



Republic of North Macedonia

Ministry of Finance

**DRAFT CHAPTER 5 – STRUCTURAL REFORMS
ECONOMIC REFORM PROGRAMME
2023-2025**

December, 2022

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2. Implementation of the policy guidance

The implementation of the recommendations from the Joint Conclusions adopted at the Economic-Financial Dialogue on May 24, 2022 is due to December 31, 2022. The final status of the implementation of the recommendations will be published in chapter 2 of the ERP 2023-2025.

Joint conclusions - Policy guidance with recommendations	Planned activities and Institution in charge
Policy Guidance 1: <i>If needed, use the available fiscal space in the 2022 budget to cushion the potential impact of adverse shocks through targeted support to vulnerable households and firms; foresee in the medium-term fiscal plan accompanying the 2023 budget a gradual reduction of the primary deficit-to-GDP ratio to its pre-crisis (2019) level. Set up a central public investment management unit in the Ministry of Finance and ensure its proper functioning. In line with the Tax System Reform Strategy, design comprehensive tax reforms and draft legislative changes that contribute to enhancing revenue by broadening the tax base, and accelerate the digital transformation of the Public Revenue Office.</i>	
P 1: If needed, use the available fiscal space in the 2022 budget to cushion the potential impact of adverse shocks through targeted support to vulnerable households and firms, foresee in the medium-term fiscal plan accompanying the 2023 budget a gradual reduction of the primary deficit-to-GDP ratio to its pre-crisis (2019) level.	<ol style="list-style-type: none"> 1. Preparation of a proposal for measures to support vulnerable households and businesses 2. Preparation of a fiscal strategy for the period 2023-2025, with prospects until 2027 Institution: Ministry of Finance
P2: To establish a central unit for the management of public investments in the Ministry of Finance and to ensure its proper functioning.	<ol style="list-style-type: none"> 1. Amendment of the acts for the organization and systematization of the Ministry of Finance for the purpose of establishing a Department for the management of public investments. deadline: November 2022 2. Staffing of the Public Investment Management Department (with redistribution of employees and new employments). deadline: June 2023 3. Implementation of trainings for employees in the Public Investment Management Department for assessment and monitoring of public infrastructure projects. deadline: January - December 2023 Institution: Ministry of Finance
P3: In accordance with the Tax System Reform Strategy, to design comprehensive tax reforms and draft legislative amendments that contribute to increasing revenues by expanding the tax base and accelerating the digital transformation of the Public Revenue Administration.	<ol style="list-style-type: none"> 1. Preparation of a draft Concept of tax policy reforms in the segments of profit tax, personal income tax and value added tax 2. Holding a series of public debates to present the draft Concepts to the business sector, the academic community, the non-governmental sector, the expert public and political parties 3. Finalization of the Concepts and their transposition into amendments and additions to the Law on Profit Tax, the Law on Personal Income Tax, the Law on Added Value Tax and other laws and by-laws Institution: Ministry of Finance
Policy Guidance 2: <i>Submit the new public-private partnership (PPP) law to the Parliament for adoption and ensure its implementation, including by setting up a fully functioning PPP registry. Ensure central monitoring of all fiscal risks related to state-owned enterprises, PPPs, and Local Government Units by the Ministry of Finance. Implement the new organic Budget law as soon as it is passed by the Parliament and take the necessary legislative and organisational steps to enable the new Fiscal Council to take up operations.</i>	
P4: To submit the new Public-Private Partnership (PPP) Law for adoption to the Parliament and ensure its implementation, including the establishment of a fully functional PPP Register.	Adoption of the Law on Public Private Partnership and establishment of the PPP Registry Institution: Ministry of Economy
P5: To ensure central monitoring of all fiscal risks related to state enterprises, PPPs and local self-government units by the Ministry of Finance.	<ol style="list-style-type: none"> 1. The operation of state public enterprises at the central level, and their monitoring by the Ministry of Finance is regulated in the Law on Public Enterprises and the Law on Commercial Companies 2. Monitoring of the provisions of part VIII Financial instability of the Law on Financing of Local Self-Government Units part IV Borrowing Institution: Ministry of Finance

<p>P6: To implement the new Budget Law immediately after its adoption by the Parliament and take the necessary legislative and organizational steps to enable the new Fiscal Council to start working.</p>	<p>Establishment and functioning of the Fiscal Council Institution: Ministry of Finance</p>
<p>Policy Guidance 3: Carefully assess and analyse price developments and stand ready to tighten monetary policy, if needed, to preserve price stability in the medium term. Maintain a transparent and accurate reporting of asset quality and adequate provisioning, further reduce institutional and legal obstacles to swift and effective NPL resolution, all relevant institutions to continue to reduce data gaps in particular as regards the real estate sector and further implement measures to promote the role of the local currency. Safeguard the national bank's independence in its key statutory tasks, including in staffing issues, in line with the law on the national bank, and to this end exclude the national bank from the scope of the new law on administrative servants and the law on public sector employees.</p>	
<p>P7: To carefully assess and analyze price movements and for the country to be prepared to tighten monetary policy, if necessary, to preserve price stability in the medium term.</p>	<p>The basic interest rate of the National Bank has been gradually increased four times in the period April - July. Institution: National Bank</p>
<p>P8: To maintain a transparent and accurate presentation of the quality of assets and their adequate provision, further reduction of institutional and legal obstacles in order to accelerate and effectively resolve non-performing loans, for all relevant institutions to continue reducing data gaps, especially in relation to the sector of real estate and additionally implement measures to promote the role of the local currency.</p>	<ol style="list-style-type: none"> 1. Amendments and additions to the Decision on the credit risk management methodology 2. Introduction of the rate of the anti-cyclical protective layer of the banks' capital for the exposures in the Republic of North Macedonia 3. The State Statistics Office is working on creating a real estate price index 4. Changes in banks' mandatory reserve rates <p>Institution: National Bank</p>
<p>P9: To keep the independence of NBRNM in the implementation of its key legislative tasks, including the employees, in line with the National Bank Law, and, for that purpose, to exclude the National Bank from the scope of the new Law on Administrative Servants and the Law on Public Sector Employees.</p>	<p>The Ministry of Information Society and Administration submitted an opinion, explained the Decision of the Constitutional Court and pointed out that there is no need to exclude the National Bank from the scope of the Law on Administrative Servants and the Law on Public Sector Employees, because the autonomy and independence of the National Bank is not questioned Institution: Ministry of Information Society and Administration</p>
<p>Policy Guidance 4: Use the list of mapped para-fiscal charges to evaluate, optimise and rationalise para-fiscal charges at central and local levels. Continue the digitalisation of public services for businesses and citizens by upgrading and enhancing the use of e-portals for services. Adopt a comprehensive new strategy and Action Plan for formalisation of the informal economy 2023-2025 and ensure high level political commitment by all institutions relevant for the coordination and implementation.</p>	
<p>P10: To use the list of mapped para-fiscal charges to assess, optimize and rationalize para-fiscal charges at the central and local levels.</p>	<ol style="list-style-type: none"> 1. Proposal for a legal, institutional and technical framework to ensure transparency and predictability of para-fiscal charges based on best EU practices, and 2. Creation of a methodology for optimizing and consolidating para-fiscal charges. <p>Institution: Ministry of Economy</p>
<p>P11: To continue the digitization of public services for business and citizens through upgrading and improving the use of e-portals for services.</p>	<p>Continuation with the process of digitization of public services. Institution: Ministry of Information Society and Administration</p>
<p>P12: To adopt a comprehensive new Strategy and Action Plan for the formalization of the informal economy 2023-2025 and to ensure a high level of political commitment by all institutions relevant to coordination and implementation.</p>	<p>Preparation and submission to the Government of RNM Information on the appointment of the chairman, members and deputy members of a new Coordinating Body responsible for coordinating the preparation and implementation of the Strategy for the Formalization of the Informal Economy 2023-2025. Institution: Ministry of Labour and Social Policy</p>
<p>Policy Guidance 5: Increase the number of staff and the technical/engineering capacity of the Energy Department in the Ministry of Economy and the Energy Agency. In line with the commitments of the Green Agenda for the Western Balkans: Adopt and implement energy efficiency legislation, including bylaws to the energy efficiency law. Following development and adoption of the legal and regulatory framework, establish the envisaged Energy Efficiency Fund.</p>	
<p>P13: To increase the number of employees and the technical/engineering capacity of the Energy Sector in the Ministry of Economy and the Energy Agency.</p>	<p>Publication of public announcements for: - Advisor for energy efficiency in buildings, - Junior associate for monitoring strategic documents in energy</p>

	sector, - Junior associate for biofuels. Institution: Ministry of Economy
P14: In accordance with the commitments of the Green Agenda for the Western Balkans: To adopt and implement the legal acts on energy efficiency, including the by-laws of the Law on Energy Efficiency.	Adoption of the following regulations: Rulebook on energy characteristics of buildings, Rulebook for energy control of buildings, Rulebook for energy control of large retailers, Rulebook on the labeling of products that use energy Institution: Ministry of Economy
P15: After the development and adoption of the legal and regulatory framework, the planned Energy Efficiency Fund should be established.	Establishment of the Energy Efficiency Fund Institution: Ministry of Finance
Policy Guidance 6: <i>Develop new vocational education and training (VET) legislation with a focus on inclusion, labour market needs and a new methodology of financing VET as well as provide a yearly report for improving higher education, including recommendations for a new formula for the financing of higher education. Continue efforts to strengthen access to active labour market policies, particularly for low-skilled unemployed and people in vulnerable situations. Further increase the capacity of and cooperation between the employment agencies and centres for social work as well as education and training institutions to provide integrated services and measures for improvement of inclusion in the labour market.</i>	
P16: To develop a new regulation for vocational education and training (VET) with a focus on inclusion, labor market needs and a new VET funding formula, as well as to provide an annual report on the improvement of higher education, including recommendations for a new formula for financing of higher education.	1. Preparation of: Law on Vocational Education and Training and Law on Secondary Education 2. Application of a new VET formula 3. Annual report from the National Council for Higher Education 4. Adoption of the Decree on criteria for financing higher education Institution: Ministry of Education and Science
P 17: Continue efforts to strengthen access to active labor market policies, particularly for the low-skilled unemployed and people in vulnerable situations.	Adoption and implementation of an Operational Plan for active programs and measures for employment and services on the labor market for 2022, with measures for the unemployed with low qualifications and people in vulnerable situations. Institution: Ministry of Labour and Social Policy
P 18: Further strengthening of capacity and cooperation between employment agencies and social work centers, as well as education and training institutions, in order to provide integrated services and measures to improve inclusion in the labor market.	1. Preparation of a guidelines, protocols or other relevant instruments to improve cooperation for the inclusion of beneficiaries of guaranteed minimum assistance in the labor market. 2. Organizing trainings for employees from employment centers and centers for social work. 3. Implementation of the Second Chance measure in cooperation with the adult education center and educational institutions. Institution: Ministry of Labour and Social Policy

5. Structural reforms in 2023-2025

Links between the structural reform measures from ERP 2023-2025 and Key structural challenges (Commission assessment of ERP 2022-2024), ERP Policy Guidance 2022, Enlargement Package 2022, Sustainable Development Goals 2020-2030, European Green Deal/Green Agenda for Western Balkans, European Digital Agenda/Digital Agenda of Western Balkans and IPA III projects supporting these reforms, are shown in Annex 2.

Links between the structural reform measures from ERP 2023-2025 and Economic Reform Programme areas, investments in the areas of Economic and Investment Plan for Western Balkans, IPA and SPP are shown in Annex 2a.

5.1 Update on the three main obstacles to competitiveness and inclusive growth and related structural reform measures

North Macedonia's key challenges on the road to achieving decent level of competitiveness and inclusive growth are: 1) strengthening the human capital for inclusive development, 2) fostering the green transition and 3) improving the competitiveness of domestic companies, their integration in the global value chains and formalisation of the economy. Being identified in previous ERP 2022-2024, they remain relevant and are in line with noted challenges within EC Assessment on ERP 2022-2024, referring to a) Improving the quality and relevance of the education system to increase employment and mitigate skills mismatches, b) Improving the

competitiveness of domestic companies, including integration in GVC and reducing informal economy and c) Energy sector modernisation and transition to clean energy.

1) Strengthening of human capital for inclusive development

The quality of human capital as a principal component in every growth model has a vital role in providing sustainable and inclusive development. One of the corner-stones in the development of human capital is **the quality of educational system** and its ability to adapt to the needs on the labour market. North Macedonia's educational system does not equip young people with the key competences – skills and knowledge – that are required for the offered jobs. The disparities between the education outcomes and the needs of the labour market prolongs the transition from school-to-work, nourishes the informal economy and supports out-migration. Macedonian authorities made significant improvement to the education system policies, with some policies and practices in line with those of the EU member states. For instance, the new school and vocational education and training (VET) curricula focus more on developing competencies that will have to prepare students to join the labour market.

Macedonian government made some steps to expand pre-primary coverage and increase participation in primary education, which brought the country to levels which are par with the EU member states. As of 2018, the country had an almost universal enrolment rate of 98% for primary education, 88.5% for lower secondary and 71% for upper secondary education. However, the gross enrolment rate to upper secondary education is still way lower compared to the WB6 and the EU countries (UIS, 2020). Some efforts were made to develop a new national assessment for student learning in the attempt to reduce the share of early-school leavers. This led to a certain improvement in the PISA scores, but the country's scores for reading and mathematics are still slightly below the WB6 average and far below the EU average. North Macedonia has a large share of students who fail to demonstrate baseline levels of proficiency in reading (55%) and mathematics (61%), which is significantly higher than the OECD averages of 23% in reading and 22% in mathematics (OECD, 2020b). These figures have implications on country's long-term economic development because it is difficult for students without basic skills to attain better-paying and more-rewarding jobs. Yet, it should be noted that the share of low performers in both subjects decreased by at least 9 p.p. between 2015 and 2018 (OECD, 2020b). Nonetheless, the disparities in educational opportunities and outcomes persist among children from socio-economically disadvantaged backgrounds, as well as those living rural areas and belonging to the ethnic minorities (OECD, 2019).

The tertiary education saw some reforms being implemented in the last two years, with the introduction of some agencies and policies aimed at improving its quality, equity and relevance for the labour market. Over the past decade, the number of years spent in the Macedonian education system increased to 13.5 years, which is slightly lower than the WB6 average of 14.8 years and well below the EU average of 16.6 years (UIS, 2020). Additionally, the gross enrolment in tertiary education rose to 43% in 2018, yet it is lower than the WB6 average of 52% and the EU average of 70% (UIS, 2020). The country adopted the Education Strategy and Action Plan 2018-25, which sets out the key goals for the higher education, mainly aiming to improve the content of programmes, align the system with the positive practices across Europe and increase the employability of graduates. Nevertheless, state financial support for education is insufficient, and the country needs better coordination between the economic and educational sectors. Since 2018, the government has also adopted a new law on higher education, which introduced greater institutional autonomy for universities; more democratic, transparent and equitable process and governance arrangements; and stronger quality assurance measures (Eurydice, 2021).

On the side of the **labour market**, a skills mismatch analysis framework is in place, which assesses supply and demand mismatches based on the Labour Force Survey data, and analysis of the vacancy database and the employer skills needs survey of the Employment Service Agency. In the period 2015–2019, the unemployment rate fell for workers of all education levels, especially among the medium-educated persons (Eurostat, 2021). In 2019, the unemployment rate was higher for low-educated (23.4%) than for medium-educated (16.6%) and highly-educated workers (14.3%). The employment growth in 2018 and 2019 was mostly driven by employment growth for medium and high-education levels (WIIW/World Bank, 2020). People with low education levels are more likely to be unemployed, as well as at higher risk of being employed in the informal sector. A skills mismatch analysis discovered that 22.2% of tertiary-educated workers in the age group 15-64 years were overqualified for their jobs in 2017 because they had jobs requiring semi-skilled education. In addition, the share of workers with an upper secondary education in elementary occupations was 14.3% in the same year (ETF,

2019). Another study of VET conducted in 2014-15 revealed that there is a poor matching of skill levels and jobs early in the careers of young graduates. Furthermore, it points out that about 45% of employed VET graduates had a discrepancy between their skills and field of study and the requirements for their job. Several improvements have been made to the education system in recent years to improve skills matching, including the introduction of a web-based Occupational Outlook to inform young people about the career prospects of selected occupations and sectors in the medium term (ILO, 2018).

One of country's main challenges with regards to the development of the labour market has been the school-to-work transition. North Macedonia's youth employment rate, similar to many EU countries, is generally higher than the total unemployment rate, but the levels in North Macedonia have been alerting. Another problem that young people face is that they often enter the labour market through temporary contracts (World Bank, 2020b) and the employment conditions are fairly unstable and uncertain. There are plans to shorten the period before a temporary contract is automatically converted into a permanent one from five years to six months, but the effect of this significant change may not be positive as the probation period in other countries is not much shorter, and it is also highly dependent on the rigidity of the permanent-work contracts and the level of employment protection. In order to increase the employability of young people, a dual VET project was launched in 2017 based on the new reformed modular curricula and the European Credit system for VET. The implementation began in the 2019-20 school year in all VET schools for 52 qualifications, and it is believed that this project has potential for improving skills and employability of future graduates.

One of the most important priorities for the next period is the reform of the adult education system, in particular the establishment of the validation system for informal and informal learning. The system for validation of informal and informal learning will enable the acquisition of qualifications for persons without or with a low degree of qualification, which will allow for their participation in the labour market, with the ultimate goal of reducing the unemployment in the country. The establishment of the validation system for informal and informal learning is aimed at improving the visibility and transparency of the skills and competencies of the workforce in the labour market that lacks qualified workers.

The Macedonian qualification framework is particularly of relevance as it aims to integrate and coordinate educational subsystems and improve transparency, access, progress and quality of qualifications in relation to the labour market and civil society.

This reform will bring benefits for all stakeholders. First, employers and economic chambers will be able to observe the types of qualifications that exist in North Macedonia and to have confidence in the diplomas and certificates that are issued for the qualifications required for employment. Second, enterprises may use the qualifications based on the Macedonian qualifications framework to improve the skills of their employees and/or to prepare training programs for qualifications that are part of the framework and which may get verified according to certain criteria. Finally, the Employment Service Agency can use the qualifications from the Macedonian qualification framework to improve the skills of unemployed people, by creating active programmes that will increase their competitiveness on the labour market.

Social protection and inclusion. According to the latest data published by the State Statistical Office from the Survey on Income and Living Conditions in 2020, the poverty rate in North Macedonia was high at 21.8% (i.e. 451,900 people). The Gini coefficient (a measure of income inequality) increased compared to 2019 and was 31.4%. This met the expectations that the pandemic will worsen relative poverty and income inequality, but to a very small extent, among other things, due to government measures targeting lower-income segments.

Analysed by household types, the poverty rate of households consisting of two adults with two dependent children in 2020 was 20.7%. The poverty rates according to the most frequent economic activity status show a decrease compared to the previous year. Therefore, the rate of poor employees, poor pensioners, poor unemployed and the rate of inactive persons was 7.9%, 7.0%, 45.1%, and 32.5%, respectively. In a longer time perspective, the increase in pensions and social assistance, but also in employment and the minimum wage led to improvements in the incomes of the poorest segment of the population. Such measures had a more significant impact primarily on the poverty among elderly, while children and youth have seen an increase in poverty. According to the data from the Survey on Income and Living Conditions, children and youth are the most affected population group when it comes to the impact of the pandemic on household income and poverty.

In 2022, additional measures targeted at the more vulnerable population groups were taken in order to mitigate the consequences of the economic-energy crisis and the high growth and high volatility of the prices of primary energy and non-energy products caused by the escalation of the Russian-Ukrainian conflict.

