis \(CCA\)](#), with most of the analysis concluded prior to the COVID19 pandemic, captured the significant transformation of the country since the adoption of the 2030 Agenda. This includes **substantial progress under the People and Prosperity categories**, but also **a need to invest further efforts to ensure accelerated and sustainable growth, as well as inclusive and just society (Peace)**. **A number of environmental challenges require enhanced ambition in Planet category. Seven out of nine key international human rights treaties were ratified** with good track record in reporting, though integration and follow up on recommendations remain challenging. The baseline CCA also include leave no one behind (LNOB) analysis, identifying **nine distinctive vulnerable groups, six factors of discrimination and four drivers of inequality** (pg.58-74), as well as nine development priorities (pg.103).

The [2021 and 2022 CCA updates](#) captured progress in the area of **governance**, specifically on institutional reforms, fundamental rights and freedoms and a positive role in regional initiatives, but also persistent corruption. The country also launched an anticipatory and consensus building process to formulate long term National Development Strategy (NDS).

Following strong **socio-economic** impact from Covid19 pandemic, the global energy crisis and rising food prices undermined the post-pandemic economic recovery and the trends intensified due to war in Ukraine. The impact on North Macedonia was mostly indirect due to strong reliance on energy and food imports and strong trade exposure to the European Union (EU) markets. The people, but also businesses and especially small and medium enterprises (SMEs) have been strongly hit by inflation and energy crisis that undermined the already low competitiveness of the economy. Labour market continued picking up in 2022, but youth unemployment persisted. Financing of the budget deficit and social spending became increasingly difficult as financial buffers continued depleting and capital markets worsened.

Human capital remained the key economic challenge, with steady population decline confirmed by 2021 Census due to continued trend of aging and outmigration. Despite education reforms, learning outcomes remained low and insufficiently aligned with future markets' skills. While the impact of COVID-19 reduced, the health system continued to struggle due the lack of resources and medical staff. Social reforms and the fight against informalities were yet to produce the intended results, while the children rights, especially of those with disabilities, have improved.

Efforts to address **climate change, environment and natural resources** stepped up with ambitious Enhanced Nationally Determined Contribution (NDC). However, focus on climate change, environment and natural resources reduced due to the energy crisis, which contributed to slight worsening of air pollution compared to previous COVID-19 period. But energy price increases also boosted incentives for green transition and made renewable energy investments more attractive. Challenges persisted in relation to the three major lakes, requiring increased investments in wastewater and solid waste management, as well as natural resources management.

UN [12-factor multidimensional risk analysis of 2020](#) established in the initial CCA, continued to be relevant in 2021 and 2022 with few additional risks identified since, which are mainly related to the consecutive and interlinked crises, Constitutional amendments and approaching elections.

Municipalities continue to be strongly affected by the massive increase of electricity and heating expenditures. The fiscal pressure also leads to a slowdown of local investments. The recent Census provide a ground for re-examining and revising the roles of municipalities. The involvement of CSOs in local policy making shows different practices, but is mainly insufficient.

In the course of the period under review, **National Strategy and Action Plan on the Rights of Persons with Disabilities 2023-2030** has been developed, in a consultative and participatory manner. The document is in the final stage of review / endorsement at the time of this update.

North Macedonia ranked 20th out of 146 countries in the **Global Gender Gap Index (GGGI)**¹⁰ with a score of 0.715, indicating reasonably good representation of women in parliament. Female representation in ministerial and mayoral positions is significantly lower.¹¹ The second edition of the Gender Equality Index demonstrates 2.5 points improvement from the last index conducted in 2019, with notable progress in the domains of Power, Knowledge and Money. Nevertheless, at current rate, it will take estimated 57 years to attain complete gender equality. The draft Gender Equality law has encountered opposition by conservative groups, governmental actors at local level as well as some religious groups which poses a risk to the country's international and national commitments towards gender equality. Peaceful assembly of LGBTIQ+ people improved, but the normative framework is incomplete¹²

The justice sector and the independent human rights institutions have inadequate resources and safeguards for their independence. A new Judicial Reform Strategy 2023-2027 is still under development. The new law on the Academy for Judges and Public Prosecutors reaffirmed its position as a sole entry point in the judiciary, ensuring the professionalism of judges and prosecutors. The Inter-sectoral Strategy for Prevention and **Justice for Children** for 2022-2026 was adopted, paving the way for transformation of the justice for children into a non-punitive and restorative system. The clearance rate of almost all courts is close to 100%, still the public trust in the judiciary has further declined, especially after the negative developments in the Judicial Council.¹³ Recent research shows that 59% of judges do not believe that current mechanisms are effective in safeguarding the judicial function from external pressures or attempts to influence.¹⁴ The National Human Rights Institutions, (Ombudsman) and the Commission for Prevention and Protection against Discrimination,¹⁵ have resolved an increased number of discrimination claims despite constraints they face. Ethnicity/nationality and political affiliation, mostly in the employment area, are at the top of discriminatory grounds as evident from the national representative opinion polls.

Corruption remains widespread in public perceptions and is reported in all sectors and levels of government, and in the judiciary.¹⁶ The Criminal Code amendments adopted in September 2023, without public consultations reduced punishments for abuse of official position, particularly in public procurement. This caused the CSO Network Blueprint that has been influencing judicial and rule of law reforms, to withdraw from the working group on the new Criminal Code. Anti-corruption efforts are hindered by limited interinstitutional cooperation, information sharing and follow up to SCPC initiatives and recommendations.

The mixed migratory movements continue over the North Macedonia's borders with 8,000 irregular arrivals recorded by end-September 2023, a substantial decrease from 20,000 irregular arrivals at the same period last year.¹⁷ More than 67,000 Ukrainian refugees entered the country, and around 18,000 remained in North Macedonia. 405 people are eligible for the one-year temporary residence permit on humanitarian grounds, which does not provide access to rights. On 8 August, the Government of North Macedonia's decision to activate the Temporary Protection for a period of one year for persons from Ukraine entered into force. However, no implementation measures were taken, and thus, temporary protection is not yet granted to any person from Ukraine in North Macedonia.

The country took decisive efforts to **eradicate statelessness** by granting every child born in the country the right to immediate registration in the birth register, irrespective of the parents' citizenship or personal

¹⁰ UNFPA, Child Marriage in the Former Yugoslav Republic of Macedonia (Overview). 463 SSO and UNICEF, MICS 2018-2019d Economic Forum (2022) The Global Gender Gap Report in https://eca.unwomen.org/sites/default/files/2023-09/unw_cgcp_nmk_eng_web.pdf

¹¹ Country Gender Equality Profile of North Macedonia, UN Women 2023.

¹² The country is on the very low 31st place at the annual [ILGA-Europe Rainbow Map and Index](#) which ranks the legal and political situation of LGBTI people in 49 European countries.

¹³ <https://transparency.mk/2023/06/05/barometar-na-korupcz%D1%98a-za-mesecz-maj-2023-godina/>

¹⁴ OSCE Mission to North Macedonia, *Corruption Risk Assessment of the Judiciary in North Macedonia*, Skopje, June 2023.

¹⁵ In 2022, there was an increase of 188.37% in complaints received by the CPPD, as compared to 2021.

¹⁶ Survey on access to justice of citizen of North Macedonia, Institute for Human Rights 2022,

¹⁷ The migrants were mainly from Syria, Morocco, Afghanistan, Pakistan and DR Congo.

status.¹⁸ As a result, 510 individuals who would have been previously at risk of statelessness, will be issued their first birth certificates and personal documents.¹⁹ The number of 1999 Kosovo refugees, mainly Roma, remaining in North Macedonia is estimated at 128. Over 20 years since their displacement, many of them are still without legal status and access to rights. While the authorities have been willing to find case-by-case solutions for some of these individuals, proposed amendments to the Law on Foreigners which would help regularize the situation of this group were still pending adoption.

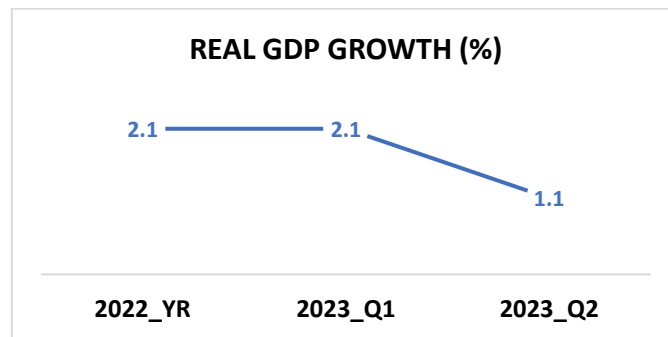
¹⁸ Amendments to the Law on Civil Registry adopted in June 2023.

¹⁹ Amendments to the Law on Personal Documents (IDs) adopted in September 2023.

SOCIO-ECONOMIC DEVELOPMENTS

1.1.1 Economic growth and restructuring

Aligned with the forecasts of the IFIs, National Bank of Republic of North Macedonia (NBRNM) and Ministry of Finance (MoF) GDP growth did not surpass 3% in 2022. **The annual GDP growth of 2.1% in 2022, which remained the same in the first quarter 2023, further slowed to 1.1% in the second quarter of the year.** IFIs' 2023 outlooks are mixed. While the World Bank made a substantial cut from 2.7% to 1.8% in its autumn projections, IMF, who first downgraded the growth from 2.9% to 1.4% in spring, corrected it back to, optimistic, 2.5% in its autumn projections.