Laeken Indicators on Poverty and Social Exclusion, 2013-2020

	2013	2014	2015	2016	2017	2018	2019	2020
At-risk-of-poverty rate, % of the population	24.2	22.1	21.5	21.9	22.2	21.9	21.6	21.8
Men	24.6	22.3	21.5	22.1	22.4	21.8	21.1	21.7
Women	23.9	21.9	21.5	21.6	22.0	22.0	22.0	21.9
By age								
0-17	30.9	29.0	28.6	28.6	29.9	29.3	27.8	30.3
18-64	23.6	21.4	20.7	21.3	21.1	21.2	21.2	21.1
65 and over	16.5	14.5	14.5	14.5	16.1	14.6	14.8	13.4
According to the most frequent economic activity status								
Employed	11.1	9.8	8.9	9.0	9.0	8.8	8.5	7.9
Unemployed	43.7	40.5	39.7	41.1	38.7	41.9	41.7	45.1
Retired	10.9	8.4	7.3	7.1	7.7	7.9	7.7	7
Other inactive persons	29.2	26.1	26.7	29.4	32.1	31.1	32.9	32.5
By dependent children in the household								
Household with no dependent children	19.5	16.5	14.1	14.2	12.8	12.7	13.6	13.1
Household with dependent children	26.5	25.0	25.3	26.0	27.5	27.2	26.2	27.2
Number of persons below the at-risk-of-poverty threshold, in thousands	500.4	457.2	445.2	453.2	460.3	455.1	448.1	451.9
At-risk-of-poverty threshold of single-person household - annual equivalent income in denars	70,275	71,925	78,362	82,560	90,120	97,000	100,643	110,000
At-risk-of-poverty threshold of a four-person household (2 adults and 2 children aged less than 14) - annual equivalent income in denars	147,578	151,043	164,560	173,376	189,525	203,700	211,351	231,210
At-risk-of-poverty rate before social transfers and before pensions, % of the population	41.0	41.7	40.5	41.6	40.7	40.8	41.1	42.1
At-risk-of-poverty rate before social transfers with included pensions, % of the population	26.8	24.8	24.8	25.7	25.9	25.7	25.7	25.7
Inequality of income distribution, S80/S20 income quintile share ratio	8.4	7.2	6.6	6.6	6.4	6.2	5.6	5.9
Inequality of income distribution, Gini coefficient, %	37.0	35.2	33.7	33.6	32.5	31.9	30.7	31.4

Source: State Statistical Office

Nevertheless, the poverty rate among unemployed people, which amounts to 45.1%, has increased compared to previous years. That is why the activation of the social protection system beneficiaries and their inclusion in the labour market are of utmost importance. In this regard, it is necessary to encourage the development of programmes that enable the activation and professional rehabilitation of vulnerable groups of citizens, and of youth in particular, which would contribute to increasing their participation in the labour market, and thus exiting the vicious circle of poverty and social exclusion.

In September 2022, 112,464 unemployed persons were registered in the Employment Service Agency of the Republic of North Macedonia, 65,516 of them being without primary or secondary education, and 10,332 with incomplete secondary education. Persons without completed primary education cannot participate in active employment measures or programs for professional education and training due to legal restrictions. In this context, mechanisms for validation of skills acquired after leaving the formal educational are missing. Among the consequences of such situations is the large informal "grey" economy, which "employs" people who do not have enough formal qualifications and who work outside the regulated labour market.

The lack of services and service providers that will support beneficiaries in the process of professional integration during the transition to the open market remains a challenge. The Employment Service Agency of the Republic of North Macedonia recently started providing employment support services (psycho-social and mentorship support) to GMA beneficiaries which should facilitate the inclusion of vulnerable groups in the labour market.

The Youth Guarantee continued to be implemented, and with the outreach activities that were carried out in partnership with youth organizations, young people, members of GMA beneficiary families, were especially targeted. Between April and July 2022, 4,475 people were registered in the system under the Youth Guarantee, of which 52% were women, 6.6% Roma, 72% young people under 24 years old. Out of the total number of persons who entered the Youth Guarantee, 1,955 persons or 44% had a successful exit from the programme over a period of 4 months (1,725 people got employed and 230 people were involved in one of the active employment measures aimed at increasing employability).

Additionally, in order to reduce social exclusion among certain categories of persons, the development of social services according to the needs of beneficiaries and according to the local circumstances continued, which means providing quality and innovative social services available in the place of residence of the beneficiary, in order to prevent institutionalization and social exclusion.

Currently, in accordance with the Law on Social Protection, 69 social service providers are licensed, compared to 20 providers in 2020, which provide services to about 3,200 beneficiaries. Most of the new services are home based services, mainly for the elderly, but also personal assistance for persons with disabilities. This number is expected to increase, by covering licensed service providers of all categories, thus increasing the coverage of beneficiaries with access to the necessary services in their community.

Health sector. Recent baseline reports (WHO and World Bank) contain health indicator comparisons with sub-regional and Balkan countries - EU comparisons are included to provide an indication of the distance to be covered by the Republic as an aspiring EU member.

TABLE: INDICATORS AND COMPARATORS

Indicator	North Macedonia	European Union
Life Expectancy at birth	75.9 (2018)	83.6 (2018)
Mean age	39.1	43.1
Population 65+	14.5	20.0
Maternal Mortality Rate (MMR)	7.0 (2017)	6.0 (2017)
Infant mortality rate	5.3 (2019)	3.5 (2018)

Sources: WHO, World Bank PHPCI, UNICEF

Non-communicable disease (NCD) accounts for an estimated 95% of all deaths: cardiovascular diseases (61%) and cancers (21%) are the main contributors with diabetes and chronic respiratory disease making up most of the balance. Increases in noncommunicable decrease social and economic resilience. This in turn will increase the risk of poverty and social exclusion and present long-term societal challenges to fiscal sustainability through

many mechanisms. As per WB Systematic Country Diagnostic Report¹, North Macedonia may be losing an estimated 19,900 productive years annually to premature deaths from NCDs. NCDs also affect worker productivity because of reduced employment, earlier retirement, and lower incomes. The economic burden of NCDs also weighs on public spending as, for instance, every year more than 1 percent of GDP is spent on disability benefits and paid sick leave.

Having in mind that the population is aging, which impacts the health organization and expenditures thereof, and because the medical care is oriented to hospitalisation due to underdeveloped primary care, in order to overcome these challenges of the health system it is necessary that adequate reforms are introduced in order to optimize the use of the resources and increase the effectiveness of the public health expenditures.

Some ways to pave the way towards increasing the quality of human capital include:

- finalise the development of the national assessment and set national targets for improving student learning outcomes;
- establish clear budgets to modernise the education system and support the implementation of policy reforms;
- monitor the employability of graduates from the VET project and the participation of employed and self-employed persons in continuous learning;
- continue improvements to working conditions and devise measures and activities to combat the informal economy and
- Transforming health services in the direction of prevention and control of chronic diseases.

Measure 1: Further development of the qualification system

1. Description of the measure

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

Our efforts are aimed at addressing gaps in human capital development that start early and widen over time. The educational system is obliged to provide students with the conditions they need to successfully complete each educational level and move on to the next.

In order to support the inclusiveness in the education, the existing state elementary schools are transformed as elementary schools with resource centres, and the existing special classes in elementary schools (in total in 23 schools) continue to work as centres for supporting students with disabilities. The procedure for finalizing the process of transformation of special primary schools into schools with resource centres is ongoing and is in accordance with the Law for Primary Education.

In support of the new Concept for Primary Education, the learning materials for the 4th grade for the academic year 2021/2022 were digitized. The created contents were uploaded to the e-library platform, but at the same time a total of 25,264 textbooks were printed and distributed. The digitalization of teaching contents covered the subjects: mother tongue (Macedonian, Albanian, Turkish, Serbian and Bosnian), history and society, mathematics and natural sciences. In addition, accompanying materials such as videos, animations and quizzes were produced. This process is based on the analysis of existing resources in schools, after which a total of 39 smart boards were delivered to certain municipalities. In addition, 10,000 tablets were purchased for students who do not have their own electronic device. Some of these tablets are planned to be delivered to students from the 4th and 5th grade who are beneficiaries of educational allowance, respectively, they belong to deprived social categories.

A novelty in educational reforms is the development of a new national assessment, which, among other things, will help to build strategies for students, early leavers from education, and to address their needs accordingly. With the introduction of the National assessment in the third grade, the conditions for the development and completion of the system for monitoring and evaluating the achievements of students at the national level in primary education will be met. National assessment is integrated into the Law on Primary Education and sets the legal framework for conducting national assessment.

¹<https://www.worldbank.org/en/country/northmacedonia/publication/fyr-macedonia-systematic-country-diagnostic-seizing-brighter-future-for-all>

Part of the reforms undertaken in secondary education is the establishment of Regional Centres for Vocational Education and Training, which are aimed at fostering an innovation culture at the regional and national level. For this purpose, in April 2022, the Concept for the development of Regional Vocational Education and Training Centres (RCVET) was officially adopted, in accordance with the Education Strategy 2018-2025. The concept started by conducting research on the educational supply and the demand for work skills in the labour market. In addition, consultations were held with international and national stakeholders. The importance of information exchange is also implemented within the framework of the social dialogue that the Ministry of Education and Science conducts with the business community, professional schools and local governments. That is, for the past two years, through the campaign "Study smart, work professionally", local needs for certain professional profiles have been identified, which are then part of the enrolment policy for secondary vocational schools. It was in cooperation with the business community that the value of the concept of dual education was confirmed. Last school year in all secondary vocational schools, we had 97 dual classes with 1,400 students in them. This year we have over 200 dual classes and 2,700 students. Last year there were 250 participating companies, and this year there are over 400 companies participating in WBL. Extensive research work has been done on the needs and demands in the five regions - (Skopje, Pelagonija, East, South-East and Vardar), which will represent a solid basis for strengthening the reform processes in the area of vocational education and training. A new Law on Vocational Education and Training was prepared in cooperation with the business community, chambers, companies, educational institutions, it was published for public consultation, and 4 (four) focus groups with representatives from vocational schools, municipalities and social partners were organised. According to the new Law which will be adopted in the next period, the dual education and the establishment of the Regional Centres for Vocational Education and Training are regulated in separate chapters. Additionally, a novelty is the establishment of procedures in cooperation with the companies for starting new educational profiles/ qualifications, new curricula for vocational education and training or redefining the existing modules. As support for the new reforms the Ministry of Education and Science started implementation of the IPA project: Increasing attractiveness, inclusiveness and relevance of VET and Adult Education. It is planned establishment and support of the two new Regional Vocational Education and Training Centres, additionally it is foreseen the development, upgrading and implementation of the procedures for validation of non-formal and informal learning as an important path to the quality of adult education, development and implementation of post-secondary education programmes and harmonisation of national VET and adult education systems with EQAVET+.

According to the Law on Higher Education, the National Council for Higher Education and Scientific Research, was constituted and started working on June, 2021. By proposal from the Board for the Evaluation of Higher Education and in accordance with the Minister of Education and Science, the National Council for Higher Education and Scientific Research created a Rulebook on the standards and procedures for external evaluation and self-evaluation, prepared bases of works for which the Ministry in charge of higher education provides access to teachers and associates selected at public universities. The list of relevant domestic and international events was also determined, at which artistic performances are considered in the accreditation of mentors and areas in which translations of capital works will be considered as referential scientific publications. The National Council prepared and created a Rulebook on the norms and standards for the establishment of higher education institutions and for the performance of higher education activities, as well as the preparation of the Rulebook on the norms and standards for establishing scientific institutes and for the performance of scientific research activity which is in the final stage. The Proposal - decree on measures and criteria for stimulating talented students and for scholarships for students who achieve above-average results in their studies is also being prepared by the council. Drafting of the Proposal - decree for determining the scientific research fields of the third level (areas), as an addition to the two levels of the International Frascati Classification and proposals for harmonization with the National Classification of Occupations according to the addition of the two levels of the International Frascati Classification, is underway. Drafting of the Rulebook on the content of study programs in accordance with the Law on Higher Education is also in progress.

Planned activities of the National Council for the period 2023-2025: preparation of the Rulebook that determines the professional and scientific titles, in accordance with the Law on Higher Education, launch of the activity in 2023, preparation of a Proposal - national program for higher education, Proposal - national program for scientific-research, Proposal - decree on calculations and criteria for financing higher education and Proposal - decree on calculations and criteria for financing scientific-research activity, starting with these activities towards the end of 2024.

Within the activities of the Twinning project "Further support for the implementation of the National Qualifications Framework" (Further support to the implementation of the National Qualifications Framework) with reference number MK IPA 17 SO 01 21 a Manual for practitioners in all higher education (HE) and VET institutions on the relevant themes and issues has been developed. It will include the practical guidelines and recommendations, as well as instruments for the implementation and development of the internal and external QA measures according to the policy goals, requirements of (correspondingly) NQF, EHEA-QF, ECVET, ECTS, EQAVET, latest developments in the Bologna Process.

Amendments on the NQF Law are in final stage, relevant stakeholders have given their opinion on the draft version. This Law is closely connected to the Law on vocational education and training in the part of the functionality of the Sectorial councils and the VET Council regarding procedure for development and adoption on new occupational standards. Additionally, IT equipment for NQF purposes is being provided, delivered and tested in the premises of the MoES.²

The Ministry of Education and Science is in charge of this measure.

a. Planned activities in 2023

Planned activities	Responsible institution
Adoption of a new Law on vocational education and training with separate chapters for Regional VET Centres and dual education	Ministry of Education and Science, VET Centre
Adaptation and reconstruction of 3 Regional VET Centres	Ministry of Education and Science, VET Centre
Development of Standards for higher education qualifications, primarily for professions in the field of education, such as pedagogue, psychologist, caregiver, educator	National Qualifications Framework Board; Ministry of Education and Science; Higher education institutions
Establishment of 5 sectoral commissions: for geology, mining and metallurgy, art, graphic design, forestry and wood processing and for sports and recreation	National Qualifications Framework Board
Adoption of amendments of the NQF Law	Ministry of Education and Science
Preparatory activities for evaluation and adoption of a bylaw on methodology for evaluation of qualification standards registered in the Register (validity period 4 years)	National Qualifications Framework Board; Ministry of Education and Science
Rulebook that determines the professional and scientific titles, in accordance with the Law on Higher Education	National Council for Higher Education and Scientific Research

b. Planned activities for 2024

Planned activities	Responsible institution
Transversal skills training at the request of employers	Employers; Providers of educational services
Establishment of a system for validation of non-formal education for acquiring specific qualifications - recognition of previous learning	Ministry of Education and Science, VET Centre, AEC
Development and implementation of programmes for post-secondary education and harmonisation of the national VET and adult education systems with EQAVET+.	Ministry of Education and Science, VET Centre, AEC
Further implementation of the NQF as a basis for achieving a coordinated and more efficient quality assurance system of the process for developing qualifications, validation and accreditation	National Qualifications Framework Board; Ministry of Education and Science
Alignment and harmonisation of the NQF digital register with other national and international registers	National Qualifications Framework Board; Ministry of Education and Science
Proposal - national program for higher education	National Council for Higher Education and Scientific Research
Proposal - national program for scientific-research	National Council for Higher Education and Scientific Research
Proposal - decree on calculations and criteria for financing higher education	National Council for Higher Education and Scientific Research
Proposal - decree on calculations and criteria for financing scientific-research activity	National Council for Higher Education and Scientific Research

c. Planned activities for 2025

² <https://cfcd.finance.gov.mk/tenders/publicTender/detailedTender/284?tab=latestPublications>

Planned activities	Responsible institution
Establishment of a system for validation of non-formal education for acquiring specific qualifications/recognition of previous learning	Adult Education Centre; Special accredited institutions for validation of non-formal education
Development of 5 qualifications at level V - specialist and post-secondary education for the needs of the labour market and the possibility of self-employment for trades	National Qualifications Framework Board; Sectoral commissions; Ministry of Education and Science; VET Centre; Crafts Chamber,AEC, Providers of educational services
Strengthening the quality assurance aspect of education and training in the context of lifelong learning	National Qualifications Framework Board; Sectoral commissions; Ministry of Education and Science; VET Centre; Crafts Chamber,AEC, Providers of educational services
RCSOO in some of the other 5 regions in the country	Ministry of Education and Science, VET Centre, AEC
Proposal - national program for higher education	National Council for Higher Education and Scientific Research
Proposal - national program for scientific-research	National Council for Higher Education and Scientific Research
Proposal - decree on calculations and criteria for financing higher education	National Council for Higher Education and Scientific Research
Proposal - decree on calculations and criteria for financing scientific-research activity	National Council for Higher Education and Scientific Research

2. Results indicators

Indicator	Baseline (2020)	Intermediate target (2021)	Intermediate target (2022)	Intermediate target (2023)	Target (2024)	Target 2025
Ratio of students enrolling to VET schools compared to general education	58%-42%	60,3%-39,7%	62%-38%	64%-36%	64%-36%	64%-36%
System for VNIL	-	Piloting 1	Piloting 2	Piloting 3	Efficient system for validation	Established system for validation
Number of established Regional VET Centres	Adoption of changes in the Law	Refurbishment and Transforming 3 VET schools	Functional 3 Regional VET centres	Purchase of equipment and development of programmes for 3 regional VET Centres	New 2 Regional VET centres established	Functional 5 Regional Vet Centres
Ratio of participation in Life Long Learning (from 25 - 64 participating in education or training) (%)	2.8	3.0	3.0	3.1	3.2	3.2
Ration of early leavers from education and training at age 18 – 24 (%)	7.1	7.0	7.0	6.9	6.8	6.7

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	2023	2024	2025
1. Budgetary expenditures*	4,048,502	4,208,502	4,208,502
2. Non-budgetary financing	1,523,502	1,523,502	1,523,502
2.1 of which IPA funding, including WBIF funding	1,523,502	1,523,502	1,523,502
Total	5,571,754	5,732,004	5,732,004

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

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

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. On the other hand, through the increased operability of the NQF, the employability, mobility and social integration of workers and students will increase.

6. Expected impact on the environment

The measure is expected to have neutral impact on environment.

7. Potential risks

Risks	Probability (low or high)	Planned mitigating action
Strengthening the framework for NQF	Low	Establishment of supporting bodies for support of NRCs (sectoral commissions) where the Organisation of Employers, trade unions, students, higher education institutions, government institutions, associations, etc. are involved.
Insufficient interest of the relevant parties, particularly employers, whose opinions and suggestions are crucial.	Low	Awareness raising for the role of NQF; Finding adequate instruments to motivate employers.

Measure 2: Increasing the flexibility and security of the labour market

According to the data published by the State Statistical Office, in the first half of 2022, positive developments can be noticed in terms of the unemployment rate. As of the second quarter of this year, the unemployment rate is characterized by a significant decrease and amounts to 14.5%. For comparison, in 2021 the unemployment rate was 15.7%. At the same time, the employment rate remained below the pre-pandemic peak at 47.3%. The youth unemployment rate (15-29) further decreased but is still high at 24.3%. Informality has also declined considerably, from 24.9% in 2010 to 12.9% in 2020.

The Operational Plan for Active Employment Programmes and Measures and Labour Market Services for 2022 is being implemented, with a planned coverage of 14,685 people and a budget of approximately EUR 30 million, which represents an increase of 20% compared to 2021. The Operational Plan for 2022 is focused on programmes and measures adjusted to the needs of the most vulnerable categories of unemployed and includes active labour market measures that should encourage and support job creation and increase the employability of the unemployed, in particular of the young unemployed, long-term unemployed, social assistance beneficiaries, Roma, etc.

Non-standard forms of employment (NSE) are a common feature of the labour markets worldwide, and North Macedonia is no exception. While the world of work has changed, labour legislation and collective bargaining did not. This has left many new types of workers jobs non-regulated and out of the social protection system, but also led to lost tax revenues for the state.

Labour Force Survey (LFS) data do not show a rise in the non-standard employment in North Macedonia, which may be a result of the failure of the LFS to capture the growing diversity of employment relationships (agreements).³ LFS data also show a very small use of work from home and temporary agency work. In 2020, only 0.2% of wage employees were contracted through a temporary agency, whereas only 0.8% of employees were working from home. While work from home during the Pandemic was low, still it represented a large increase by 167%, from 0.3% in 2019.

The field study (qualitative) conducted by ILO provided evidence for the existence of some forms of non-standard employment, both the ones regulated by the Labour Relations Law and some other related laws, but also some types which fall under the auspices of other legislation (commercial law, contractual law, etc.). Moreover, the study found informal contractual arrangements, and confirmed the rise of the digital platform work.⁴

1. Description of the measure

This measure continues from the previous year, the implementation details are presented in Table 11. As additional consultations were needed to harmonise the proposal of the new Law on Labour Relations, previously determined deadlines for the activities planned to be realised by the end of 2022 have been prolonged and they will be completed in 2023.

The measure aims to contribute to improving the labour market and employment situation in the Republic of North Macedonia, through specific interventions that will lead to:

- Improving and further promoting of the labour market flexibility, through interventions in the area of labour legislation, which will enable further regulation of the legal framework regarding under-represented and non-standard forms of work and employment contracts.
- More efficient and more effective functioning of the labour market through modernising the legal framework that regulates the employment measures and labour market services and the entities that implement them.
- Additional expansion of the coverage and access of youth, women and various vulnerable groups of citizens to the active employment programmes and measures and labour market services; in this part, this measure is complementary with the measure “Enhancing the system for social inclusion of vulnerable groups”, that is, the part of the activities that refer to the “Labour Market Activation of Vulnerable Groups”.

This measure entails reforming and enforcing the core labour market legislation under the competence of the Ministry of Labour and Social Policy that is the Law on Labour Relations (LLR) and the Law on Labour Market Regulation. While the Employment Service Agency is the main implementing institution, the State Labour Inspectorate is in charge of enforcement of the LLR.

There is an increasing need, for both employers and workers, for new and non-standard forms of employment such as telework and work from home to be introduced and implemented due to the substantial changes we are witnessing regarding the way we work which includes up-to-date technologies and digital forms of communication. In addition to the relatively low representation of these forms of work in the Macedonian labour market, the health and economic crisis, caused by the COVID-19 pandemic, has increased the need for introduction and appropriate regulation and implementation of telework and work from home, which, among other things, represent an effective mechanism for protecting workers at the workplace, including their safety and health at work. The lack of regulation of these issues in the existing Macedonian labour legislation creates a legal vacuum in the application of telework and work from home and causes legal uncertainty for both employers and workers.

With a view to overcome these situations, which is expected to contribute to the general improvement of the labour market situation, these issues have been addressed in the draft text of the new *Law on Labour Relations*.

³ The LFS can be used to identify few forms of NSE such as temporary employment (mainly fixed-term contracts), part-time work, self-employment, informal work (defined either as an employment relationship with a non-registered business, or as without payment of social contributions), work from home and agency work.

⁴<https://sociojalendijalog.mk/wp-content/uploads/2022/03/NSE-EN-FINAL.pdf>

The preparation of the new LLR is in the advanced stage, whereby after its adoption activities will be carried out to ensure practical application, promotion of novelties, monitoring of the application and effects, and so on.

The *Law that regulates the labour market*, and the work of the Employment Service Agency of the Republic of North Macedonia, in particular, is also being reformed. The new Law regulates the active employment policies and measures (AEPM) in detail and defines the entities that implement the AEPM and the labour market services. The Law provides for contracting of external service providers, and establishes the procedure for their selection. Lifelong career counselling is introduced among the services offered by the Employment Service Agency, which can be provided by other entities that meet the requirements of the law. The employment brokerage performed by the Agency is being regulated in more detail. Employers' associations, chambers of commerce and trade unions will be able to establish foundations in order to carry out activities to improve employment opportunities at the national, local or branch level.

Furthermore, observations from the Council of Europe and the International Labour Organization (ILO) have been received on several occasions regarding the length of the periods of use of unemployment cash benefit, which, compared to the European ones, are too short and insufficient to serve their purpose. The new Law provides for the relaxation of the conditions for exercising the right to unemployment cash benefit and an increase of the current 1 month minimum duration of using the cash benefit to 3 months, and of the current 12 months to maximum period to 24 months.

The Ministry of Labour and Social Policy is in charge of this measure, in cooperation with the Employment Service Agency and the State Labour Inspectorate.

a. Activities planned for 2023

- Adopting a new Law on Labour Relations and preparing bylaws in compliance with the new Law;
- Activities for promoting the legal changes to the labour law aimed at increasing the labour market flexibility (non-standard forms of employment contracts, repetitive seasonal work, telework, work from home and so on);
- Organising education, trainings/seminars on the application of the new legal provisions for labour inspectors, employers' organisations, trade unions, Employment Service Agency, Public Revenue Office and other institutions, etc.;
- Adopting a Law on Labour Market Regulation and preparing bylaws in compliance with the new Law.

b. Activities planned for 2024

- Monitoring and evaluation of the application and efficiency of the new legal provisions regarding the increase of the labour market flexibility.

2. Results indicators

Presented indicators measure the expected labour market outcomes from the labour legislation reforms, especially among women and youth.

Indicator	Baseline (2021)*	Intermediate target (2025)**	Target (2026)**
Employment rate (20-64) - TOTAL	59.5%	60.0%	61.0%
Employment rate (20-64) - WOMEN	49.2%	49.6%	50.0%
Employment rate (15+)	47.2%	48.4%	49.5%
Unemployment rate of young people (15-29)	27.6%	27.0%	24.0%
Long-term unemployment rate	12.5%	12.0%	10.0%

*Source: State Statistical Office, Labour Force Survey (LFS)

** MLSP estimates. Target years shall be 2025 and 2026 as it takes time for the labour legislation reforms become effective in improving labour market outcomes as reflected in the official statistics

3. Expected impact on competitiveness

The successful implementation of this measure is expected to have direct impact on the competitiveness of the labour market for those who are unemployed and who belong to specific groups of vulnerable citizens through the measures aimed at increasing their employability, their activation and easier inclusion in the labour market. The measure will contribute to increasing the employment rate and decreasing the unemployment in the country, thereby also increasing the competitiveness of the Macedonian economy.

At the same time, the aspect of this measure on increasing the labour market flexibility and regulating the legal framework for the non-standard and thus far underused forms of work and employment contracts, should in turn contribute to improving the competitiveness of certain companies and businesses that would increase the use and application of these forms.

Looking from employers' perspective, for some employers, non-standard employments are a useful tool for greater flexibility, reduction of fixed costs especially in times of high uncertainty, whereas for others it is the only way to find the needed workforce. This is particularly relevant, having in mind that the last two decades are characterised by transition from an excess supply of workers to a tight labour market with a lack of workers as reported by employers. ILO research has shown, however, that the extensive use of non-standard employment may also result in challenges for employers due for instance to increased absenteeism, possible conflicts between permanent and temporary staff, etc. Therefore, the new Law on Labour Relations intends to encourage the new forms of work organisation in such a way that flexibility and security go together and the quality of jobs and hence performance is enhanced.

The new Law on Labour Market Regulation will strengthen career counselling and employment brokerage of the Employment Service Agency, which should eventually result in more relevant workforce supply for the employers. This is complemented by the opportunity of employers' associations, chambers of commerce and trade unions to get engaged in activities aiming at improving the employment opportunities at the national, local or branch level.

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

In EUR	2023	2024	2025
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	45,000**	0	0
2.1. of which IPA funding, including WBIF funding	0	0	0
Total	45,000	0	0

*national public finance sources

** International Labour Organisation (ILO) funding

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

The measure has a direct impact on employment as reflected in the selected results indicators and on improving the opportunities for decent employment in the labour market in the Republic of North Macedonia. And of course, through that, on improving the social status and the socioeconomic situation and position of the persons who will be directly covered and affected by the implementation of the planned activities, both in regard to the flexible and non-standard forms of employment, and the persons that will be covered by specific active programmes and measures for employment and measures for activation in the labour market.

For some workers, the non-standard employment is a choice as it brings greater flexibility in working hours, own organization of the work, higher earnings, etc. This is true for young men and women who are mostly engaged as online platform workers. However, for plenty of workers the non-standard employment is the only option for earning an income which is also associated with low (or non-existent) labour and social protection. Regulation of the non-standard employment forms that are not formally an employment relationship will enable workers to benefit from the labour protection and rights such as minimum wage, social security coverage, paid sick leave (and maternity leave), safety and health at work, etc.⁵ Persons with disabilities may well benefit from the non-standard work, which includes usage of information technology.

The incidence of home-based work is higher among women. In principle, home-based work and telework is expected to help more women to combine their duties around home and taking care of children and elderly with developing a professional career.

One of the basic principles that are always respected and observed in the design, but even more so in the implementation of specific active employment measures is the equal gender representation. One of the special priority target groups to which the active employment programmes and measures and the integrated activation

⁵ Ibid.

measures are directed, are the persons who are in an unfavourable social position, primarily the young people not in employment, education and training as well as the beneficiaries of guaranteed minimum assistance, who also tend to be long-term unemployed. The new Law on Labour Market Regulation will allow for more targeted services and support for these clients of the Employment Service Agency. Employment, improving employability, their integration into the labour market and improving the economic status of these citizens, have a direct impact on the poverty and social exclusion situation. Likewise, easier access to the unemployment insurance cash benefit and the extension of its minimum and maximum duration of use will improve the income security of the people who lost their jobs.

6. Expected impact on the environment

The implementation of this measure is not expected to have immediate environmental impacts, except in the area of the specific measures and programmes for encouraging employment and job creation in the so-called “green” economy and/or the acquisition of skills leading to “green jobs. In addition, teleworking and work from home may lead to energy saving and less CO2 emission – they allow for saving time and costs on travel to and from work/parking/maintenance.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating actions
Lack of interest and/or existence of mistrust among businesses about using more flexible and non-standard forms of work and employment	low	It is necessary to realise specific activities aimed at raising awareness and promoting these forms of work and motivating employers and workers to use them
Lack of human and other capacities and resources in the Employment Service Agency to efficiently implement active measures in the labour market	high (medium)	Realising new employments, trainings employees, improving physical capacities and work processes in the Employment Service Agency of the Republic of North Macedonia
Failure to adopt the envisaged laws	medium	Adjusting the strategy (meaning the planned activities) for unforeseen situations and priorities according to the newly developed situation.

Measure 3: Enhancing the system for social inclusion of vulnerable groups

1. Description of the measure

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

The measure arises from and builds on the reform of the social protection system whose aim is to reduce poverty, especially for the vulnerable categories and their successful reintegration into society. The measure is complex and includes several parallel activities that complement each other and are important for supporting the activation and social inclusion of people in a vulnerable position, and of youth in particular. Moreover, there is a need to further deepen the cooperation between the employment and social work services, in order to better profile and support the transition of people in a vulnerable position (e.g. youth, persons with disabilities) from welfare and inactivity to work. At the same time, the conditions and the capacities of the private and non-government social service providers, including social enterprises also need to improve, as these providers could also be involved in outreach activities with vulnerable groups and facilitating their transition to the labour market. In addition, it is important to enact the law on social enterprises, which will enable the development of enterprises for work integration, which will help develop the skills of people who are far from the labour market. The professional rehabilitation as a precondition for successful inclusion of persons with disability and other vulnerable individuals into the open labour market needs to be promoted, and the provision of this service by external service providers, including social enterprises shall be regulated.

Validation of informal and experiential learning is an important way to reduce the shortage of appropriate skills in the labour market. It also facilitates the integration of vulnerable groups and unemployed and low-skilled people into the formal economy. Once the validation system is established, the adult education will be linked with the Employment Service Agency and through various programs persons without education who are registered with the Employment Service Agency will be able to complete the education and thus their employability will be improved.

Social services are central to ensuring equality in opportunities leading to better human capital outcomes for all, poor and vulnerable population in particular. Hence, the measure furthers the expansion of the coverage and range of social services across municipalities. It also sustains the reform of the management and quality assurance of social services.

The Ministry of Labour and Social Policy is in charge of this measure.

The activities covered by the measure are grouped into two components:

I. Inclusion of vulnerable groups through activation

a. Activities planned for 2023

- Adopting the Law on Employment and Insurance Against Unemployment whose provisions enable the provision of supported employment services by various service providers;
- Adopting the Law on Social Enterprises, which creates ground for social enterprises that focus on improving employment prospects for the vulnerable population;
- Adopting the Law on Employment and Professional Rehabilitation of Persons with Disabilities and by-laws regulating employment, including the professional rehabilitation of persons with disabilities;
- Developing a single system (methodology and procedures) for disability assessment;
- Implementing the active employment measure "Care economy" through establishing new services for home assistance and employment support for unemployed persons;
- Activation of youth who are members of families beneficiaries of GMA through offering trainings, re-qualifications and employment envisaged under the Youth Guarantee;
- Adopting a new Law on Adult Education which will provide the basis for establishing a system for validating of informal and informal learning and will improve the visibility and transparency of the skills and competencies of the workforce.

b. Activities planned for 2024

- Establishing centres for professional rehabilitation of persons with disabilities;
- Developing social enterprises for professional training of persons who are farthest from the labour market;
- Activation of youth who are members of families beneficiaries of GMA through offering trainings, re-qualifications and employment envisaged under the Youth Guarantee;
- Developing centres for validation of the attained knowledge and introduction of measures for re-qualification and retraining in order to provide a qualified workforce according to the needs of the labour market.

c. Activities planned for 2025

- Developing and supporting the centres for professional rehabilitation of persons with disabilities;
- Further developing and supporting social enterprises for social integration and professional training of persons farthest from the labour market;
- Activation of youth who are members of families beneficiaries of GMA through offering trainings, re-qualifications and employment envisaged under the Youth Guarantee;
- Continuing the activities for validation of the prior knowledge and implementing measures for re-qualification and retraining in order to provide a qualified workforce according to the needs of the labour market.

II. Improving the availability of quality social services

a. Activities planned for 2023

- Developing and putting into use the new software that integrates cash benefits and social protection services;
- Preparing a Rulebook on co-payment to the price of social services;
- Developing local community social services in 10 additional municipalities;

- Transforming residential institutions for persons with disabilities, opening of new services in the local community intended to support the independent living of persons with disabilities and their active inclusion in society and employment support;
- Adapting and transforming the PI Institute for rehabilitation of children and youth with disabilities – Skopje into a modern centre which will offer social services for children/persons with disabilities in the local community.

b. Activities planned for 2024

- Developing and putting into use the new software that integrates cash benefits and social protection services;
- Further developing the system for monitoring, supervision and quality assurance of social services in line with national social services quality standards, through developing quality standards, appropriate monitoring procedures and mechanisms, for all types of social services provided in the Law on Social Protection.

Implementing the employment measures in the area of care economy/development of social services providers according to the needs of the citizens.

c. Activities planned for 2025

- Continuing the activities for further development of the system for monitoring, supervision and quality assurance of social services provided in the Law on Social Protection.
- Implementing the employment measures in the area of care economy/development of social services providers according to the needs of the citizens.

2. Result indicators

Indicator	Baseline	Intermediate target (2025)	Target (2026)
Poverty rate ⁶	21.8% (2020)	21%	20.5%
% of people living in households with very low work intensity (0-59)	15% ⁷ (2020)	14.8%	14.5%
% of severely materially deprived people ⁸	28.6% (2020)	-	28%
Number of licenced services	69	80	100

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

The funds for implementation of the activities are estimated to EUR 44.906.000 for 3 years covering the costs forestablishment and running of the supported employment and social services.

In EUR	2023	2024	2025
1. Budgetary expenditures*	14.937.000	14.169.000	13.400.000
2. Non-budgetary financing	1.100.000	1.000.000	300.000
2.1 of which IPA funding, including WBIF funding	1.100.000	1.000.000	300.000
Total	16.037.000	15.169.000	13.700.000

*National public finance sources

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

Linking cash transfers with the measures for labour market activation and social services contributes to exiting the poverty circle, economic strengthening and social inclusion, i.e. achieving the target poverty rate of 20.5% in 2026 as well as decreasing the percentage of severely materially deprived people to 28%. The measure will contribute to optimal utilisation of financial resources for the provision of social services.

⁶ <https://makstat.stat.gov.mk/>

⁷ https://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat_ZivotenStandard_LaekenIndikatorSiromastija/375_ZivStd_Mk_LaekenINTENZITET_ml.px/table/tableViewLayout2?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

⁸ Ministry of Labour and Social Policy, Register of social providers of social services

Furthermore, the social services sector is labour intensive, hence its growth has a potential to create a great number of jobs that attract dominantly women. Hence, the development of the care economy through pluralization of service delivery, enables employment of caregivers and support for vulnerable groups of citizens, especially in regions without industry and with high concentration of older population. Moreover, social enterprises may play a significant contribution in local economy through job creation, improving quality of life and provision of quality social services. An important aspect of the quality of services is the hiring of care givers with a regulated employment relationship which is important to promote decent working this sector and to ensure access to quality social and health care.

Improving the availability and access to social care services is essential on its own if women are to have equal opportunities in the labour market. Most of the newly created services are provided to the elderly. Traditionally, the care for the frail members of the household falls to women, so the availability of services for provision of care to the elderly and frail and persons with disabilities is important for balancing work with family responsibilities. Within this measure, appropriate activities are planned to strengthen the capacities and employability of women from vulnerable categories. Gender equality will be respected in the implementation of this measure. It is expected to contribute to an increase in the employment rate of women to 50% (the target value for 2026 as set in measure 2 of this program).

It is in the common interest of the Ministries of Labour and Social Policy and Education and Science to establish a system for validation of formal, informal and informal learning. The system for validation of formal, informal and informal learning will enable the acquisition of qualifications of non-skilled or low-skilled persons, thereby their greater participation in the labour market is expected, with the ultimate aim of reducing the unemployment rate in the country. Thus, the visibility and transparency of the skills and competencies of the labour force will be improved in the labour market that lacks qualified workers.

5. Expected impact on the environment

Reducing poverty and social exclusion has an impact on the lifestyle of the population (e.g. by using energy that is less harmful to the environment) and creates conditions for improving the environment.

6. Potential risks

Risk	Probability (low or high)	Planned mitigating actions
Stakeholder resistance	High	Consultations and dialogue with employers and their associations, as well as with the association of sheltered companies; Gradual reduction of the benefits for sheltered companies and their inclusion as providers of professional rehabilitation.
Low interest by the municipalities for service development and lack of human potential	Low	Direct contacts with all municipalities, organising roundtables, focus groups, development of measures for retraining the unemployed persons for services delivery
Untimely implementation of a new software resolution for social protection rights and services	Medium	Detailed process monitoring
Resistance in maintaining the cooperation between the Centres for Employment and the Centres for Social Work regarding activation of vulnerable groups	Medium	Monitoring, coordination and dialogue between the institutions and introduction of clear rules of interinstitutional cooperation
Failure to adopt the envisaged laws	Medium	Adjusting the strategy (meaning the planned activities) for unforeseen situations and priorities according to the newly developed situation

Measure 4: Strengthening the quality of the Primary Health Care *(in process of updating)*

1. Description of the measure

This is a new measure that has been introduced in ERP 2021-2023.

Given that the population in the country is aging, which affects the organisation and costs of health, as well as the fact that health care is mainly focused on hospital treatment due to underdeveloped primary health care, it is necessary to overcome these shortcomings in the current health system through appropriate reforms, in order to optimally use the resources and increase the effectiveness of public health expenditures.

Although the focus of the health system has been on tackling the pandemic caused by the covid-19 virus, the Ministry of Health and the Health Insurance Fund remain committed to implementing primary health care (PHC) reform whose main goal is to improve the health of the population, by improving the quality and availability of primary health care and providing comprehensive primary care.⁹

The focus of the measure is the reform of the primary health care¹⁰, which should encourage treatment of certain health conditions on primary level and reduction of number of referrals to a higher level of health care that will lead to decrease the cost. The measure will encourage and ensure the improvement of prevention, defining and applying standards for the provision of services in accordance with evidence-based medicine, developing guidelines and protocols. It is expected to encourage and motivate a larger number of general practitioners to specialise in family medicine and change in the payment model from the Health Insurance Fund, encouraging the realisation of certain health services by nurses and facilitating administrative work.