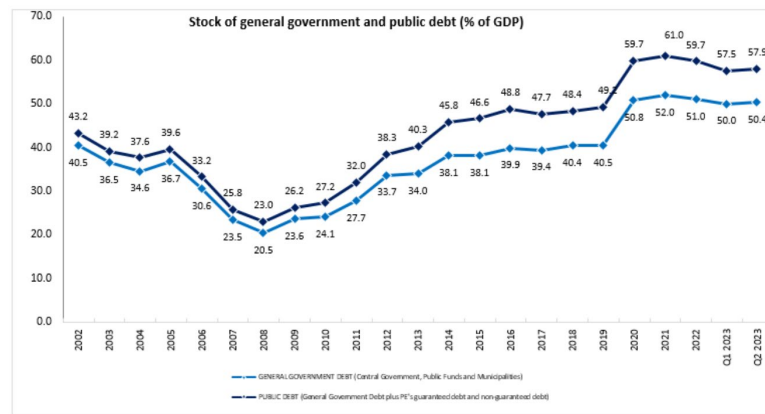
Source: State Statistical Office (SSO)

The trade of goods and services and transport have contributed the most to this modest growth, followed with the financial sector, however, after picking up in the first quarter, the construction significantly decreased (-22%) in the second quarter, compared to the same quarters last year. The final consumption which makes almost 74% of the GDP remain and exports continues to increase both nominally, due to inflation, and in real terms, contributing to growth. However, decreased imports in the first half of the year suggests that economic activity may further decrease in the next period having in mind the sizeable import component of the FDI driven export. This is supported by the declining trend in industry over the summer.

In 2022 Government officially started a major infrastructure project along Corridor 8 (East-West) through strategic partnership with the American – Turkish consortium Bechtel-Enka. The deal worth €1.3 Billion plus additional €0.3 Billion for land expropriation, is to be supervised through another sizeable contract (€0.2 Mil). If implemented on time and with good quality, the project will undoubtedly contribute to GDP growth and economic competitiveness, however the lack of public tender and publicly available information prompted strong reaction both from the opposition and the public, blaming the Government for lack of transparency and undermining state interests.

In the area of **public finances**, the 2023 budget of € 5.28 Billion was adopted at the end of the year with a deficit at 4.6% of GDP (€ 0,695 Billion). However, the Government is already working on the 2023 Budget supplement, likely cutting capital expenditures to ensure financing of increased public salaries (10% increase from September and annual bonus by the end of the year) and increased pensions as per the indexation formula. While this, rather populist, approach is expected in the context of the coming elections, decreased capital investment would further reduce economic growth. MoF already reduced its projection of 2.9% GDP growth to 2.5% and increased annual inflation projection from 7.1% to 9%. The deficit is set to remain the same at 4.6%, with no plans for further borrowing and maintained revenues.

In April, credit rating agency Fitch stepped up the outlook for North Macedonia, from BB+ **Negative** to BB+ **Stable**. Meanwhile, for the first time since 2021, the **public and the central Government debt** (ratio to GDP) started to increase in the Q2 2023 though still below 60%, determined in the Maastricht criteria.



Source: Ministry of Finance (SSO)

On 21 November 2022, the IMF Executive Board approved a two-year arrangement for North Macedonia under the **Precautionary and Liquidity Line (PLL)** in the amount of SDR 406.87 million (about €530 million). The PLL is aimed to support the authorities in addressing the economic decline in the context of strong downside risks. Upon approval, the country ensured **immediate access to about €110 million**, while additional €155 million will be available upon the first review. The rest of the amount will be used as precautionary buffer that should support further international borrowing.

In March the **Ministry of Finance issued another Eurobond**, having to cancel the previous due to reshuffling Government. As expected, this Eurobond was more expensive (6.96 % coupon rate compared to previous 6.25%), however the increased financing costs due to the higher interest rate were contained by reducing the size of the bond to €500 Million, while making up the difference with a cheaper € 100 Million from EU macro-financial support loan. This comes in addition to the €80 million grant for energy crisis support previously provided by EU. The bond is to be used to cover the budget deficit and repay some of the old debts e.g. due payments of previous Eurobonds. Over the summer the Government also issued a two-years and € 23.6 million worth Citizen Bond, which is an excellent step towards more innovative financing, though it needs a better targeting. A green bond was also issued in October and planned to raise € 10 million that will be used for setting out a Green Fund, aimed to support energy efficiency and support clean environment in the public and private sector. The Fund is supported with an additional € 5 million from the World Bank. Both would provide positive competition boost to the financial sector which remains solid and profitable, but rather conservative. Tapping into dormant domestic savings should also reduce dependence on external sources of financing.

Monetary policy continues tightening with rate increased from 1.25% in March 2022 to 6.3% in September 2023, while foreign reserves remain appropriate to maintain stability of the exchange rate. The new Law on Bank Recovery and Resolution should contribute to banks' stability.