Health indicators show that the mortality rate from chronic diseases (cardiovascular disease, diabetes, cancer, kidney disease) in our country is 70% higher than the average in the European Union. The fact that the Coronavirus has the strongest consequences in people with existing chronic conditions and diseases, once again confirms that all stakeholders in the health system must constantly strive to improve the health of the population in the long run. Therefore, GPs are the backbone of these efforts, which will be a process, not a moment in time.

The electronic system of "My Appointment (MojTermin)" was established in 2015 and its main objective is to create a system for scheduling and electronic health records. In order to improve the referral system, through the measure, the platforms planned to be upgraded with anew module for smart referrals through E-clinical guidelines to help making service decisions and improve coordination with secondary health care; Upgrading a new module for patronage nurses in the system "MojTermin" for easier monitoring and connection of the patronage service with the selected doctor and selected gynaecologist and also at a later stage and introduction of a tool for generating reports on public health that are necessary for the operation of the Institute of Public Health (IPH) and the Centres for Public Health (CPH), as well as the introduction of a tool for generating reports on the quality of services necessary for the preparation of performance analyses of health institutions.

Stakeholders of the process of implementation of the reforms in the primary health care are:

- The Ministry of Health and the Directorate of Electronic Health
- The Health Insurance Fund and
- Professional associations.

In order to successfully implement the reform and mitigate the risks, it is necessary to continuously implement campaigns to raise the awareness of the population and familiarise them with the changes in the work of PHC.

On December 7, 2021 at the proposal of the Ministry of Health the Government adopted the Health Strategy of the Republic of North Macedonia 2021-2030 with an Action plan.

a. Planned activities for 2022

1. Establishment of a national body for implementation of PHC reforms.
2. Development of PHC protocols:
 - For the selected primary care general medicine physicians for the five most common non-communicable diseases: diabetes, asthma, COPD, hypertension and hypothyroidism
 - For the selected primary care gynaecologists for prenatal care¹¹, cervical cancer and family planning¹²

⁹https://www.euro.who.int/__data/assets/pdf_file/0009/403020/MKD-PHC-report-160519.pdf

¹⁰<https://documents1.worldbank.org/curated/en/595391593096242357/Assessment-of-Primary-Health-Care-Capacity.docx>

¹¹The Guideline for pre-natal care is adopted in 2014; it's adaptation for use within this reform is to be completed.

¹²The protocol for family planning for PHC was developed in 2020/2021, as part of the overall "National guideline for family planning". It is still waiting its adoption

- For the selected primary care paediatricians for obesity in children and spinal deformities.
- 3. Development and codification of a List of interventions that can be provided by the selected PHC doctors (doctors in general medicine, gynaecologists and paediatricians).
- 4. Providing specialisation in family medicine for at least 20 doctors who already work as selected primary care doctors.
- 5. Amendments to relevant laws and bylaws.
- 6. Upgrading of software modules in the system of 'My appointment' for code of interventions, protocols and forms that should be filled in by the selected doctors when providing health services.
- 7. Conducting a public campaign and development of information and education materials related to the developed PHC protocols.
- 8. Equipping the departments of at least 300 of the selected family medicine specialists with a set of vital signs (otoscope, rhino scope, ophthalmoscope, blood pressure monitor, stethoscope), ECG and inhaler.

b. Planned activities for 2023

1. Development of additional PHC protocols:
 - Two protocols for the selected general medicine doctors from the primary health care;
 - One protocol for the selected primary care gynaecologists;
 - One protocol for the selected primary care paediatricians.
2. Development / adaptation, application and revision of six clinical guidelines based on evidence-based medicine, through the National Steering Committee for Clinical Guidance. Providing financial resources for the work of the Committee and preparation of the clinical guidelines.
3. Providing scholarship for specialisation in family medicine for at least 100 doctors who already work as selected doctors.
4. Equipping the selected family medicine doctors with spirometer and ultrasound devices - in average one spirometer and one on ultrasound device per three doctors, and establishing a process for their horizontal collaboration.
5. Equipping the selected primary care gynaecologists with 4D ultrasound devices (60 devices regionally distributed) and establishing a process for their horizontal collaboration.
6. Financial incentive (stimulation) for second nurse / administrator and incentives of the selected physicians who are specialists or specialising in family medicine.
7. Equipping the offices of the other 1200 selected primary care doctors with vital signs equipment (otoscope, rhino scope, ophthalmoscope, blood pressure monitor, stethoscope), ECG and inhaler.
8. Continuation of the public campaign and development of information and education materials related to the developed PHC protocols.
9. Upgrade modules to "My appointment".
 - Introduction of a new module for smart referrals, through E-clinical guidelines will help in making decisions about the services and will improve the coordination with the secondary healthcare;
 - Introduction of a new module for patronage nurses in the system "My appointment".
 - Creating a new profile - nurse in PHC.
 - Development of an electronic scheduling system for PHC.
10. Conducting training for the use of the new modules on "My appointment".

c. Planned activities for 2024

1. Development of additional PHC protocols:
 - two protocols for the selected general medicine doctors from the PHC;
 - one protocol for the selected primary care gynaecologists;
 - one protocol for the selected primary care paediatricians.
2. Development /adaptation, application and revision of six clinical guidelines based on evidence-based medicine, through the National Steering Committee for Clinical Guidance. Providing financial resources for the work of the Committee and preparation of the clinical guidelines.
3. Providing scholarships for specialisation in family medicine for at least 100 doctors who already work as selected primary care doctors.
4. Continuation of the public campaign and development of information and education materials related to the developed PHC protocols.

5. Financial incentive (stimulation) for second nurse / administrator and incentives for selected doctors who are specialists or for a specialisation in family medicine.
6. Upgrade to 'My appointment' through:
 - Introduction of a population health reporting tool.
 - Introduction of a tool for reporting on the quality of services.

2. Results indicators

	Baseline 2021	Intermediate target 2023	Target 2024
Referral to a higher level of health care	-	Reduction by 10% compared to 2019	Reduction by 20% compared to 2019
Percentage of patients with chronic non-communicable diseases (diabetes, hypertension, asthma/COPD and hypothyroidism) who are monitored at the primary level	0	30%	50%
Percentage of patients who underwent preventive examination for timely detection of the diseases envisaged with the developed protocols	0	30%	60%

3. Estimated costs for the activities and source of funding

Funds for the implementation of the measure are estimated at EUR 16,701,800.

In EUR	2022	2023	2024
1. Budget funding*	916,000	8,962,500	6,853,300
2. Non-budget funding	0	0	0
2.1 of which IPA funds including WBIF funds	0	0	0
Total	916,000	8,962,500	6,853,300

* National sources of public finance

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

The measure is expected to have a positive impact on increasing the number of employments of nurses and administrative and technical staff in PHC, to encourage equalisation of coverage with health services in all regions of the country and to strengthen the patronage service which will lead to more accessible health care especially for the vulnerable categories of citizens.

5. Expected impact on the environment

The measure will increase the awareness of the population for a healthy lifestyle through preventive activities, screenings and regular monitoring of chronic conditions in PHC and will indirectly affect the change of lifestyle, which means the use of alternative means of transport to prevent cardiovascular disease and diabetes and thus will improve the environment.

6. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Insufficient coordination, involvement and commitment among 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 the sustainability of the project.
Citizens' distrust in using specialist services with family doctors	High	Conducting media campaigns to increase trust in family doctors
Long-lasting process of transition from the concept of selected doctor to family doctor and lack of motivation for specialisation of doctors	High	Conducting additional education of family doctors in alternative ways through trainings and specialisations and their stimulation by the state
Delay of the functionalisation of the	Medium	Temporary adaptations of the by-laws to the Health

process for revision of the current Positive list of drugs by the Minister of Health, as a pre-requisite for alignment of the Positive list with the protocols	Insurance legislation
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2) *Fostering the green transition*

According to Commission Assessment of ERP 2022-2024, North Macedonia as a country with high energy intensity, inefficiency and aging energy system, inefficient energy consumption. Renewable energy still only accounts for a relatively small share of power generation and hydropower is the most exploited renewable source of energy. While energy transition and the sustainability of the energy system are priorities in the government programme, implementation will be challenge and needs to be accompanied by institutional capacity.

As a Non-Annex-I signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement, and a party to the Kyoto Protocol, North Macedonia undertakes regular activities to reduce greenhouse gas emissions and limit global warming. The country adopted a new Law on Energy and a Law on Energy Efficiency, which contain climate change mitigation measures mainly relating to the energy sector. Country's **transition to renewable sources** was going slow, leading to a downward revision of the renewable energy target from 28% to 23.9% of gross energy consumption in 2020 (UNECE, 2019). Some progress has also been made in aligning country's legislation with the EU acquis, in particular by establishing greenhouse gas monitoring and reporting mechanisms. Macedonian authorities plan to adopt a long-term strategy on climate action with a time horizon to 2050, which will consider the introduction of a carbon tax as a measure to reduce greenhouse gas emissions.

The country made only limited progress towards achieving a **circular economy**, with the recycling rates being extremely low at less than 1% of solid waste being recycled and almost 99% going to landfill (Eurostat, 2020). However, an increase from 27.08% in 2014 to 47.21% in 2018 has been observed in the recycling of packaging waste, despite the limited economic incentives to promote recycling (MAKStat, 2020). A new Law on Waste is being prepared with the goal of addressing the circular economy and secondary raw materials, and it is expected to be fully harmonised with the EU acquis in this area. North Macedonia currently generates 456 kg of municipal waste per capita, which is less than the EU average of 492 kg per capita, but it has been increasing since 2014 (Eurostat, 2020).

A number of bodies are responsible for **waste management** and thus the circular economy but, according to the government, there are issues with communication, and efficient co-ordination mechanisms are largely lacking. Lack of staff and financial resources among these bodies impede the implementation of measures. These are recognised issues which the government intends to tackle in its revision of the National Waste Management Strategy (2016-20) in 2021. The legislative framework pertaining to the overall municipal solid waste management has gaps and contradictions compared to the EU directives, while the laws and regulation do not provide the required clear and concise regulatory framework, which leads to a poor and ineffective implementation. An integrated regional system for waste management is under consideration but faces delays due to lack of administrative and financial resources (EC, 2020). Another problem with regards to waste management is the fact that waste collection and treatment infrastructure is heavily dependent on donor funds, with waste collection and treatment services being funded from the waste collection fees.

North Macedonia's **air quality** has been a moot point for a long period of time. Air quality above North Macedonia is monitored regularly with real-time data available on the national air quality web page. Although air quality has improved over the past decade, the economy still has one of the highest air pollution levels in Europe. In particular, there are high concentrations of fine particulate matter (PM 2.5), which during the winter period greatly exceed the national limits, as well as those set by the WHO and EU. For instance, the annual mean exposure to PM 2.5 is 33 µg/m³, which is more than three times the recommended highest levels by WHO, significantly above the EU average of 13.1 µg/m³ and somewhat higher than the WB6 average of 25.77 µg/m³ (World Bank, 2020a). The country has adopted a Plan for Clean Air (2019-20) and programmes for Air Quality for 2019 and 2020, whose main objectives are to raise public awareness about the need for air quality improvement and reduction of PM emissions, primarily through the introduction of energy efficiency measures in households and public buildings.

Another problem that the country suffers from is the underdeveloped **water supply and sanitation system**. Water pollution as a result of an insufficiently treated industrial and municipal wastewater is a major concern, which has aggravated during the COVID-19 pandemic as the deterioration of environmental health through poor water management and sanitation may increase the vulnerability of communities to the virus (OECD, 2020a). Apart from the regional sewerage systems to protect the natural lakes, only 12 cities have constructed separate sewerage systems. There were 24 wastewater treatment plants under operation in 2019, which accounts for 24.5% of the required capacity (UNECE, 2019). Skopje as the country's capital still lacks a wastewater treatment plant, whose construction started in 2020 but was delayed due to the COVID-19 pandemic.

Measures whose implementation is inevitable to foster green transition include:

- establish a platform in order to get all stakeholders involved in the development of a circular economy;
- improve the co-ordination between local and central authorities and strengthen the inter-sectoral cooperation on implementing further measures to increase air quality; and
- improve the wastewater system by increasing the number of wastewater treatment plants and applying the water-user and polluter-pays principles for all water users and dischargers.

Measure 5: Promotion of renewable energy sources

1. Description of the measure

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

The greater use of renewable energy sources (RES) and energy efficiency improvement (EEI) is one of the main strategic goals in the energy sector. In the area of renewable energy, the country will continue its current support mechanisms for RES electricity generation via feed-in tariffs and feed-in premia 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, as well as by increasing the biofuels consumption in the transport sector. These activities and measures will increase the country's efforts for achieving the ambitious target of 38% share of RES in gross final energy consumption by 2030 in accordance with our strategic documents.

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.

Table 5.1. Total installed capacity of producers from RES:¹³

Producers from RES (types of power plants)	2020 (in MW)	2021 (in MW)	2022 (MW)
hydro power plants (large + small)	705.85	706.1	744
wind power plant	36.8	36.8	36.8
biogas plants	6.9	6.9	8.9
photovoltaic power plants	29.72	45.3	121.1
Biomass plants	0.60	0.60	0.60
Total:	779.87	795.7	911.4

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 premia).

The Ministry of Economy in August 2021 published the third public call for granting the right to use premium for construction of photovoltaic power plants on private land for a total installed capacity of 80 MW, and it was opened by 05.10.2021. The most eligible bidders have signed the Agreements for right to use the premium in April 2022 and have 3 years to complete the construction of the PV plants. So far, 16 PV plants have been put into operation, with a total installed capacity of 31 MW. The Rulebook on Renewable energy sources (“Official Gazette” no. 112/19)¹⁴ introduces prosumers as new market participants. A prosumer is a household, small

¹³https://www.erc.org.mk/odluki/2019.07.23_GI%20za%20rabotata%20na%20RKE%20za%202018%20godina-ENG.pdf
 Годишен извештај на Регулаторната комисија за енергетика и водени услуги на Република Северна Македонија за 2020
https://www.erc.org.mk/odluki/2021.04.28_RKE%20GI%202020-final.pdf

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 Ministry of Economy in June 2022 has adopted Amendments to the Rulebook on Renewable energy sources ("Official Gazette" no. 138/22). The amendments enable every household, small consumer and budget user/unit user to enter into a contract for the supply and delivery of excess produced electricity with any electricity supplier, including the universal supplier.

Also, with the changes, it is possible for the prosumer to set up a PV plant with a higher installed capacity in order to fully satisfy their consumption, which makes the whole concept more attractive for certain categories of subjects.

Therefore, instead of the previous 4 kW, it is adopted that the installed capacity of the PV plant is not higher than 6 kW, for households and instead of the previous 20 kW, and it is adopted that the installed capacity of the PV plant is not higher than 30 kW, for a small consumer, budget user and unit user.

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 kW PV plant on a rooftop, could save up to EUR 500 annually and the return of the investment is expected to be between 6-8 years depending on the price of the equipment.

The Ministry of Economy in the Law on Amending and Supplementing the Energy Law (Official Gazette 236/22), among other things, proposed the competent body for the GO System (issuance and administration) to be transferred from the Energy Agency to the Electricity Market Operator (MEMO), in order to successfully implement this type of support. The Energy Community Secretariat started with the implementation of the project for establishing an efficient regional system for certification of renewable energy sources, which will enable the issuance of guarantees of origin, and then trade between the contracting parties, thus enabling integration within the European market. The electricity market operator (MEMO) actively participated in the project. The project is finalized in June 2022, after which, by June 2023 at the latest, each competent body of the contracting parties will have the option (but not the obligation) to sign an individual sublicense agreement with the service provider for the use of the national register and the regional system developed during the project.

The Law on Amending and Supplementing the Energy Law (Official Gazette 236/22) also includes new provisions that based on the approved plan for the development of the electricity transmission system and plan for development of the electricity distribution system as well as the data received from the relevant authorities, the Government, at the proposal of the Ministry, each year adopts an Indicative Plan for the construction of electricity production facilities from renewable energy sources. This plan especially contains data on: the technologies for electricity production for which the procedure for construction can begin in the period to which the Indicative Plan refers, the total installed power, by region, which can be connected to the transmission system, or to the distribution system and report on the implementation of the Indicative Plan for the previous year.

North Macedonia as a Contracting party of the Energy Community, is required to develop an integrated National Energy and Climate Plan (NECP). The NECP covers the period from 2021 to 2030, laying down the pathway to achieve the agreed 2030 targets, built 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 NECP takes a holistic approach and addresses the five main dimensions of the Energy Union in an integrated way.

The NECP was adopted by the Government in June 2022 as an indicative document.

Republic of North Macedonia, as a contracting party to the Energy Community, has an obligation to transpose the Amended Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources. Therefore, the Ministry of Economy with technical assistance has prepared GAP analysis on the provisions of the Directive that need to be transposed.

The Ministry of Economy has also prepared a programme for realisation of the Strategy for Energy Development which covers the period from 2021-2025. The Strategic environmental impact assessment was prepared and a public debate was held. After receiving comments from relevant stakeholders, it will be submitted to the Government for adoption.

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 Ministry of Economy with technical assistance has prepared a final draft text of the Law on biofuels in transport. The Law was not submitted to the Government, due to the GAP analysis on the transposition of the RES Directive 2018/2001, which shows that certain provisions of the draft Law on biofuels need to be revised and amended.

The Ministry of Economy is in charge of this measure.

a. Activities planned in 2023

- Adoption of Decree on Guarantees of origin by the Government on a proposal of the Ministry of economy
- Adoption of bylaws by MEMO to establish the system of Guarantees of origin
- MEMO will conduct a procedure for public procurement for selection of Provider that will establish a national electronic register/domain for administering guarantees of origin
- Adoption of Rulebook on form and content of the Indicative Plan for the construction of electricity production facilities from renewable energy sources
- Adoption of Indicative Plan for the construction of electricity production facilities from renewable energy sources
- Adoption on Rulebook on installers licensing
- Preparation and adoption of Amendments to the Energy Law/ preparation of new Law on Renewable Energy Sources to transpose the provisions of the RES Directive 2018/2001
- Preparation of Amendments to the draft Law on biofuels
- Adoption of Law on biofuels
- Adoption of a revised National Energy and Climate Action Plan
- Ministry of Economy will publish a public call for subsidizing households which will install photovoltaic power plants for self-consumption.

b. Activities planned in 2024

- Establishment of fully operational system of guarantees of origin by MEMO
- Preparation of bylaws regarding RES that will arise from the Amendments to the Energy Law / new Law on Renewable Energy Sources
- Preparation of Report for realization of the Indicative Plan for the previous year

c. Activities planned in 2025

- Preparation of Action plan on biofuels
- Preparation of bylaws on biofuels
- Implementation of measures from the National Energy and Climate Plan.

2. Result Indicators

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 (2018)	Intermediate target (2022)	Intermediate target (2023)	Target (2025)
Share of RES in the final consumption	18.2%	24%	26%	29%
Share of RES in electricity	24.8%	34%	37%	46%
Share of RES in transport	0.1%	3%	3%	5%
Share of RES in heating and cooling	32.2%	37%	40%	42%
Total installed capacity of RES	766.37 MW	1,087 MW	1,162 MW	1,493 MW

Despite the energy crisis, Republic of North Macedonia, remains committed to the green transition, firstly by fostering investment plans in construction of RES power plants by the state owned company ESMas shown in their Investment plan.

Total number of PV plants	Estimated investment value	Installed capacity [MW]	Annual electricity production [GWh]	Start-End of project	Financing
	(Euro)				
9	243,700,000	327	501.9	2018-2025	EBRD, KfW, ESM, JSC
Total number of Wind power plants	Estimated investment value	Installed capacity [MW]	Annual electricity production [GWh]	Start-End of project	Financing
2	91.000.000	63	164	2021-2027	KfW

3. Expected impact on competitiveness

An increasing number of companies are turning to renewable energy to reduce their emissions and to strengthen their future competitiveness. Guarantees of Origin benefit companies by providing proven and verifiable emission reductions. They are efficient, acknowledged, and legislation-backed means to document and formalize the commitment to sustainable electricity. Regarding self-consumption, the share of distributed energy sources is rapidly increasing which impacts the energy markets in various aspects that are of regulatory relevance. From a system point of view, self-consumptions an additional tool to meet renewable energy targets, can help to reduce network losses and peak loads, increase energy efficiency, improve demand response and consumer engagements consumers can choose to produce part of the electricity for their own needs. The Indicative plan is expected to improve the planning for construction of RES plants, as well as the planning for development of the transmission and distribution network and give investors better overview on the RES investment potential. The implementation of the Law on biofuels will enable better conditions for performing energy activities, a stable legal and regulatory framework and a higher potential for investment in the energy sector. Licencing of installers will enable quality service on the market, given that only licensed persons will be able to perform this activity. Construction of new RES power plants will increase the installed capacity and also increase the domestic electricity generation.

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

In EUR	2023	2024	2025
1. Budgetary expenditures*	500,000	500,000	500,000
2. Non-budgetary financing	0	30,000	23,000
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	500,000	530,000	523,000

*national public finance sources

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

Licencing of installers will enable new employment and expansion of the market. Also subsidies for instalment of PV plants for households can be considered to be awarded to energy vulnerable consumers. Creating a system of guarantees of origin that will increase the value of projects in RES.

6. Environmental impact

Guarantees of Origin make it possible to make credible renewable energy usage claims. Guarantees of Origin are cost-effective, flexible, and highly credible. They are ideal for companies that seek a simple solution to reduce their carbon footprint and meet renewable energy targets. Construction of new RES power plants will contribute to emissions reductions, as well as increasing the share of biofuels in the gross final energy consumption in transport, the share of fossil fuels that have negative impacts on the environment, especially on air quality, will be reduced. The increased share of biofuels in energy consumption will contribute to reducing greenhouse gas emissions in 2030 by about 210 kt CO₂-eq. The percentage reduction in greenhouse gas emissions will depend on the type of biofuel and the technological generation to which it belongs.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Delay in planned construction of RES power plants due to lengthy permitting procedures	High	New energy legislation (laws and bylaws), as well as other legislation relevant for RE investments (urban planning, construction and environment) should transpose declarative provisions from the RES Directive and make them more specific, including where possible further simplification and acceleration of procedures. (Streamlined and expedited administrative procedures, objective, transparent and proportionate rules concerning authorization, certification and licensing, transparent and cost-related administrative charges simplified and less burdensome authorization procedures). The new energy legislation should fully transpose and further specify these obligations for establishing contact points and/or one-stop shop system for RE administrative permit applications and granting process. Therefore, there is an intervention needed in every single law that has provisions on permit granting procedures with the objective of further simplifying and accelerating procedures for RE producers. (To shorten the process to 2 years, i.e. 1 year for smaller power plants).
Delay in construction of rooftop PV plants for own consumption in households and small consumers	Medium	Establishment of simple-notification procedure for grid connections of renewables self-consumers. Changes to the Electricity Distribution Grid Code should be made in order to make the procedure for connection to the grid of renewables self-consumers even simpler (e.g. less documents and shorter deadlines).
Delay of Enabling guarantees of origin for all energy carriers	Low	Following the enactment of these Energy Law amendments, the RES Rulebook will be changed to delete the provisions related to GoO, and at the same time the Decree on GoO and Rules of the Electricity Market Operator will be adopted, where additional harmonization with the RES Directive, AIB standards and/or EnC regional electronic platform for GoO will be done, if and where needed.

Measure 6: Improvement of Energy Efficiency

1. Description of the measure

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

The Law for energy efficiency was adopted in 2020. In order to enable full and uninterrupted implementation of the legal framework for energy efficiency, it is necessary to adopt all bylaws arising from the Law on Energy Efficiency.

As one of the major challenges in the focus is development of functional Energy efficiency Fund (EEF). The base for development of EEF is in article 30 of the Energy efficiency law.

The mission of the EE Fund would be to finance eligible EE subprojects implemented by municipalities and other public sector entities that would use the energy cost savings resulting from the EE subproject to repay the financing costs. The proposed EE fund would introduce 'a pay from savings mechanism' to help establish a critical precedent to help the government transition away from grant financing to more sustainable financing. The repayments would be used by the EE Fund to finance additional subprojects, thereby making the funds revolve over time. The Fund is expected to cover its operating costs through administration fees and eventually become a sustainable financing and implementation entity. Firstly, EEF will be focused on municipalities and other public entities with possibility to broaden the scope for residential sector. The Government of North Macedonia decided that the EEF will be established within the Development Bank of North Macedonia (DBNM, formerly the Macedonian Bank for Development Promotion or MBDP) and has looked to the World Bank and EU to help capitalise its start-up. It is needed to adopt the relevant regulatory changes to allow DBNM to perform the functions required to manage the EEF, provide financial services to public entities and address operational issues. In addition, the Government will need to establish the EEF governance, management and operations and define its organisational and administrative set-up.

Regarding the development of EEF, this year consultants were selected and they are actively working on analysing the current legal framework in the country for development of the EEF and also defining strategic goals and mission of the EEF. The consultants also analysed all possibilities for developing EEF as separate body or in DBNM, (four options) and these options were presented to the working group in September 2022. As the most practical and favourable solution is to be developed under DBNM. Next step is preparation of the concept about developing of the EEF and at this time consultants are working on it and after that all remaining procedures until full establishment of the EEF.

Under the Instrument for Pre-Accession Assistance (IPA II), preparation of inventory of public buildings will be developed. The aim is to make a systematisation and classification of all public buildings in the country, where the owner is the country, with their basic information. For some of the buildings which are classified as buildings with the worst energy characteristics, energy audits will be performed. At this moment ToR is under preparation for selection of the consultants who will work on the project.

A Study with a typological approach for energy assessment of residential buildings in the country is underway in accordance with the TABULA methodology (Typology Approach for Building Stock Energy Assessment), which will contribute to the systematisation of the housing stock in our country and will be the starting point for a Strategy for reconstruction of buildings until 2030. The typology will make a clear conditions for classification of all types of buildings in the country, for which will be needed to provide measures for energy reduction in Strategy for reconstruction of the buildings. The preparation of this Study stopped because census was ongoing and now again is in procedure of preparation with the final results of the census.

Having gained an understanding of the nature of the building stock and its energy performance, the next step is to assess different renovation options through development of Strategy for reconstruction of buildings. The aim in all cases should be to achieve deep renovation of the property, ideally in one stage, through a combination of energy efficiency measures and renewable technologies. The suggestions in development of the strategy are to take into account different categories of buildings like representative reference buildings: single-family buildings; apartment blocks/multifamily buildings; office buildings; and one additional category of non-residential building. Measures provided in the Strategy beside energy savings should cover different aspects: economic, social, ecological, and other synergy system benefits.

The Rulebook on energy characteristics of the buildings, Rulebook on energy audits of buildings, Rulebook on energy audits at large enterprises are finished, public consultation is held for Rulebook on energy characteristics of the buildings, Rulebook on energy audits of buildings and procedure for adoption started, so after that the focus will be on issuing new certificates and licenses and selecting trainers for new trainings for energy audits, and also developing a Tariff rulebook for energy audits. Rulebook for energy labelling and Rulebook for MVP (Monitoring and verification platform) are finalising therefore the implementation will be in the next period. Also, the remaining by-laws resulting from the Law on Energy Efficiency will be drafted. The Ministry of Economy is in charge of this measure.

a. Activities planned in 2023

- Adoption of amendments of Energy Efficiency Law or in Law for establishing DBNM for developing of the EEF (depending on the results from the analysis)
- Preparation of Inventory for energy performance for public buildings on the territory of Republic of North Macedonia.
- Preparation of typology of buildings needed for adoption of the Strategy for reconstruction of buildings by 2030
- Preparation and adoption of Strategy for reconstruction of buildings by 2030
- Issuing licenses and authorisations on energy audits in large traders and buildings
- Preparation the rest of bylaws arising from the Energy Efficiency Law

b. Activities planned in 2024

- Establishment of Energy efficiency Fund
- Implementation of the rest measures from NECP regarding EE

c. Activities planned in 2025

- Functioning of the Energy Efficiency Fund and possible broadening the scope for residential sector

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

2. Result Indicators

Indicators	2023-2025
Number of issued authorisations for energy audit in buildings	150
Number of issued licenses for energy audit in buildings	60
Number of issued authorisations for energy audit in large enterprises	70
Number of issued licenses for energy audit in large enterprises	50
MVP software	Functional
Energy efficiency investments in municipal public buildings -Number of successfully finalised energy renovation contracts	>50

3. Expected impact on competitiveness

The implementation of the measure will ensure increased resilience to energy price hikes, security and continuity in the energy supply of households and companies, as well as improvement of living comfort conditions.

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

In EUR	2023	2024	2025
1. Budgetary expenditures*	150,000	90,000	180,000
2. Non-budgetary financing	5,000,000	0	0
2.1 of which IPA funding, including WBIF funding	850,000	510,000	1,020,000
Total	6,000,000	600,000	1,200,000

*national public finance sources

**Note: the total sum of the loan for EE Fund is represented in 2023 because we don't have information about distribution of the money through years.

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 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 encouraged 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, so this measure will result in positive impact on environment.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Delay of the establishment of 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.
Lack of capacity and technical staff within the public institution (Ministry of Economy and Energy Agency) for timely implementation of the measure	Medium	New systematisation of the energy department the Ministry of economy is adopted. There is separate sector for energy efficiency but currently only one employee is in this sector. So, it is necessary to increase this number with new technical staff which could contribute for continuous implementation of the measure

Measure 7: Establishing wastewater collection and treatment infrastructure in accordance with EU requirements *(in process of updating)*

1. Description of the measure

The measure for establishing wastewater collection and treatment infrastructure in accordance with EU requirements (Water Framework Directive 2000/60/EC, Urban Wastewater Treatment Directive 91/271/EEC, Sewage Sludge Directive 86/278/EEC) is aimed at ensuring sustainable water management, through the construction of systems for collection and treatment of urban wastewater, as well as protection and conservation of water resources.

It will also contribute to implementation of the National Water Strategy 2012-2042, namely, measures and actions envisaged under chapter 5.3 - Water Protection. The water strategy establishes that the construction of sewage systems and waste water treatment plant to systematically increase and that in the first phase discharges from agglomerations of more than 15,000 PE should be covered. Secondary treatment should be provided for discharges from agglomerations of more than 2,000 PE, and more advanced treatment for agglomerations more than 10,000 population equivalents in designated sensitive areas and their catchments. The measure supports the implementation of other key national strategic and planning documents also, notably, the River Basing Management Plans (RBMPs), Flood Risk Management Plans (FRMPs), Spatial plan of Republic of North Macedonia and National strategy for sustainable development.

In order to bring improvement, several problems related to sewage collection and wastewater treatment need to be addressed:

- To harmonise national legislation in prioritised areas with EU legislation;
- To prepare planning documents that allow undertaking of measures and activities for implementation of the legislation within specified timeframe;
- Waste water treatment capacities have to be extended considerably;
- Sewage networks have to be extended and rehabilitated, and storm water systems separated from the sewage system;
- PUCs economic setup has to be improved to ensure cost recovery and sustainability of operations, including improved tariff setting practices, increased revenue collection rate, etc.;
- Human resource capability has to improve and incorporate relevant sector knowledge;
- Efficiency of PUCs operations has to increase;
- Regular monitoring of the urban wastewater quantities and quality has to be established, and the information system on waste water collection, treatment, discharge improved; public awareness for wastewater as a source of pollution and degradation of the environment has to be raised;

For the implementation of this measure, financial sources has been provided through IPA II (2014-2020) and loans from EIB and EBRD.

The measure aims to ensure extension of the length of sewerage networks, the number of households connected to the network, as well as the number of treatment plants and their capacity. The data from 2016 indicate that 64% of population has been connected to sewerage networks, while the capacity of the existing treatment plants in 2020 was 27.5% of the total needed capacity in the country. The investments in sewerage networks, collector systems and treatment plants are envisaged in the National Water Strategy 2012-2042 and aim to improve the coverage of the population with these investments, ensuring a higher quality of life of citizens, higher level of nature protection and developing preconditions for the implementation of the Green Deal and the Green Agenda for the Western Balkans.

a. Planned activities in 2022

- Tendering procedure and start the project for Improved Implementation of the EU Floods Directive through Harmonisation of National Legislation and Preparation of Flood Risk Management Plans.
- Tendering procedure and starting the activities for Development and Implementation of River Basin Management Plans for all River Basins (River Vardar, CrnDrim, Strumica) under the Water Framework Directive with Implementation of Measures.

- Tendering procedure for supply and Supply of Specific Equipment for Water Monitoring Information System.
- Tendering procedure and start the implementation of the project activities for Technical audit of existing wastewater collection and treatment plants systems in North Macedonia and preparation of necessary documentation for Supply of Water Equipment for Municipalities of Radovish, Kichevo, Strumica, Prilep, Berovo, Kumanovo, Bitola and Tetovo.
- Tendering procedure and start the implementation of the project activities for Further support in the implementation of the reforms in the water sector.
- Continuation of activities for Improvement of the wastewater collection infrastructure in the City of Skopje.
- Signing a Contract and start the implementation of the project for Rehabilitation and extension of the sewage network in the Municipality of Kichevo (104 km of network, 4630 new households connected).
- Conducting a tendering procedure and start the implementation of the project for Construction of Waste Water Treatment Plant and extension of the sewage network in the Municipality of Bitola (capacity 112.474 PE and 375 m extension to the existing collector sewer) and (9 km new + 13 km reconstructed).
- Conducting a tendering procedure and start the implementation of the project for Construction of WWTP (capacity 95 152 PE) and construction of sewage network in the Municipality of Tetovo (19 km main collector sewer + 32.4 km secondary foul sewer).
- Conducting a tendering procedure and start the implementation of the project for Construction of WWTP for the City of Skopje (Design and construction of the Central WWTP for 625.000 PE up to 2035).

b. Planned activities in 2023

- Continuation of the project implementation for Improved Implementation of the EU Floods Directive through Harmonisation of National Legislation and Preparation of Flood Risk Management Plans.
- Continuation of the project implementation for Development and Implementation of River Basin Management Plans for all River Basins (River Vardar, CrnDrim, Strumica) under the Water Framework Directive with Implementation of Measures.
- Continuation of the project implementation for Supply of Specific Equipment for Water Monitoring Information System.
- Continuation of the project implementation for Technical audit of existing wastewater collection and treatment plants systems in North Macedonia and preparation of necessary documentation for Supply of Water Equipment for Municipalities of Radovish, Kichevo, Strumica, Prilep, Berovo, Kumanovo, Bitola and Tetovo.
- Continuation of the project implementation for further support in the implementation of the reforms in the water sector.
- Continuation of activities for Improvement of the wastewater collection infrastructure in the City of Skopje.
- Continuation of the project implementation for Rehabilitation and extension of the sewage network in the Municipality of Kichevo (104 km of network, 4630 new households connected).
- Continuation of the project implementation for Construction of Waste Water Treatment Plant and extension of the sewage network in the Municipality of Bitola (capacity 112.474 PE and 375 m extension to the existing collector sewer) and (9 km new + 13 km reconstructed).
- Continuation of the project implementation for Construction of WWTP (capacity 95 152 PE) and construction of sewage network in the Municipality of Tetovo (19 km main collector sewer + 32.4 km secondary foul sewer).
- Continuation of the project implementation for Construction of WWTP for the City of Skopje (Design and construction of the Central WWTP for 625.000 PE up to 2035).

c. Planned activities in 2024

- Continuation of the project implementation for Improved Implementation of the EU Floods Directive through Harmonisation of National Legislation and Preparation of Flood Risk Management Plans.
- Continuation of the project implementation for Development and Implementation of River Basin Management Plans for all River Basins (River Vardar, CrnDrim, Strumica) under the Water Framework Directive with Implementation of Measures

- Continuation of the project implementation for Supply of Specific Equipment for Water Monitoring Information System.
- Continuation of the project implementation for Technical audit of existing wastewater collection and treatment plants systems in North Macedonia and preparation of necessary documentation for Supply of Water Equipment for Municipalities of Radovish, Kichevo, Strumica, Prilep, Berovo, Kumanovo, Bitola and Tetovo.
- Continuation of the project implementation for further support in the implementation of the reforms in the water sector.
- Continuation of the project implementation for Rehabilitation and extension of the sewage network in the Municipality of Kichevo (104 km of network, 4630 new households connected) - Activities in the warranty period.
- Continuation of the project implementation for Construction of Waste Water Treatment Plant and extension of the sewage network in the Municipality of Bitola (capacity 112.474 PE and 375 m extension to the existing collector sewer) and (9 km new + 13 km reconstructed).
- Continuation of the project implementation for Construction of WWTP (capacity 95 152 PE) and construction of sewage network in the Municipality of Tetovo (19 km main collector sewer + 32.4 km secondary foul sewer).
- Continuation of the project implementation for Construction of WWTP for the City of Skopje (Design and construction of the Central WWTP for 625.000 PE up to 2035).

It is worth mentioning that under IPA 3, programming year 2022, two major projects are proposed: construction of WWTP for Veles (53.100 PE) and WWTP for Stip (53.700 PE), and construction of collector system for Vinica (19.000 PE) and its connection to the existing WWTP in Kočani. At the same time, a loan agreement from EIB in amount of 50 million EUR is planned to be concluded in 2022 for water supply and sewerage network for the municipalities in North Macedonia, thus not only the bigger but smaller and rural municipalities will have the opportunity to apply for financial sources according to their needs.

The main beneficiary in the implementation of the projects is the MoEPP, while the direct beneficiaries of the project results are the municipalities and the citizens of the Republic of North Macedonia.

2. Results indicators

Indicator	Baseline 2020	Intermediate target 2024	Target 2028
Number of WWTPs in the country	25	27	30
WWTP capacity (PE)	595,000	801,000	1,607,800
Percentage of population covered with the WWTPs	27.5	37.33	74.7
% of households connected to the wastewater treatment plants for agglomerations above 10 000 p.e.	16.8	21	
% of households connected to sewerage systems	68	75	
% of household served with waste collection service	75	80	

3. Expected impact on competitiveness

The measure for establishing infrastructure for wastewater collection and treatment in accordance with the EU requirements is expected to have long-term effects in terms of establishing preconditions for the development of the so-called circular economy, which means (re)utilisation of resources in a circular economic flow. The circular economy is considered an important part of the sustainable economic development. Furthermore, the improved infrastructure regarding wastewater management should contribute to an improved economic climate, which would have a positive effect on investments and could initiate new entrepreneurial ventures.

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

In EUR	2022	2023	2024
1. Budget funding*	10,895,990	10,895,990	10,895,990
2. Non-budget funding	27,400,000	27,400,000	27,400,000
2.1 of which IPA funding, including WBIF funding	18,495,662	18,495,662	18,495,662
Total	56,791,652	56,791,652	56,791,652

* National sources of public finance

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

The implementation of this measure will contribute to improving competitive conditions and the economic development. It will significantly contribute to protection of fresh water resources and to the reduction of health hazards caused by the environment pollution resulting from discharging non treated waste water to waters or to the soil. The quality of the river waters will be improved and will eliminate the hazard to human health. The implementation of measure will indirectly result in creation of local employment both on short-term, during construction period and long-term employment during operation and maintenance of the new infrastructure. This will have positive benefits for the wider local economy as a whole by attracting investments in agriculture sector, tourism development etc.

The Government committed to take over the principles and approach stipulated in the European Union Gender Strategy 2020-2025 and apply them in all sector reforms and support measures.

6. Expected impact on the environment

This measure will have a great impact on the environment primarily by reducing the discharge of wastewater outside organised and managed infrastructure systems, improving the condition of sewerage systems that are currently mostly old and worn out, increasing the number of households connected to the sewerage network which will surely reduce the pressure on the environment in the places where they live / stay, which will directly affect the increase of their quality of life.