Starting from last year and finalizing in late September 2023, the Parliament adopted the **Organic Budget Law (OBL)** and the package of **tax reform laws**, as well as the **Solidarity Tax**. The OBL is to introduce programme-based budgeting assisted with a new Integrated Financial Management Information System (IFMIS), which provides an opportunity for SDG tagging and Gender Responsive Budgeting (GRB). Among other important features, OBL also simplifies the budget users' structure, introduces fiscal rules and establishes a Fiscal Council. The bylaws and the IFMIS, necessary to implement the OBL, are yet to be developed.

The **tax reform related laws**, include the amendments to the Law on Personal Income Tax (PIT), the Law on Profit Tax and the Law on VAT, which is expected to bring fiscal benefit of € 75 Million, 60% of this coming from VAT changes. The Solidarity (extra-profit) Tax should bring an additional € 50 Million. The key novelties of the **Law on Personal Income Tax** includes abolishing the progressive tax rate, which was previously suspended and set to resume as of January 2023. Few other elements however contribute to progressivity, including canceling the tax exemptions for some of the (self) employment benefits e.g. life insurance, voluntary health and pension insurance, as well as introducing tax on capital gains from selling securities and investment fund shares (**note** : positive gain from the latter is perhaps overestimated, given the current state of the capital markets). Some tax exemptions are canceled also in the **Law on Profit**, such as the exemption for sport donations, as well as the exemption to pay tax for (micro/small) companies that make up to MKD 3 million total income. This should contribute in fighting grey economy. The

amendments of the **Law on VAT** introduce higher tax (10%) to non-basic food products, reduce tax on menstrual hygiene products and digital books from 18% to 5%, introduce a category of tax representative (important for foreign companies) and a new concept of taxing services.

1.1.2 Demographic trends and human capital

In the area of **demography**, while SSO is still analyzing Census data, including to revise historical trends, the problems of aging and outmigration continue. This has raised the issue of importing labor force, which has become a necessity for the business, but still considered sensitive in the society.

Human Development Index (HDI)										Change in HDI rank	Average annual HDI growth			
HDI rank	Country	Value									2015 - 2021	^a 1990 - 2000	2000 - 2010	2010 - 2021
78	North Macedonia	..	0,675	0,738	0,762	0,779	0,784	0,774	0,770	5	..	0,90	0,39	..

Source: UNDP

As per UNDP, the stable and gradual increase in the **Human Development Index (HDI)** in the period between 2000 and 2019, when the index jumped from 0,675 to 0,784, was interrupted by the Covid19 pandemic, when the HDI started to decrease continuously to 0.770 in 2021. This means that at least four years of progress have been lost.

In **education** sector reforms are ongoing to improve quality of learning outcomes and matching these with market needs. Teachers have received 15% increase in their salaries and massive capacity building was implemented supporting 600 school support staff, including pedagogues, psychologists, and special educators to improve expertise in mental health and psychosocial support. However, problems continue to exist, e.g. in ensuring the schoolbooks materials for all. In addition, during 2023, false bomb threats seriously undermined already low learning outcomes of the Covid19 affected school generations. On the issue of inclusiveness, with the transformation of special schools into resource centers, effective this school year, they no longer admit children with disabilities, who are now all enrolled into mainstream schools. Additionally, the number of educational assistants to support children with disabilities in mainstream classes has risen from 720 to 820.

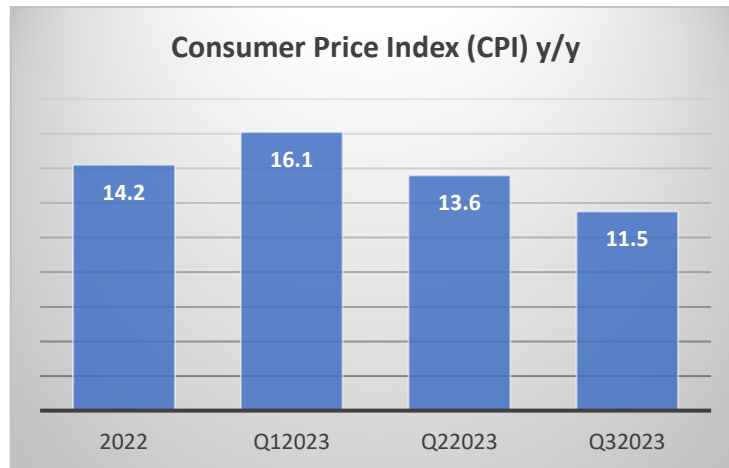
The **health** system continued to struggle with the same problems, mainly lack of resources and medical staff. However, the citizen confidence in the (public) health was seriously undermined with couple of serious allegations that are investigated by the public prosecutor. The first is related to the release of the investigative journalists' story about allegedly corrupt procurement of a deficient Covid19 temporary hospital in Tetovo where 14 patients lost their lives in the fire. Another incident started with accusations about theft of chemotherapy in the Skopje oncology clinic, which was allegedly replaced with fake therapy for cancer patients. This has already provoked social protests that are ongoing. On the positive side, access for gynecological services to those left behind in underserved areas established to mitigate access to services caused by COVID19, continues to be implemented and funded by the Ministry of Health, providing also life-saving services for cervical cancer prevention. The budget allocation for this service has been tripled in 2023, compared to the initial allocation of 2022. In addition, the 2022 national rates for routine childhood vaccines in North Macedonia are improving [MMR1 - 70,7%; MMR2 - 89,2; HPV 52.5%] though still below targets for herd immunity indicated in the mandatory immunization programme (95% at the national and 90% at the local level).