Regarding the treatment plants, the impact on the environment will be extremely large because it will lead to better water use, reduction of harmful components in wastewaters, as well as to creating preconditions for circular economy in the sectors where water is used as a significant resource.

The measure will contribute to implement in practice the European Green Agenda for the Western Balkans in the Country and in target municipalities. All planned activities will ensure better protection of the environment, as the measure aims at improving water quality through the collection of wastewaters and their treatment. Implementation of activities shall result in reduction of water pollution and consequently risks to human health and the environment.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Lack of willingness of the main stakeholders (e.g. municipalities) to implement the national water sector reform, sector policies/action plan and regulatory obligations.	Medium	To engage in continuous policy dialogue with Macedonian institutions authorities through mainly the SWGs, with a strong ownership and leadership by the relevant Ministry.
Delay in the tendering procedure and contracting	Medium	Most of the technical and tender documentation is in final stage of preparation. Tenders to be launched as per the Procurement Plan
Delay in obtaining building permits and solving land ownership	Medium	Accurate screening of the documentation and elaboration of a road map attributing responsibilities and timing to address each pending issue.
Poor cost recovery for environmental services by the PUCs	Medium	The use of photovoltaic will reduce the incidence of the running costs in the formation of the tariffs.
Weak administrative capacity, lack of adequate number and	Medium	Take advantage of the implementation of the Public Administration Reform Programme establishing measures to

quality staffing in water and sewerage areas.		reduce the cost of the Public Administration and to increase its efficiency through digitalisation. Inclusion among the conditions for implementation of the obligation for the OS to hire at least 90% of the people included in the organogram.
Insufficient coordination among the institutions, including municipalities	Medium	Inclusion of all the relevant stakeholders at National and at local level in the Steering Committee of the project.

Measure 8: Establishing an integrated and financially self-sustainable waste management system *(in process of updating)*

1. Description of the measure

In the field of waste management, the previous Law on Waste Management regulated the framework for establishing waste management infrastructure, which was mostly based on undertaking activities by local self-government units. The results of its implementation showed weaknesses and ambiguities in cases when there is not enough capacity of the local self-government in finding funds for construction of new waste infrastructure, as well as in the inability to ensure mutual coordination between all stakeholders. Additionally, the experience so far has shown that the development of waste infrastructure requires large financial resources, the finding of which requires a clear and precise definition of competencies and responsibilities between central and local government.

The adoption of the new Law on Waste Management ("Official Gazette of RSM" No. 216/2021) will enable the establishment of a functional system for regional waste management and construction of regional landfills, and at the same time to close all non-standard landfills and dumpsites. At the same time, it will enable regional collection, transport, selection, recycling of waste, as well as treatment and utilisation, which will increase the level of protection of human health and environmental protection, and all this will be a step towards enabling circular economy for this sector. This law harmonised Directive 2008/98 / EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain directives.

The waste legislation of the Republic of North Macedonia is harmonised with the EU waste legislation.¹⁵

The new laws adopted in 2021 are as follows:

- Law on Management of Batteries and Accumulators and Waste from Batteries and Accumulators (Official Gazette of RNM no. 176/21).
- Law on Management of Electric and Electronic Equipment and Waste Electric and Electronic Equipment (Official Gazette of RNM no. 176 /21).
- Law on Extended Producer Responsibility for management with Special waste streams (Official Gazette of RNM no. 215/21).
- Law on Packaging and Packaging Waste Management (Official Gazette of RNM no. 215 /21).
- Law on Waste Management (Official Gazette of RNM no. 216 /21).
- Law on Management of Special Waste Streams (Official Gazette of RNM no. 216 /21).

These laws entail an obligation for implementation of waste reduction policies, waste separation and recycling. The Republic of North Macedonia is making efforts for implementation of this new legislation, which includes improvement of waste collection practices, by establishing waste selection and waste separation schemes, as well as development of secondary selection and waste recycling capacities. Only non-recyclable waste should be disposed on landfills, which should be built in compliance with the EU Landfill Directive. The present state of affairs with the landfills in the Republic of North Macedonia indicates that most of the ways/methods of waste disposal are not compliant with any technical or environmental standards. Most of the existing municipal disposal sites/landfills should be closed because the sites have no capacity to be upgraded in accordance with the EU

¹⁵Directive 2008/98 / EC, Directive of the European Parliament and of the Council of 20 December 1994 on packaging and packaging waste, Directive of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment, Directive of the European Parliament and of the Council of 6 September 2006 on batteries and accumulators and on waste batteries and accumulators and repealing Directive 91/157 / EEC, Directive 2000/53 / EU on waste vehicles and Directive (EU) 2018/850 of the European Parliament and of the Council of 30 May 2018 amending Directive 1999/31 / EC on the landfill of waste

requirements. Furthermore, only 70% of the population receives regular waste collection services. Regular collection and recycling of waste or composting of municipal waste is still in an early development stage.

The first National Waste Management Strategy (2008-2020)¹⁶, and the National Waste Management Plan (2009-2015), introduced the concept of integrated waste management at the regional level. The new National Waste Management Plan (2021-2031)¹⁷ adopted in September 2021, which refers to a period of 10 years also identified the waste management regions in the country.

Within the IPA 2007-2013, regional waste management plans were prepared for the Eastern and North-eastern regions, as well as for the Pelagonija, Southwest, Vardar, and Skopje regions. The necessary technical documentation for the establishment of financially self-sustainable waste management systems for the six mentioned regions has also been prepared. For the Polog region, the technical and tender documentation is in the final stage of preparation, and the necessary documentation for the Southeast region is also about to be prepared. The government is focus on implementation of these planning documents through the EU funds (IPA) and through loans (credit lines). Namely, for the East and Northeast region, the construction of the regional system should start in 2022, and it is financed through IPA funds. The construction of the Regional Waste Management System for the Skopje region is envisaged under IPA 3 for the programme year 2024, and for the other five regions, the country has requested a loan from the EBRD.

The measure for establishing an integrated and self-sustainable waste management system is new in the Structural Reform Programme 2022-2024, and it was planned in the context of the need to improve the situation in this area. This measure aims to ensure:

- Creating conditions for collection and disposal of solid waste and reduction of further deterioration of the environment with uncontrolled waste management.
- Reduced volume of municipal solid waste deposited in landfills and increased share of selected, composted, and recycled waste.
- Increased population served by waste collection and disposal in accordance with EU standards.
- Improved inter-municipal cooperation through the introduction of regional waste management systems.
- Closing of non-compliant landfills / dumpsites as soon as the appropriate alternative is established and
- Developed project documentation needed to continue investing in closure and reclamation of non-compliant landfills, including development of risk assessment and remediation or follow-up care plan.

Following activities are planned in context of the proposed measure:

- Supporting the implementation of the Regional Waste Management System in the East and Northeast regions, as a service agreement, which will assist in the establishment of an Inter-Regional Enterprise and will establish the waste management system.
- The preparation and revision of the National Waste Planning Documents will also continue.

The Republic of North Macedonia is committed to work towards a 2050 climate neutrality target – the heart of the European Green Deal. In its recently submitted Enhanced NDC, North Macedonia committed to reducing net greenhouse gas emissions by 82% compared to 1990 levels by 2030. The NDC includes a specific goal for the waste sector: a 21% reduction from 1990 levels in 2030. The NDC is strongly linked with the county's Long-Term Climate Action Strategy and the Law on Climate Action, which are in the final phase of development.

At the same time, the measure is an introduction to the future realisation of the overall objective of enabling efficient and effective operation of a modern, responsible industry for recycling and recovery industry in the country, following the principles of the circular economy.

It will be achieved through the implementation of the specific objective of developing professional, deliverable, accountable and efficient schemes for extended producer responsibility (EPR system), which will strengthen the capacities of the competent national authorities for waste management and stakeholders for modern waste management and on-line recording and reporting system, which will establish a base for the introduction of the circular economy.

¹⁶[МЖСПП / Документи / Стратегии](#)

¹⁷[МЖСПП / Документи / Планови](#)

The MOEPP has identified waste management as a priority environmental issue to be addressed, as well as a key opportunity to contribute to reaching the ambitious climate actions stipulated in the North Macedonia's enhanced Nationally Determined Contributions on Climate Change (NDC). North Macedonia's NDC explicitly includes the waste sector and opportunities to reduce emissions through circular economy projects. The assessment of GHG mitigation potential by introducing circular economy projects in North Macedonia finds that incorporating circular practices into the treatment of bio waste and C&DW could result in total emissions reductions of ~690.85 Gg/CO₂e per year and the creation of over 600 new green jobs in more sustainable industries.

While North Macedonia strives to realise ambitious NDC and EU climate goals, including ambitious CE goals tied to EU accession aims, the systems and structures are not in place to realise these ambitions.

In addition, in North Macedonia there is not much experience in the proposed technologies and commercial banks do not have the capacity to evaluate these types of projects and therefore assign them a higher risk and interest rate if they are willing to loan at all.

a. Planned activities in 2022

- Continuation of activities for closure of the non-compliant landfills and dumpsites in the East and Northeast regions.
- Start the project for Supporting of the implementation of the Regional Waste Management System in the East and Northeast regions.
- Signing a Contract for preparation and revision of the National Planning Documents for Waste Management.
- Signing the Contract and starting of implementation of Twining Contract for Support in the implementation of the waste management legislation and extended producer responsibility scheme.
- Starting the activities for construction of the transfer stations and the regional landfill for the east and Northeast region.

b. Planned activities in 2023

- Finalising the activities for closure of the non-compliant landfills and dumpsites in the East and Northeast regions.
- Finalising the activities for Support to the implementation of the Regional Waste Management System in the East and Northeast region.
- Continuation of the implementation of the activities for Preparation and revision of the National planning documents for waste management.
- Continuation of implementation of Twining Contract for Support in the implementation of the waste management legislation and extended producer responsibility scheme.
- Continuing the activities for implementation of the project for establishment of a Regional Waste Management System in the East and Northeast regions and
- Starting the activities for construction of regional landfills and transfer stations in five regions via loan from EBRD.

c. Planned activities in 2024

- Continuation of the activities for implementation of the project for establishment of a Regional Waste Management System for the East and Northeast regions.
- Continuation of the evaluation procedure for the project for Support to the implementation of the Regional Waste Management System in the East and Northeast regions.
- Continuation of the implementation of the activities for Preparation and revision of the National planning documents for waste management and
- Continuation of the implementation of the activities for construction of regional landfills and transfer stations in five regions via loan from EBRD.

2. Results indicators

Indicator	Baseline 2020	Intermediate target 2024	Target 2028
Number of regional landfills	0	1	5

Percentage of the population covered by the regional integrated waste systems	0	370,901	2,000,000
Number of closed dumpsites	0	115	1,000
Number of closed noncompliant landfills	0	18	54
Number of prepared Plans for implementation of the Extended Producer Responsibility Schemes and circular economy 2020-2030	0	It will be determined after the assessment phase within the IPA project	

3. Expected impact on competitiveness

The measure for establishing an integrated and self-sustainable waste management system is expected to have long-term effects in terms of establishing preconditions for the development of the so-called circular economy, which means (re) utilisation of resources in a circular economic flow. Establishment of regional landfills with waste recycling capacity would contribute to operationalising waste as a resource that could be used for the production of biofuels and other products obtained through recycling systems. It can influence the development of this activity in the country, by initiating various entrepreneurial activities, and it can also contribute to the inclusion of the country in the developments of the so-called green agenda, whose indicators are expected to become a measure of the economic climate at the global level.

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

In EUR	2022	2023	2024
1. Budget financing*	3,377,235	2,195,567	2,195,567
2. Non-budget financing	13,699,915	7,003,797	7,003,797
2.1 of which IPA funding, including WBIF funding	13,699,915	7,003,797	7,003,797
Total	17,077,150	9,199,364	9,199,364

*national sources of public financing

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

The implementation of this measure will provide for more social effects, and above all, access of the majority of the population to waste collection and a cleaner environment through its recycling. A particularly significant effect will be the closure of illegal landfills, which will contribute to reducing their harmful gas emissions, as well as reducing the risks to public health.

Furthermore, the realisation of the projects implies engagement of workers which will directly affect the labour market in the short term, while in the long run, the maintenance and management of regional landfills provides for employments which will contribute to opening of new jobs.

6. Expected impact on the environment

This measure will have a great impact on the environment, primarily through the closure of illegal landfills that pose a risk to public health, increasing the number of households that are part of the system of regular waste collection which will certainly reduce the pressure on the environment in the places where live/stay, and will directly affect the increase of their quality of life.

Regarding the regional landfills, the impact on the environment will be extremely large because it will lead to better waste utilisation, reduction of harmful gases arising from uncontrolled waste treatment, as well as creating preconditions for circular economy in the branches where waste is used as significant resource.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Lack of willingness of the main stakeholders (e.g. municipalities) to implement the national water sector reform, sector policies/action plan and regulatory obligations.	Medium	To engage in continuous policy dialogue with North Macedonian institutions authorities through mainly the SWGs, with a strong ownership and leadership by the relevant Ministry.
Delay in the tendering procedure and contracting	Medium	Most of the technical and tender documentation is in final stage of preparation. Tenders to be as per the Procurement Plan

Delay in obtaining building permits and solving land ownership	Medium	Accurate screening of the documentation and elaboration of a road map attributing responsibilities and timing to address each pending issue.
Weak administrative capacity, lack of adequate number and quality staffing in water and sewerage areas.	Medium	Take advantage of the implementation of the Public Administration Reform Programme establishing measures to reduce the cost of the Public Administration and to increase its efficiency through digitalisation.

3) Improving the competitiveness of domestic companies, their integration in the global value chains and formalisation of the economy

The permcrisis period, meaning period marked with permanent, continuous crisis, impact not only the competitiveness of domestic companies, but the global economy as whole. Still present uncertainties from new variants of Covid-19 that affect global supply and demand, the high food and energy prices and geopolitical tensions pose serious challenges on economies. The Commission Autumn 2022 forecast made downward revision of economic growth, having in mind these developments.

Challenges governments are facing now are even bigger, as they need to deal with tightening financial conditions, high inflation, sustainable supply of energy, but at the same time pushing reforms for improving business environment, as this is essential not only to overcome the crisis consequences, but also to enable strengthening competitiveness and sustainability of their economies.

Hence, issues that needs to be tackle in Macedonian economy for enabling conducive business environment, are summarized below, but not to be taken as extensive scope of all challenges, as factors are changing very fast.

Domestic companies' exhibit **low and slow-growing productivity**, which is largely due to the deficient managerial skills, the unsophisticated technology, limited capacities of production and innovation, inconsistent quality of goods and services, and competition from a large informal sector. All this hinders their competitiveness and restricts the opportunities to integrate in the global value chains. Another challenge that prevents the **adoption of modern technologies and business processes** as well as the expansion of manufacturing and internalisation capacity results from the **skills mismatch in the labour market** on all levels, which is caused by the weaknesses in the education system and the complex application of business regulation.

Another major problem that halts the improvement of the business environment is the **size of the informal economy**, which remains deeply entrenched and accounts for a large share of total output and a large share of total employment. The official estimates by the State Statistical Office reveal that the informal economy accounts for 17% of GDP and 18% of total employment, but there are other estimates that put the figure up to 37.6% of GDP (IMF, 2019a). The informal sector creates unfair competition from unregistered companies, and the undeclared revenues and employment harm public revenue collection. Undeclared revenues and employment also reduce the levels of formal employment and its associated benefits such as job security and safety at work.

North Macedonia's informal sector takes various forms such as unregistered labour, partially undeclared wages, irregularities in the enforcement of the Labour Relations Act, non-issuance of tax receipts or invoices, and underreported turnover. The increasing prevalence of freelance work and personal services provided via Internet is another source of concern because these operations often go unregistered. Economic sectors with particularly high informal employment are agriculture, construction, household services, and wholesale and retail trade. The COVID-19 pandemic also impacts the informal employment. On the one hand, there is a drop of informal employment in the sectors that are severely affected by the pandemic; on the other hand, workers switch from formal to informal employment by declaring fewer working hours. Partially unregistered employment and undeclared wages are another problem, with income being partially or completely undeclared by almost 44% of employees. There are estimates that 27.6% of the social security contributions are paid at a level lower than the actual salary received, and almost 74% of individuals engaging in additional work do it without a formal contract (CRPM, 2019). The perception for the informal economy among the population is very low, and a recent population survey reveals that only 1.6% of the country's population highlighted the informal economy as one of the three basic problems in NorthMacedonia (CRPM, 2019). In addition, many people do not fear working in the informal sector, with 21.1% of the population willing to participate in undeclared work in order to get a higher wage (CRPM, 2016).

Measures in the attempt to increase competitiveness of domestic companies and tackle the informal employment should include:

- boost productivity growth by more investment in research and innovation, further cooperation between SMEs, and improve their interconnectedness and regional integration;
- fully implement the Law on Inspection Supervision and other transparent and consistent procedures for inspections which would increase the ease of doing business;
- set up a fully-operational online one-stop-shop system for all business-related permits and licences;
- develop a coordinated approach across the entire government with involvement of all stakeholders to undertake measures relevant for reducing the informal economy; and
- implement reforms to improve the quality of healthcare and education systems in order to increase trust and stimulate workers to pay the social security contributions.

Research, development and innovation - The Global Innovation Index 2022 ranks the Republic of North Macedonia on the 36th place of 39 European economies in 2022, and on the 66th place among a total of 132 economies from the world, which are part of the Global Innovation Index. The country has the best results in the area of Market sophistication, while it achieved the weakest results in the field of Creative outputs. The scores for the indicators "University-industry R&D collaboration" and "Policies for doing business" are particularly low, and are identified as the weakest points in the country, placing the country on the 106th and 112th place out of a total of 132 countries.

The latest European Innovation Table (2022) ranks the country as an "Emerging Innovator" with a performance of 45.6%, which is still below the average of 50.0% for Emerging Innovators countries. The report notes as the country's weaknesses indicators relating to design protection applications, R&D expenditure in the business sector, government support for business R&D and lifelong learning. Compared to 2021, progress has been made in the development of environment-related technologies, foreign doctorate students and knowledge-intensive services exports.

In this direction, the adoption of the Smart specialization strategy and setting the institutional infrastructure for support of the academia-business collaboration, is particularly important. In the process of creating a competitive economy, based on knowledge and innovation, there should be a strong link to enhancing the innovation and stimulating cooperation between academia and business for transferring the knowledge, skills development, increasing capacities for research and development etc. In creation favorable environment for innovation based growth it is necessary to provide strategic framework as a policy guidance with clear vision for inclusive and smart growth and strengthen the institutional support infrastructure for R&D&I in order to get closer to the forefront of science and technology and become more competitive in regional economy.

Transport market reforms

Two main regional transport corridors pass through the Republic of North Macedonia: Pan-European Corridor 10, which connects Northern Europe via Serbia and North Macedonia to the ports of Greece, and Pan-European Corridor 8, which extends from East to West and connects the ports of Burgas and Varna on the Black Sea in Bulgaria and port of Durres in Albania. These corridors are part of the extensions of the key EU TEN-T networks. Road Corridor 10 is 174 km long and its full length is at the level of highway. Railway Corridor 10 is 213 km long and is fully built. Road Corridor 8 of Republic of North Macedonia is 304 km long, but only 37% has been upgraded to the level of a highway, so it still needs to be upgraded. The Railway Corridor 8 is under construction, and it will connect the ports of Bulgaria and Albania through North Macedonia, providing an alternative transportation opportunity for the Macedonian companies. Significant infrastructure investments are underway along the main transport corridors for better regional connectivity:

Corridor 8. Along Corridor 8, the construction of the highway section Kicevo - Ohrid is planned to be completed in December 2023.