In this period, there were no major developments in the area of **social protection**, except the regular increase of the pensions, the ongoing support for youth through Youth Guarantee and some positive developments to ensure free meals in the primary schools.

Operationalization of the Law on Prevention and Protection of **Violence Against Women and Domestic Violence (GBV)** has moved full speed, as a major breakthrough in the implementation of the Istanbul Convention. To this end, by-laws were developed and adopted, a model for integration of data collection and management was designed, multisectoral protocol and sustainable solutions for enhancing capacities of service providers was developed and is being implemented, a program for perpetrators was developed and professionals were trained, a multi-partner model with increased role and responsibility for functioning of shelters for survivors of violence is being replicated, and services through help-lines are being strengthened.

1.1.3 Poverty and inequality

The latest official indicator of **poverty** shows that at risk of poverty rate increased to 21.8 from 21.6 in 2019, despite the impact of Covid19 and likely a result of relatively successful anti-crisis measures. However, women and youth were disproportionately affected, and this will almost certainly worsen with the ongoing energy and food prices spikes that started at the end of 2021 and intensified in 2022 with the Ukraine war.



Source: State Statistical Office (SSO)

While the **inflation** started to stabilize by the end of 2022 and 2023, it remains quite high. The 2023 forecasts of the IFIs, NBRNM and MoF on inflation range between 7 – 10%, as result of the significant drop of primary commodities (e.g. oil and metals), but that may be corrected upwards. After decreasing to 13.6% in the first half of the year, the Consumer Price Index (CPI) continued to drop 11.5 % in September on yearly basis. However, having in mind that this corresponds to 16% in food and 14.4% in energy prices, the inflation will remain an acute problem for the Macedonian economy and the living standard in the next couple of years. This may additionally worsen due to increasing oil prices as result of the situation in Israel-Gaza Strip.

The Government continues to address this problem through several attempts to freeze prices or margins of some basic foodstuff such as flour and bread, followed with a few more products including agricultural. However, despite strengthened inspections, allegations of price manipulation continue and the effect on the standard remains subdued. On the other hand, the private sector strongly opposes to these measures which they consider as diversion from market economy. At the same time, the VAT rate on electricity previously reduced to 10% as crisis measure, was reverted to 18% as of 1 July, however, the downward trend of the electricity prices and increased solar electricity production in the summer period (around 300MW installed in photovoltaics as opposed to e.g. 125MW in TC Oslomej) somewhat offset its upward price pressure. The favorable trends may revert back during the winter period. The amendments to VAT law have also led to increase of many other products that are considered luxurious, though the list is yet to be finalized to ensure that it doesn't include some of the regular foodstuff.

Further measures to address the crisis include increased minimum wage (↑12.55%) in March, coupled with the current formula for pension increase which is followed with a systemic solution for overall public wage raise, along with annual bonus. All this may easily prompt a negative spiral effect on the inflation, despite NBRNM caution for prudent fiscal policies.

On the other hand, the **labour market continued to modestly pick up**, with unemployment down to 13.1%, activity rate 52.4% and employment 45.5% and all comparatively worse for youth and women. New [Youth Guarantee Implementation Plan 2023-2026](#), adopted on 5 April 2023, builds on the results of the previous Plan, which led to decrease of the NEET rate, increase of employment and decrease of the unemployment rate in the country, despite the consecutive crisis, should continue to positively impact this serious disbalance in the Macedonian economy..

On 14 June 2023, the parliament ratified [ILO Convention No. 190 on Eliminating Violence and Harassment in the World of Work](#), following the recommendation by the Economic and Social Council and the Government. Additionally, the first [General Collective Agreement for the Public Sector](#) after 15 years, was signed on 18 July 2023. However, this positive move remains in the shadow of the negative developments in the area of workers rights, with the extended working week hours in the context of the Bechtel-Enka infrastructural project.

1.2 CLIMATE CHANGE, ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES

1.2.1 Climate change, waste and pollution (Wastewater, Solid and Hazardous Waste, Air Pollution)

Positive changes in terms of green energy transition are starting to be visible. In view of the still high energy prices, the interest in investment in renewables continued in 2023, especially in solar and wind power generation, with a total of more than 630 licences for production of electricity from renewables since beginning of 2022. These new renewable capacities will result in additional 470 MW installed capacity, equivalent to the energy produced by two of the three blocks of the main coal powerplant in the country (REK Bitola). This has already resulted in decreased reliance on import of electricity, with electricity import dependency dropped to 16% in the first half of 2023, down from the past years' rates of 30-40%. The introduction of stand-alone solar power generation sites has been the most prominent development, followed by introduction of photovoltaics by part of the private sector, and still a very low level of introduction of renewable energy solutions among households.

Several enabling factors are accelerating the transition to renewables. First, financing for investing in renewables and energy efficiency is supporting the acceleration of adoption of renewables by private sector and households, through affordable loans for renewables and energy efficiency which are supported with EIB and EBRD credit lines and the upcoming start of the UN–EBRD implemented Green Financing Facility. Second, a new Macedonian exchange for electricity started its work in May 2023 managed by MEMO. Third, virtual producers of electricity started operating in November 2022, enabling stable and predictable supply and pricing of renewable electricity.

Another important development that will significantly contribute towards the green energy transition of the country in the future is the construction of the hydropower plant (HPP) Chebren. After more than a decade of unsuccessful attempts of the government to tender out its implementation, a Greek company has been identified and contracted to build it. HPP Chebren is planned to start production in 2029 and will be the largest hydropower plant in the country, with installed capacity of minimum 333 MW. Once constructed, it will significantly increase the access to renewable energy and replace a significant part of the electricity generated by the aged major coal power plant REK Bitola, which is scheduled for closure in 2028. Furthermore, HPP Chebren, with its reversible technology, will be able to balance the gaps in supply of energy of other sources (solar, wind) at any time of day.

National capacities for climate change policy and climate change education continue to be strengthened, contributing towards achievement of SDG indicator 13.2.1. Significant progress has been made in developing comprehensive national policy on climate change and cross-sectoral monitoring and reporting system. Two important steps towards improved GHG monitoring and reporting have been completed - the 4th National Communication to UNFCCC (4th NC), which includes information on the National GHG Inventory, sectoral GHG emission projections and respective mitigation measures, as well as the country's vulnerability to the adverse effects of climate change and proposed adaptation measures and a new Monitoring, Reporting and Verification (MRV) Platform, that enables the country to report to the UNFCCC/Paris Agreement and the EU /Energy Community. Further, the country has made important progress in integrating climate change and environment in the regular education curricula for 1st, 2nd, 4th and 5th grade and in kindergartens, directly contributing to the achievement of SDG Indicator 13.3.1 and raising the awareness of children and adolescents on climate change.

Measurable improvement in air quality has been recorded, although still a lot remains to be done to ensure the air throughout the country is not polluted (SDG indicator 11.6.2). Average annual concentrations of PM10 were reduced from 51.32 µg/m³ (2019) to 35.91 µg/m³, thanks to systemic identification of the key source of urban air pollution (Skopje se zagreva; Source Apportionment Study) and thereafter targeted focus of measures to replace heating systems/energy sources through a wide set of measures – government subsidy measure for energy efficient heating devices for households (inverters); replacement of polluting heating sources in public buildings, such as kindergartens, schools and hospitals; public awareness raising, heating replacement and energy efficiency measures in urban suburb Lisice, and replacement of air polluting energy source in the main public heating station in Skopje. A positive development is the **start of two large projects on air pollution** that started in 2023, one with EU support (UNOPS implemented) and one with Swedish support (UNDP implemented) that should result in further reductions of mean air pollution rates by 2030. These two projects are focused on further replacement of

heating systems, reducing emissions of public transport, creation of green belts and procurement of air quality monitoring stations.

Progress on wastewater and solid waste continues to be slow-paced. With the preparation of tender documentation for three additional regions and securing of funding mainly for EU, preconditions for construction of four of the five modern waste management centers have been established. The four modern waste management centers in pipeline are in Sveti Nikole (East and North-East), Novaci (South-West and Pelagonia), Rusino (Polog) and Vasilevo (Vardar and South-East). However, the construction will still take time, with the first waste management centers expected to start operation in 2027. Large wastewater plants (WWTP), such as WWTP Skopje, are still in pipeline, with some smaller WWTPs being constructed in 2023.

Hazardous waste continues to be an important challenge, especially in and around large abandoned industrial sites such as OHIS and Jegunovce. It requires specialised expertise and significant financial resources. Some progress is made in cleaning up the lindane in the OHIS industrial complex, with work on this continuing.