The construction of several road sections at the highway level from Corridor 8 with the strategic partner Bechtel - Enka is planned (Official Gazette of RSM no. 163 of 16.07.2021), namely: Section Tetovo - Gostivar, Gostivar - Bukojčani, Trebenishta - Struga - GP Qafasan. With the construction of these roads, Corridor 8 from Kumanovo to GP Qafasan will be entirely at the level of the highway. With a loan from the EBRD in the amount of EUR 110

million, the construction of the highway section Bukojchani - Kicevo in the length of 10.7 km is planned. A WBIF grant in the amount of EUR 19.85 million was awarded for this section.

The section off corridor 8 from Kumanovo to Stracin (first phase) is planned to be rehabilitated with funds through IPA - Sectoral Operational Program for Transport 2014-2020. A contractor was selected for the first phase and a contract was signed on 14.08.2020. The aim of this project is Rehabilitation of the State road A2, Kumanovo – Stracin, section in a length of 15.2 km. It is planned to be realized in 39 months (15 months construction works + 24 months Defect Liability Period (DLP)). The Commencement Date of the project is 21.04.2021. As of August 10, 2022, there is a realization of 77.62% of the works contract or EUR 3,680,190.61. The contractor was paid a total of EUR 2,274,240.62. The deadline of the contract was 21.07.2022, but the contractor has unfinished works, for which a proposal Annex No. 1 has been submitted, with which they request an additional 5 months for the rehabilitation of the bridge on the river Pchinja and for the installation of the guardrail. The project for the rehabilitation of the section Kumanovo - Stracin (second phase) with a length of about 16 km was realized in 2022 with a Budget from the Public Enterprise for State Roads in the amount of about EUR 7.4 million.

The existing section of Corridor 8 from Kumanovo - Stracin is only being rehabilitated, due to the fact that the construction of a new expressway parallel to this section is planned, which will start from the toll station on Corridor 10 - Romanovce and will connect to the new expressway near Stracin, which is under construction. The length of the new expressway is about 33 km and it is planned that the construction funds will be provided by the IPA 3 program.

From Stracin continues the project for construction of new expressroad. Rankovce (Stracin –Chatal) - Kriva Palanka, is divided into two sections, Rankovce (Chatal) to Dlabochica in the length of 15.5 km and Dlabochica - Kriva Palanka in the length of 10 km. A contract worth EUR 32.01 million was concluded for the first section, and for second section a contract was signed in the amount of EUR 30.5 million with a construction period of 24 months. These projects are loan funded by the World Bank. Current progress of the construction works on the section Rankovce (Chatal) to Dlabochica is 40%, and Dlabochica - Kriva Palanka in the length of 9 km is 82%.

The 13 km section from Kriva Palanka to the Republic of Bulgaria started to be constructed with a loan from the EBRD. The value of the Agreement is EUR 10.6 million, while the physical progress of the works is 60%. WBIF grant in the amount of EUR 2.42 million was awarded for this section.

Corridor X. The section Demir Kapija - Smokvica with a length of 28 km was built in 2018. The only problem is that in the past period no activity was carried out by the contractor to repair defects determined within the warranty period of 2 years. The contractor has to complete the works related to the rehabilitation of the walls in the tunnels, in order to receive from the Supervisor a Performance Certificate and to be able to completely close the project. Several meetings were held for this problem in the past period, the Contractor who refuses to repair the defects was also contacted. During the month of October 2022, a meeting should be held between the Operational Structure, Supervision and the Contractor for a final agreement on this issue.

Corridor X-d. Along Corridor 10, the activities on section are ongoing, Construction activities for construction of the Expressway Gradsko - Drenovo in length of 15.5 km officially started on 22.01.2018 and according to the contractual provisions the construction of the expressway was expected to be completed on January 22, 2020. However, the construction work are still not finished, and the total progress of the project, as of 24 December 2020 is approximately 35%. On December 24, 2020, an Assignment Agreement was signed for the transfer of the contract for construction works. With Annex No. 1 of the works contract, the new Contractor was introduced on June 16, 2021. With Annex no. 2, which was signed on 25.06.2021, are agreed the extension of time, i.e. the start date and end date of the Contract. The starting date is 15.07.2021. On July 22, 2021, PESR granted access to the contractor. The deadline for completion of the works is 24 months until July 2023 plus a 24 month Defects Liability Period (DLP) until July 2025. Annex no. 3 to the works contract is in final phase with which the amount of the Contract will be increased additionally by 10.8 million. Percentage of realization as of August 2022, taking into account Annex no.3 is 64.97%, i.e. EUR 22,442,368.70 have been paid for construction works.

The project of construction of expressway from Drenovo to Farish in the length of 10.2 km is financed with funds from the EBRD. The contract with the new contractor Sinohydro was signed in July 2021 and construction works are underway. The agreement for rehabilitation Farish-Prilep section in a length about 10 km is signed on 12.04.2021 and execution of the works is in progress.

The section for the construction of an expressway from Prilep to the Lenishka River bridge with a length of about 2.2 km and for the reconstruction and construction of the third lane of the section from the village Belovodica to "Mavrovo" Quarry with a length of 4.6 km is planned to be financed with funds from IPA2 in the amount of 85%. Preparation of the tender documentation for construction works and for supervision is underway.

The section from Prilep to Bitola at the level of a new highway is planned to be realized by the strategic partner Bechtel - Enka, while the section from Bitola to GP Medjitlia is projected at the level of an expressway with a length of 22 km and the basic project will be completed by the end of 2022. Funds for the construction of this section have not been secured at this time.

Activities of the rest of the state road network. In the past period the activities envisaged by the Program for national roads financed by a loan from the EBRD, Kochani, has been intensified, the new expressway A3, Shtip (Three Fountains) - Krupishte, 15 km, has been completed, and the construction of the expressway from Krupishte to Kochani, 15 km long, is underway. This section is expected to be ready by the end of 2022 as well as reconstruction and rehabilitation of 26 road sections in the Republic of North Macedonia, with a total length of about 400 km. Some of the sections have been completed, some are in the implementation phase.

At the same time a loan from the EBRD, the realization of the Project for construction of the road section Stip - Radovish is financed in the level of expressway in length of 40km. The construction of the highway section Skopje - Blace has started, which will have a positive impact on the economic, social and environmental aspects in the region, as well as will facilitate international transport and trade in the region, especially between the Republic of North Macedonia and the Republic of Kosovo. The construction of the first 2 km of the section with funds from the State Roads Budget is underway, with physical progress at 63%. The remaining 10.5 km of the section GP Blace - Skopje are projected at the level of the basic project. On July 1, 2022, a loan was signed with the EBRD in the amount of EUR 167.6 million for the construction of this section and a grant from WBIF in the amount of EUR 27 million was provided. Local Roads Project for the rehabilitation and reconstruction of local roads in the country, has started with a loan from the World Bank that is implemented by the Project Unit in the Ministry of Transport and Communications.

The Ministry of Transport and Communications submitted a draft law for the establishment of the Road Traffic Safety Agency to the competent institutions within the Government procedure.

Railway infrastructure. Within the railway infrastructure, the focus will be on completing the implementation of the Corridor X Railway Improvement Project, as well as intensifying the activities related to the Corridor VIII Railway Completion Project. Namely, one of the strategic goals of the country is finalization of the road and railway sections of Corridor 8 (East-West axis), an important common priority for the countries in the region, which connects the transport flows from the Adriatic and Ionian Seas in Europe with the Black Sea and Asia.

The construction of the Eastern part of the railway on Corridor VIII - the part towards the Republic of Bulgaria, is carried out in 3 phases. Within the envisaged period, the realization of the first phase (section Kumanovo - Beljakovce) in the length of 30.8 km and the second phase (section Beljakovce - Kriva Palanka) in the length of 34 km will be intensified. The preparation of the detailed design for third phase (section Kriva Palanka - Deve Bair, border with the Republic of Bulgaria) in the length of 23.4 was completed. In parallel with the investments in the railway sections 1 and 2, there are ongoing activities for launching a procurement for the 3rd phase (Kriva Palanka - Deve Bair). The procurement procedures are planned to be launched by the end of 2022 with implementation planned to be started in second half of 2023. All activities are carried out in coordination and communication with all stakeholders (PERI, MoTC, CFCD) and financing institutions (EUD, EIB, EBRD).

The Ministry of Transport and Communications submitted Draft law on the establishment of the Road Safety Agency to competent institutions within the Government procedure.

Agriculture sector reforms

The problems that currently exist in the production and trade of agricultural products in the Republic of North Macedonia seriously disrupt the market for agricultural products and affect their competitiveness. Some of the identified main problems are:

- inadequate application of mandatory quality and safety standards in primary production;
- very high percentage of waste due to improper storage, post-harvest treatment, sorting and packaging of agricultural products;

- improper waste management;
- inadequate purchase price that creates revolt among primary producers;
- occurrence of pesticide residues and other chemicals in the final products;
- unorganised export and sale of agricultural products;
- lack of useful data regarding the quantity, quality and price of agricultural products;
- lack of capacities for storage of agriproducts when there are price disturbances on the market.

Hence, there is a need for increasing the competitiveness of the agricultural by modernisation of the postharvest management of agricultural products.

Digital services

Over the past several decades, sharp penetration of information and communication technology contributed for the increment of the scope of digital transformation, that was ground for further modernization of the production processes, accelerate efficient workflows, reinforce security and increase productivity and profitability of the companies.

Electronic services as a part of digitalization process can reduce administrative and financial burden, reduce time and fees for obtaining the services, producing reduction in cost for businesses, that will further contribute to increase the competitiveness of domestic companies. This will help companies to optimize their production processes by locating the various stages across different places. The production phases as design, production, marketing, distribution and other logistics activities, play strong role towards international dispersion into global value chains. Integration in the global value chains as networks of production and trade across countries, will upgrade the production process by adopting better technology to improve efficiency and productivity, which is firm ground for product upgrading and better quality management system. This will lead to functional upgrading in which the companies begin to design its own product with competitive prices. The competitive prices will influence to fight unfair competition from unregistered companies and raise the interest of such companies to join into regulatory system of the country as well as provide greater security for the workers.

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 2015¹⁸, 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 Think¹⁹, 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

¹⁸<http://www.sigmaweb.org/publications/public-governance-monitoring-reports.htm>

¹⁹<https://www.financethink.mk/wp-content/uploads/2020/04/Parafiskalni-studija-EN.pdf>

includes various charges regarding permits, licenses, certificates, approvals, authorisations; issuing various documents such as certificate, resolution, confirmation, acknowledgement; special permits and authorisations 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.

Measure 9: Implementation of an Intelligent Transport System (ITS) along Corridor X

1. Description of the measure

The measure continues from previous ERP.

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.²⁰ 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 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 expected ITS Strategy analysis will propose the next steps in the legislative alignment. 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 NorthMacedonia will be fulfilled i.e. maintaining a high level of safety and traffic flow in all conditions. In addition, the National ITS Strategy that is to be prepared in the first quarter of 2023, shall propose relevant legal changes related to the introduction of ITS.

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 Ministry of transport and communication is in charge of this measure.

a. Planned activities in 2023

- Completing the National ITS Strategy
- Preparing the Tendering documentation for implementation and supervision of ITS deployment on Corridor X

b. Planned activities in 2024-2025

- Selecting contractor and supervision of the ITS deployment. Estimated duration of the contracts is 12 months for ITS deployment and 18 months for supervision.
- Start of installation and supervision activities.
- Construction activities in the course of 2024-2025 and final activities, including procedure for getting a certificate and directly ability period.

2. Results Indicators

Indicator	Baseline 2018		Target2025	
	No. of accidents	Percentage decreased	No. of accidents	Percentage decreased

²⁰<http://documents.worldbank.org/curated/en/919401555624976466/pdf/Western-Balkans-Trade-and-Transport-Facilitation-Project.pdf>

Reduced number of traffic accidents expressed in% along Corridor 10	67	0%	56	16.6%
Indicator	No. of minutes	Percentage decreased	No. of minutes	Percentage decreased
Reduce travel time in% along Corridor 10	103	0%	85.5	17%

*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 $100 \times (1 - \exp(-0.181)) = 16.6\%$ of crashes per year, when other factors in the model are controlled.²²

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 2023 benefits from 2023 to 2033). The annual growth of the average number of lorries on the corridor equals the 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, while the number of crashes by 16.6% based on the above mentioned US study.

3. Expected impact on competitiveness

The use of ICT 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 warning 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. All of this is in line with the EU digital agenda.

4. Estimated costs for activities and the source of financing

After the revision of the project the financial construction is finished. The funds are planned to be provided through WBTF project loan. The estimated cost of the activities planned for 2023 are EUR 6.5 million, EUR 9.3 million for 2024 and EUR 0.3 million for 2025.

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

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 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 WB at the firm level. The results will be used for potential interventions to help women headed businesses²⁴. However, this is not the kind of a measure where profound social impact would be expected.

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".

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>

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 a valuable support to governments of the WB6 in developing regulatory and policy reforms and institutional strengthening for pursuing low-emissions development. Deployment of ITS solutions is part of the first pillar of Green agenda for the WB aimed at making transport operations more efficient, and reducing CO₂ emissions.

7. Potential risks

Risk	Probability (low of high)	Planned mitigating action
Prolongation of the activities for completion of the project	Medium	Regular monitoring of the implementation of the activities. This project is monitored within Government programmes and it is also strictly monitored by the Transport community via the adopted Action plans. The Public Enterprise for State Roads as end beneficiary will use the existing infrastructure in Petrovec and therefore the activities should be speed up.
Delay in adoption of appropriate legislation and bylaws for this type of systems	Medium	Using EU technical assistance (TAIEX) in better and efficient legislation approximation

Measure 10: Broadening the scope of digital services provided on National E-service Portal

1. Description of the measure

The measure continues from the previous ERP.

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 e-services that are available on and through the Portal are: enrolling the primary education, extract from employment and pension data, claims for non-conviction, extract from population register, different certificates related to social security, labour and employment data, recognition of diplomas, etc. The Portal is offering e-services for both, individuals and businesses (even though at the beginning the Portal was offering only e-services for individuals, it is upgraded with functionality to offer e-services for businesses).

The specific objectives are:

1. To expand the functionality for obtaining e-services for businesses by introducing the Register of authorization for obtaining e-services within the scope of the Portal, by more persons authorized by the responsible person of the business;
2. To increase the number of available e-services on the Portal, including digitalisation of necessary registers;
3. To supply equipment that will support the development of new e-services;
4. To prepare recommendations for necessary legislative changes to streamline digitalisation;
5. Building human and technical capacities for e-service delivery within the administration.

The focus of the second objective is to develop at least 135 e-services for businesses and citizens and deploy them on the National e-services portal, such as: various licenses and permits in the areas of energy, trade, food, veterinary, pharmacy, agriculture, decisions for different types of retirement and pension users. Also, the second objective includes the digitalisation of base registers related to the selected 135 e-services and development of Register of registers and Register of authorization. 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.

The focus on the third specific objective is to provide necessary equipment for the beneficiaries to support the delivered software solutions that will help e-services delivery.

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 institutions. Also, this measure will have positive effect on the competitiveness of domestic companies and facilitate the path to join into the global value chains.

a. Activities planned in 2023

- supply of equipment for supporting the deployment of new e-services;
- introduce the Register of registers;
- introduce the Register of authorization and services related to the register;
- capacity building on delivered solutions;
- introducing new e-services on the Portal.

b. Activities planned in 2024

- introducing new e-services on the Portal;
- introducing new digital registers, including data entry from the beneficiaries.

c. Activities planned in 2025

- introducing new e-services on the Portal;
- introducing new digital registers, including data entry from the beneficiaries.

The activities will be implemented by MISA in cooperation with other private companies and government institutions.

2. Results Indicators

Indicator	Baseline 2022	Intermediate target 2023	Intermediate target 2024	Target 2025
Number of registered users of the National Portal	82,000	87,000	92,000	97,000
Number of e-services offered	200	380	450	550
Number of applications submitted through the National Portal	25,000	33,000	41,000	49,000

*The figures indicated in the table are cumulative figures

3. Expected impact on competitiveness

The National e-services Portal is expected to reduce administrative and financial burden not only for individuals but for 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 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.

Digital technologies have different effects on the work of informal economy. Digitalization will enable the informal sector to access new markets by using digital tools that will help to sell their goods and services and connect them with existing and new clients. Through registration on the digital platforms they will increase the transparency for their existence and will discover the prices and other relevant details necessary for online trading, that will additionally facilitate trading. The digitalization is great opportunity for small business, open market and street vendors to integrate into the market using digital tools, offering them greater and easier way for merchandising.

Digitalization can offer an opportunity to overcome the financial burdens as well. It can enable the informal sector to gain access to available financial resources and information as most of the commercial banks ask for formal procedure to be followed regarding lending money to informal sector (registration, open bank account, payment through banking system ect.), and thus contribute to the reduction of the informal economy.

Digitalization can enhance productivity and working conditions of those working in the informal economy. At the same time, digital economy could be discriminative, considering that digitalization requires technical, digital skills and basic literacy. This is additional motive for the government to continue with commitment and dedication to help developing digital skills.

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

For three years, the cost is estimated at EUR 9,968,000, financed both from IPA funds and national budget.

In EUR	2023	2024	2025
1. Budgetary expenditures*	368,000	3,250,000	3,250,000
2. Non-budgetary financing	1,300,000	1,300,000	500,000
2.1 of which IPA funding, including WBIF funding	1,300,000	1,300,000	500,000**
Total	1,668,000	4,550,000	3,750,000

* National public finance sources

** IPA 2022 Action Document currently under maturity assessment

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, companies could expand their activities and increase employment. Electronic services are equally accessible to all users, both businesses and individuals, regardless of location (urban or rural), gender and social background, degree and type of disability, etc. Digitalization will help to reduce inequality, enhance health services, get better use of resources and improve business models and ecosystems. Introduction of the e-services will increase trust of people in the society and institutions as well as will save people time and money.

6. Expected impact on the environment

Huge quantity of paper is used in every day processes, business relations and need for different citizen services. Considerable number of this paper finishes as not selected trash. Decreased usage of paper will reduce deforestation and pollution. 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 transportation and travel from place to place, that will significantly reduce CO2 emissions. Digitalization and structural transformation enhance the environmental quality and increase environmental sustainability.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Commitment on the highest level within the beneficiaries (all involved public institutions and organisations with public authorisation) is not reflected in the commitment on operational level.	Medium	Informing the Government regularly for status of the activities and plans for the next steps.
Low level of using the e-services due to the lack of knowledge and required equipment.	Medium	Promoting the Portal and e-services provided on it, with special focus on the advantages of e-services consumption and security aspect. Enhancing and improving digital skills of the populations. Wider coverage with quality Internet nationwide. Reanimate and transform existing Internet cafes to be more used by those users with weak knowledge or without necessary devices.
Different IT preparedness of the government institution, in the process of digitalization	High	While some institutions are on high level of digitalization and can easily digitalize their register and services, others still have very low level of IT preparedness. Another issue is lack of IT professionals. To overcome this, central solutions like software for digitalizing processes within institutions and for digitalizing registers are developed by MISA. These

		solutions will help institutions until they develop their own IT solutions.
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Measure 11: Streamline the use of parafiscal charges

1. Description of the measure

This measure 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. 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 businesses²⁵ 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 optimising, 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 systematic approach by comprehensive assessment of the current legal, operational and technical framework for non-tax fees in Republic of North Macedonia, recommendations for improving the system for parafiscal charges based on the best EU practices and policies as well as by developing methodology for streamlining these fees which will be piloted on selected institutions and charges.

From April 2022 the Ministry of Economy is beneficiary of a one-year project for technical assistance which is contracted and financed by the Delegation of the European Union (DEU). The objective of the Project is to effectively support the development of methodology to optimize, consolidate and streamline the parafiscal charges in the RNM by assessing the feasibility for reduction or elimination of such charges, establish a system for introducing new charges which have character of non-tax charges and provide capacity building for the public institutions, as well as raise awareness of the private sector.