1.2.2 Natural resources management

While the area under protection increased significantly²⁰, effective management and protection remains a major challenge, due to underfinanced and understaffed or in part non-existing management entities. On the positive side, the area under protection has increased from 8.9% (2018) to 13.9% (2023) of the overall territory of the country. Further, some progress has been made in 2023 in terms of establishment of the Management Body of the National Park Shar Mountain and the Laws for the Ohrid Lake, reproclaiming Ohrid as a Monument of Nature, and the Law on the Studenciste Marsh are in government procedure. Moreover, activities on strengthening sustainable land and forest management are underway and should contribute to improving terrestrial habitats.

Further focus is needed on the **protection of the major lakes** as important habitats. On Ohrid, the Strategic Recovery Plan for preservation of the natural and cultural world heritage provides a basis for planning of measures, but requires its further detailing, in form of prioritization - timeline setting of the various proposed measures. Further, the work on an Ohrid Feasibility Study for the Coastal Urban Plan is currently underway. Finally, transboundary cooperation is improving both in terms of the cooperation on the lake and in terms of the transboundary cooperation on the river Drini, which strongly influences the water levels and health of the lake. On Prespa Lake, significant assistance of the EU, which in part envisages strengthening of the transboundary water management, is in mature pipeline. Dojran Lake recently also struggles with the water level, given the reduced functioning of the pumps for inflow of water, due to increasing electricity costs. Water pollution issues are also evident due to the increasing tourism, without adequate wastewater treatment.

Reducing losses of clean water is an issue of rising importance given the increased drought risk due to climate change. A lot of clean water is lost, especially in rural areas, due to old watering systems and practices in agriculture as well as due to outdated water supply piping and low awareness of urban population in terms of the need to conserve clean water. Given the increasing pressures of climate change on clean water access, due to increasing droughts and reducing levels of underground water, this challenge will become more prominent in the future, and measures in the form of efficient irrigation systems, improved efficiency of water supply and raising awareness are needed. Some important irrigation systems are currently being constructed to address this issue from the aspect of irrigation, most notably Konsko, Slupcane and Rechani Dams and Raven'Rechica irrigation system. Also, irrigation system in the area of Radovish is planned.

North Macedonia has deposited its instrument of accession to the UNECE/WHO Europe Protocol on Water and Health on 4 October 2023 and will become the 28th **Party to the Protocol on Water and Health** by the end of 2023. As a Party to the Protocol, the country will establish national and local targets for the quality of drinking water and the quality of discharges, as well as for the performance of water supply and waste-water treatment.

²⁰ due to the addition of Shar Mountain, Osogovo Mountains and Maleshevo under protection.

Land degradation is considered to be an increasing problem in the country, affecting almost the entire cultivated land. However, the development of the national Soil Protection Law and Strategy, as well as application of sustainable land and forest management practices is expected to contribute to reversing deforestation trends, especially in the most vulnerable mountain landscapes and support the decision-making process

1.2.3 Disaster risk

The country is facing increased occurrence of **fires**. While some are in part caused by heat waves, many, especially in spring and autumn, are caused by the widely applied practice of burning agricultural plots to clear stubble, weeds and waste before sowing a new crop. Despite the large number of fires over the summer and the very limited resources to fight fires, the reaction of the Center for Management with Crises has been prompt and the numerous fires have been successfully extinguished in short time without significant material damage. This was achieved through CMC coordinating resources from multiple government departments, in addition to firefighters, to ensure timely reaction on the ground. Nevertheless, the need to introduce alternatives to agricultural plots burning remains, as this is an especially dangerous practice in view of prolonged droughts, and it also negatively affects air quality and potentially endangers neighboring forests. Further, the need to invest more resources, both staff and equipment, in firefighter units throughout the country remains a key need.

Work on introducing integrated systems to **manage flood risks** has continued in Polog and Drini River basin, to change the previous reactive approach of dealing with the damage after a flood, to a more systemic and preventive approach. The local governments in Polog region and Drini River basin have an improved knowledge of flood risk, are better prepared for flood risks, have strengthened recovery capacity and are investing in disaster risk reduction and measures (contributing to achievement of SDG Indicator 13.1.3).

1.3 IMPACT OF CRISIS ON VULNERABLE GROUPS

The multidimensional and interconnected crises have had the strongest impact on the people at risk of poverty (also GMA beneficiaries, informal workers) due to the high inflation and soaring energy and food prices, with women and young girls affected disproportionately. In addition, persons with disabilities are under increased risk of poverty and discrimination because of the lower education level and difficulties finding a proper or any job whatsoever. Furthermore, the war in Ukraine exposed the fragility of the domestic food system and strengthened already existing vulnerabilities of small-scale farmers and rural households.

1.4 RISK ANALYSIS

UN established [12-factor multidimensional risk analysis of 2020](#) continues to bear relevance with few additional specifics that exposed since, under each of the dimensions. In particular:

- **Political stability** risk may increase closer to the elections and in case of advanced procedure on Constitutional amendments.
- **Democratic Space/ Civil Society Voice and Participation** is under increasing threat of misinformation and fake news, but also due to the reducing confidence into the institutions.
- The risk on **Social cohesion, gender equality and nondiscrimination** has been undermined with the recent (conservative groups led) challenges on the LGBT and women rights.
- **Regional and global influences** will strongly depend on the ability of the country to start negotiations with EU.
- **Economic stability** is under particular risk given the ongoing inflation and disrupted global recovery.
- The large infrastructure (Corridor 8) project may substantially address the risks related to **Infrastructure and access to social services**, however it could also prompt further distrust if it fails to be implemented timely.
- On **Environment and climate change**, Government plans to implement eNDC are yet unknown, but despite the yet ongoing crisis, the commitment to increase share of renewables in the energy mix is both declared and realized to certain extent.

The rest of the risks remain more or less the same as initially identified.

2. CONCLUSIONS AND RECOMMENDATIONS

Based on the above information, few recommendations should be considered for national policy design and UN Country Team programme planning for 2024.

As an overall recommendation, post SDG Summit 2023, UN Country Team should assist national partners to focus accelerated efforts in **six key area of transition that** have catalytic and multiplying effect across the SGDs: 1) food systems; (2) energy access and affordability; (3) digital connectivity; (4) education; (5) jobs and social protection; and (6) climate change, biodiversity loss and pollution.

National and UN collective actions in each of the six areas may include:

1. Supporting **wider policy** and regulatory frameworks;
2. Development of **pipelines** of bankable and market-ready national projects
3. Facilitating **financing mix** with innovative instruments by convening all traditional and non-traditional sources of financing (also called deal rooms – another fancy term, but just for info)
4. **Capacity-building at scale** to support public institutions and civil society to implement and sustain these transitions.

Good governance

- Take decisive measure to counter corruption and restore public confidence in the governance system.
- Foster dialogue and ownership over the country's long-term development vision and integrate the priorities, principles and values into the corresponding legal, policy and institutional infrastructure and actions of social actors. This should include consultation to finalise the National Development Strategy and establishing an effective monitoring and evaluation structure.
- At local level, enhance public finance management and fiscal capacities of municipalities.
- Continue to streamline anticipatory gender responsive and data-driven approach in policy and decision making to address intersectionality and LNOB rights and needs.
- Continue raising awareness and improve understanding on GRB and gender equality concepts and promote the adherence on laws, policies and international standards.
- Implement commitments to accelerate SDGs elaborated at the SDG Summit 2023.

Socio-economic development

- Still high inflation requires cautious and well-coordinated macroeconomic policies, coherent monetary and fiscal policy and reinforced systemic reforms to address structural challenges, in particular food and energy vulnerabilities. Improved targeting of subsidy programmes would contribute significantly in this context.
- Improve transparency, quality of information and decision making on large capital investments, by developing and publishing cost-benefit and /or impact analysis.
- Adopt a strategy and specific measures to increase crisis resilience of farmers and rural households.
- Consider ways to address concerns related to workers' rights.
- Initiate wide public debate about the needs for labor market import while also analyzing the regulatory changes that need to be implemented in order to integrate imported workers and their families in the society.
- Develop specific action plan to address the opportunities and consequences of population dynamics and develop demographic resilience.
- Increase the efficiency and effectiveness of the education system by adopting a new formula for primary and secondary education, and optimizing the primary school network.
- Continue with the curricula strengthening in primary education, focusing on ensuring continuing professional development for teachers and ensuring timely and quality teaching materials.
- Adopt the new law on secondary education and update the curricula of secondary general education by linking to National standards based on key competencies for lifelong learning that describe the knowledge, skills, and attitudes expected from students at the end of secondary education.

- Adopt remaining regulations to fully enforce and monitor implementation of the Law on Prevention and Protection of Violence Against Women and Domestic Violence, in particular by collecting timely and accurate data about GBV.
- As a matter of urgency resolve issues in the Oncology clinic to address the mistrust in the health system.
- Continue investing in optimization of hospitals and medical personnel to improve public health services.
- Improve targeting of anti-crisis measures, and in particular, energy subsidies to cover only those who are in real need.

Climate change, environment, and natural resources

- Faster implementation of major environmental projects is important, especially on waste and wastewater management and protected areas management/biodiversity.
- Greater investment in climate change adaptation and disaster risk reduction, as well as in all aspects of environment and climate change.
- Preservation of the three largest natural lakes - Ohrid, Prespa and Dojran - needs further efforts and continued multi-institutional and multi—stakeholder cooperation as well as cross-border cooperation.
- Addressing significant losses of clean water, through more efficient use of water, replacement of old water supply piping, and more efficient irrigation systems is necessary to avoid water shortages in the future. This is especially important in view of increased droughts and reduced rain and snowfall due to climate change.