The measure is part of the Action Plan for implementation of the Strategy for formalisation of informal economy 2018-2022²⁶, 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 environment²⁷.

a. Activities planned in 2023

- Draft proposal for establishing legal, technical and organisational framework for para-fiscal charges that shall include: (i) regulating mode and procedure for setting and pricing of charges on central and local level, (ii) mechanisms and instruments for monitoring and transparency of para-fiscal charges, (iii) draft methodology for reducing, eliminating and optimizing para-fiscal charges from the List of mapped 377 para-fiscal charges, by using the principle Think Small First;
- Start the process of amendment of selected pilot charges from the List of 377 para-fiscal charges according to the proposed methodology (at least 50).

b. Activities planned in 2024

- Continuation of the process of amendment of the para-fiscal charges from the List of 377 para-fiscal charges according to the proposed methodology;
- Raising awareness for para-fiscal charges among business community and citizens;
- Establishing tool (registry, web-portal) for transparency of para-fiscal charges.

²⁵<http://www.economy.gov.mk/doc/2838>

²⁶<http://www.mtsp.gov.mk/dokumenti.nspix>

²⁷<https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-north-macedonia-report.pdf>

The activities will be implemented by the Ministry of Economy in cooperation with all relevant Ministries and Agencies including Business Associations.

2. Results Indicators

Indicator	Baseline (2020)	Intermediate target (2023)	Target (2025)
Number of para-fiscal charges amended	0	At least 50	Up to 100
Number of para-fiscal taxes lowered for SME's	0	At least 50	Up to 100

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 para-fiscal 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 para-fiscal charges will contribute to more favourable business environment leading to increased investments and entrepreneurship, and also formalisation of businesses.

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

The cost for implementation of the measure is estimated at EUR 300,000.

In EUR	2023	2024	2025
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	150,000	0	0
2.1 of which IPA funding, including WBIF funding	150,000	0	0
Total	150,000	0	0

*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. Transparency and lowering para-fiscal charges will finally contribute to formalization of businesses.

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 institutions that need to be involved with providing information	High	Establishing working group with stakeholders, and continue maintaining the regular cooperation, 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	Consultancy services have been granted by the DEU to assist the Ministry of economy, as well as other line ministries in the process

Measure 12: Hybrid fund for green and digital start-ups and innovative SME's (in process of updating)

1. Description of the measure

With World Bank technical support to the Fund for innovation and technology development (FITD) and based on analysis of the effectiveness of the innovation and competitiveness support and programmes for post-Covid-19 recovery of firms, FITD has been working on a model for creation of an investment fund for support of start-ups and innovative companies.

The current market situation based on the analyses within the pre-feasibility study for the investment fund performed by the World bank, shows that majority of the start-up companies analysed seek external funding from the following sources: 44% personal, family and friends, 21% Fund for innovation and technology development, 13% other public funding and grants, 12% angel investors and venture capital, 6% accelerators and 3% banks and loans. In that structure of financing sources, it is noticeable that there is low presence of equity financing (less than 18% is received from accelerators, business angels and VC's). On the other side, the banking system is usually reluctant in support of start-ups having in mind their limitations regarding the risk policy (banks are reluctant to support high performing SME's without hard collateral and credit history).

Hence, this measure focuses on establishment of a hybrid investment fund for green and digital start-ups and innovative SME's in order to enable and increase the equity financing of the start-ups especially having in mind the low access to finance from private funding to the specific target group.

The model envisages set up of a hybrid investment fund (30% public / 70% private) with total capital of EUR 27 million. The government through FITD provides EUR 10 million as public funding where the remaining part should come from private investors and international finance institutions. The fund will be managed by an international Fund Manager company selected by the FITD (or FITD sponsoring company) through a competitive procedure on international level. The main obligation of the Fund manager will be to establish and manage the Fund, attract investors (international and domestic), secure Fund closings, sourcing and structuring transactions, submit transactions to the Investment committee which will be solely responsible for all individual investments and exit decisions by the Fund, without influence from the government.

This is a new measure and it will contribute to the implementation of the financial access pillar of the SME Strategy for Sustainable and Digital Europe in the country, as well as the national innovation strategy, Law on Innovative Activity and is part of the recently announced Government plan for accelerated economic growth.

a. Planned activities in 2022

- Selection of a private company for managing the Fund (Fund Manager), in a process in two phases
- Establishment and operationalisation of the Fund
- Generating pipeline and improving investment readiness on the market and start with investments

2. Results Indicators

Indicator	Baseline 2021	Intermediate target 2022	Target 2023
Volume of attracted private investments in the Fund	0	0	EUR 17 million
Number of supported start-up companies and	0	1	30

*According to the planned funds, it is planned to invest in approximately 31 companies.

3. Expected impact on competitiveness

- Diversification of the economy and exports towards more value-added sectors
- Increase of the productivity of existing firms
- Increase of exports of goods and services with higher added value
- Increase of employment and creation of higher paid jobs for highly educated youth, thus preventing brain-drain and attracting talent
- Introduction of a non-bank financial instrument and developing the financial market

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

In EUR	2022	2023	2024

1. Budgetary expenditures*	10,000,000	0	0
2. Non-budgetary financing	0	0	17,000,000
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	10,000,000	0	17,000,000

*National public finance sources

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

By investing in start-up companies, it will contribute to their development as well as strengthening their position on the market. It will contribute to the growth and development of the companies themselves, creation of new highly paid job positions and increase in employment.

6. Expected impact on environment

The target group is financing of green and digital start-ups and innovative SME's. The measure is not expected to have a negative impact on the environment. However, legal obligations and positive practices for improving the environmental impact will be incorporated in the process of making the investment decisions.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Equity and mezzanine investments are poorly available but also poorly understood by mature and start-up companies	low	Strong information campaign and raising awareness about the benefits from equity financing.

Measure 13: Financial support for Roma entrepreneurs

1. Description of the measure

The measure continues from last year and refers to the Matching initiative under the Memorandum for cooperation between Government of the Republic of North Macedonia, the Ministry of Labour and Social Policy, the Employment Service Agency of the Republic of North Macedonia and the Roma Entrepreneurship Development Initiative – REDI, to promote the development of entrepreneurship and to increase access to financing for Roma entrepreneurs.

The initiative is composed of activities which are implemented under the active labour market measures (such as “self-employment loans” implemented by the Employment Service Agency, grant for self-employment in the Operational plan for active labour programmes and measures) and measures implemented by the Macedonian Development bank as state funds allocated under the existing programs, on one side and a matching fund in the area of entrepreneurship, which is implemented by the REDI initiative under a project financed by the EU, USAID and Open society foundation implemented in cooperation with the Saving House Horizonti enabling thus access for Roma community to the programme for unemployed and informal economy.

The aim of this measure is matching the funds from existing initiatives to create favourable conditions for easier access to financial resources “credit loans”, grants and measures intended for the following objectives:

- encouraging and supporting entrepreneurship,
- retaining existing jobs and creating conditions for new jobs,
- reducing unemployment,
- formalising economic activities and
- using the potential for growth and development.

The measure includes:

1. Provision of financial support to Roma entrepreneurs intended for self-employment and formalisation, which includes support for registration of the businesses and job creation, and
2. Provision of additional field support to Roma entrepreneurs intended for registered businesses and job creation.

The support will be in a form of mentoring in preparation of the business plan, mentoring in the process of formalisation and implementation the business idea along with providing favourable financial sources.

The initiative includes credit instrument, provision of grant for self-employment and measures from the government implemented under the Macedonian Development Bank.

Employment Service Agency through Macedonian Development Bank and commercial banks will implement the activities related to the provision of financial support for Roma entrepreneurs intended for self-employment, job creation and support for formalisation, for persons registered as unemployed.

REDI under the Memorandum for cooperation with the Government and in cooperation with the saving banks and commercial banks will be responsible for provision of financial support for Roma entrepreneurs intended for registered businesses and job creation.

The measure builds on the gained experience and established cooperation, infrastructure, conditions and operative rules for implementation the measure in 2022.

a. Activities planned for 2023

- Mapping the non-formal employees and registered businesses led by Roma interested to apply for support.
- Open call, evaluation and selection of applicants.

b. Activities planned for 2024

- Continuation of the implementation of activities through the revolving fund.

2. Results indicators

Indicator	Baseline (2022)	Intermediate target (2023)	Target (2024)
Number of self-employed (New/formalised business of Roma entrepreneurs), through the activity for self-employment, opening of new jobs, support for formalisation, for registered unemployed persons (cumulative)	17	50	100
Number of supported new employments through supported businesses under the measure of favourable and affordable credit funds for existing businesses run by Roma (cumulative)	17	50	100

3. Expected impact on competitiveness

Encouraging the formalisation of informal activities and supporting business for new employments and business promotion (there is no base line studies focused on Roma on this topic in the country).

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

The costs for implementation of the measure are estimated at EUR 1,980,000 per year, i.e. EUR 3,960,000 for two years.

In EUR	2023	2024
1. Budgetary expenditures*	990,000	990,000
2. Non-budgetary financing	990,000	990,000
2.1 of which IPA funding, including WBIF funding	0	0
Total	1,980,000	1,980,000

* National public finance sources

The fund from these activities are planned in the annual Operational plan for active employment programmes and measures under the program for self-employment and credit loans implemented by the Employment Service Agency and by the Macedonian Development Bank.

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

Encouraging the formalisation of the economic activity among the Roma community for 50 people per year and reducing the informal activity. Encouraging new self-employment and improving the economic activities managed

by Roma for already established businesses and registered entities for 30-50 businesses per year. The broader impact to the at least 400 persons from Roma families from this target groups who will be in Social, Health and pension insurance. Gender equality in distribution the loans and affirmative measures under the mentoring programmes and combination with other active measures for employment.

6. Expected impact on the environment

Positive impact because there is place for introducing the new business idea and services supportive to environment.

Risk	Probability (low or high)	Planned mitigating action
Lower interest by the community	Medium	Active promotion of the Fund for Financial Support

Measure 14: Establishment of Management Information System on State Aid

1. Description of the measure

The measure is deriving from the Economic Reform Programme 2022-2024.

The EU in its Progress Reports has several remarks on the state aid implementation in North Macedonia: "Rather than tackling the underlying structural challenges and business environment issues, the Government's flagship policy to attract FDI and improve domestic firms' competitiveness relies on providing various forms of State aid to businesses. Rather than improving business performance, those state aid schemes have a distortive effect on the market. Based on the Law on Financial Support of Investments, support is provided to companies without a clear policy objective. Furthermore, the law has certain features that are problematic in view of the EU acquis on State aid. The Law on Strategic Investments aims to support so-called strategic projects, lacks policy elaboration and implementing regulations. There is an urgent need to develop a comprehensive and transparent Registry of State Aid and to create a more effective State Aid Notification System. More action is needed to monitor these schemes' cost-effectiveness and their impact on competitiveness, to ensure coordination of different programmes, and to strengthen the capacity of the Competition Agency and of the institutions providing State aid."

The State aid shall be regulated to ensure that government interventions minimise both distortions to competition and trade and the risk that selective advantages are granted to specific, well-connected firms. Further, transparent management of the available State Aid programmes and schemes and the manners of their implementation are crucial for achieving a balance of the costs, benefits and risks of the use and misuse of the State Aid "funds". State aid can promote economic integration, supporting efficient use of public resources, and boost growth and jobs. In the process of achieving structured state aid management system awareness of the state aid granting institutions on the state aid system and character is also important.

a. Activities planned in 2023

- Develop the MIS system framework (institutional, ICT requirements in both hardware and software)
- Develop inventory of the State Aid alike programmes and schemes (of all types as per the regulatory framework on State Aid)

b. Activities planned in 2024

- Establish the State Aid Register as part of the MIS SA

c. Activities planned in 2025

- Further development of the State Aid Register as part of the MIS SA in its full capacity

The activities will be implemented inter-institutionally i.e. both providers of the SA and ex-ante control entity - Commission for Protection of Competition in cooperation with the World Bank and lead by Cabinet of the Deputy Prime Minister in charge of Economic Affairs, Coordination of Economic Sectors and Investments.

2. Results Indicators

Indicator	Baseline (2022)	Intermediate target (2023)	Target (2024)
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SA MIS established	0	1	0
Number of state aid providers included in SA MIS	0	0	5+ ²⁸
Number of SA Schemes/ programmes registered in the SA MIS	0	0	5+ ²⁹

3. Expected impact on competitiveness

The activities of this measure will provide equal level playing field for companies, through increased transparency of paid SA to single entities. Also, it will contribute the competitiveness of the national economy by increased level of competition and information equally accessible to all interested entities that may assess and access them at any point. Namely, the State Aid Register in full capacity may cover the portfolio of information from recognition of the state aid character of the specific set of benefits collective or individual, regional or horizontal through its utilisation. Also, de minimis aid schemes shall be included in the register once they are granted with objective to keep their character of de minimis.

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

The cost is estimated at EUR 3,500,000. The expected source of financing is from IFS (World Bank group).

In EUR	2023	2024	2025
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	2,000,000	1,500,000	0
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	2,000,000	1,500,000	0

* National public finance sources

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

The transparency of data may increase the probability of efficient use of opportunities provided by the state, thus the acceleration of business activity through higher employment may decrease the pressure towards the social care and support and decrease of unemployment rate.

6. Expected impact on the environment

This measure will target all programmes and schemes for support provided by the national and other funds in country including investments into initiatives and projects related to the implementation of the Green Deal priorities.

7. Potential risks

Risk	Probability (low or high)	Mitigating actions
Insufficient coordination and communication between the institutions	Medium	Appropriate legislative changes for establishing the institutionalised setting for the system
Commitment on the highest level in the institutions involved in the establishment and operation of the SA MIS	Medium	Regular communication and reporting to the ministerial level for the progress and early warning notifications.

Measure 15: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities

The continuous decrease of the rate of informal employment is a confirmation that the implementation of the activities planned within the Action Plan for Formalisation of the Informal Economy 2021–2022 has an impact on reducing the informal employment. The realisation of the activities planned within the Action Plan for Formalisation of the Informal Economy 2021–2022 is ongoing.

Year	2019	2020	2021
Total number of employed	797,651	794,909	795,087
Total number of formally employed	669,625	687,143	698,936

28 The number of institutions that provide/manage one or more State Aid alike programmes or schemes.

29 The number of programmes/schemes included in the system. the number do not show actual entities – users of state aid as the character of the programmes schemes vary from individual to horizontal, regional, etc. where number of users is more than one.

Total number of informally employed	128,026	107,776	96,151
Percentage of informally employed	16.1%	13.6%	12.1%

1. Description of the measure

The measure continues from the previous year, the implementation details are presented in Table 11.

With the expert support provided within the implementation of the “Improving working conditions” project under IPA II and “Improving conditions for employment of seasonal workers”, supported by GIZ, analyses and recommendations were prepared for the design of a system and mechanisms that will contribute to reducing undeclared work in certain activities and sectors of the economy, where the occurrence of undeclared work and employment is prevalent (agriculture, catering, tourism, home services, personal services and so on). In the forthcoming period, the agreed solutions will be translated into a legal framework; activities are also planned to promote and raise awareness among various entities about the negative effects and consequences of the informal employment.

In one of the joint conclusions, which were adopted on 24 May 2022, as part of the Economic and financial dialogue, it is stated that the Republic of North Macedonia should adopt a new comprehensive Strategy and Action Plan on Formalisation of the Informal Economy 2023–2025, and provide a high level of political commitment from all institutions relevant to the coordination and implementation. Aiming at implementation of these recommendations, i.e. ensuring political commitment at a high level, the Ministry of Labour and Social Policy proposed to the Government to appoint a chairman, members and deputy members of a Coordination Body responsible for coordinating the preparation and implementation of the Strategy for Formalisation of the Informal Economy 2023–2025. This will ensure an improved and more efficient coordination of all relevant institutions and stakeholders in the implementation of the planned measures and activities. In addition to this, the Ministry of Labour and Social Policy is the holder of 16% of the total number of measures in the Action Plan for Formalisation of the Informal Economy 2021–2022.

a. Activities planned for 2023

- Preparing a Law which will provide for a more simplified employment of seasonal, temporary and casual workers in order to promote formal employment in selected sectors with a greater representation of undeclared work;
- Conducting an informative campaign about undeclared work and the negative effects on workers and society. The campaign will be devised, designed and implemented in close cooperation between the relevant state institutions and the social partners;
- Conducting trainings for various target groups, such as workers, employers, labour inspectors, other inspection services, representatives of other relevant institutions, on issues related to the informal economy, undeclared work, application of new approaches/tools for tackling informal employment and so on.

b. Activities planned for 2024

- Adopting a Law and by-laws that will regulate the simplified employment of seasonal, temporary and casual workers;
- Developing and implementing a software solution (tool) for simplification of the system for registration of seasonal, temporary and casual workers in the Republic of North Macedonia.

2. Results indicators

Indicator	Baseline	Intermediate target(2025)	Target 2026
Participation/share of informally employed in the total number of employed persons (SSO - LFS)	12.1%	11.0%	10.0%

3. Expected impact on competitiveness

Efficient and functional labour markets are in negative correlation with informal employment and undeclared work, while on the other hand they are positively associated with higher competitiveness of the overall economy. In essence, companies and legal entities operating in the formal sector, i.e. formal economy, objectively face higher costs associated with their operation, compared to “informal entities” in the labour market; they pay taxes, fees, contributions and higher salaries for their employees. In the informal economy, significantly lower prices for

products and services can usually be achieved, thus creating unfair competition with formal businesses. Reducing the informal economy and stimulating regular (formal) employment will undoubtedly lead to better quality of work and working conditions and to a better business environment.

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

The cost of implementing the measure is estimated at EUR 340,000.

In EUR	2023	2024	2025
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	180,000	80,000	0
2.1 of which IPA funding, including WBIF funding	180,000	80,000	0
Total	180,000	80,000	0

*National public finance sources

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

The reduction of the emergence of unfair competition between firms and enterprises, which is due to the existence of the informal economy and informal employment, the activities aimed at stimulating the creation of regular employment and the transition “from informal to formal” can lead to a significant reduction in employment insecurity and to new opportunities for decent work. Therefore, the implementation of the planned measure is expected to have positive impact on the employment in the country. It should be noted that for some of the workers informality is not a choice, but a necessity which they venture into by a lack of decent jobs. That is why a coordinated and multi-sectoral approach is needed in implementing the measure. It is also important to bear in mind that the formalisation of jobs undoubtedly leads to greater protection of workers’ safety and health, i.e. higher level of prevention and protection of workers in case of injury at work or illness related to work and the workplace. Naturally, in the design and implementation of the measure and the planned activities, care will be taken to ensure that the impact is gender balanced.

6. Expected impact on the environment

The measure is not expected to have a significant 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)	Planned mitigating actions
Lack of commitment and persistence of all relevant stakeholders in their engagement and implementation of activities for combating the informal economy	low	Involvement of all stakeholders in the design phase of the planned measures and activities. Their participation will also be encouraged and ensured through awareness raising activities.
Lack of efficient and effective coordination between the institutions in designing and implementing the policies and activities for reducing the informal economy	low (medium)	Transferring the coordinating role in the fight against the informal economy and undeclared employment to the level of the Deputy Prime Minister. This will ensure an improved and more efficient coordination of all relevant institutions and stakeholders in the implementation of the planned measures and activities. Thereby, ensuring an even higher level of political commitment and coordination.
Lack of public confidence in the effectiveness of the administrative procedures and measures.	(medium) high	Ensuring good and efficient coordination among the ministries and other relevant institutions and creation of clear cross-sectoral rules for implementation of the measures and policies for promotion of decent work. The implementation of the rules will be accompanied by a targeted public campaign on raising public awareness about the impact and effects of informal work and the benefits of formalisation that will involve all public and private actors.

Failure to adopt the legal framework for implementation of the new model on formalisation of the casual, temporary and seasonal work	medium	Adjusting the plan for unforeseen situations and priorities in accordance with the newly developed situation.
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Measure 16: Support to development of the innovation eco system

1. Description of the measure

This ERP measure is modified and extended from the last year ERP measure for Enhancing the collaboration between the academy and the industry by creation of Science Technology Park (**STP**).

This new proposed measure is focusing on development of the innovation eco system by adoption and implementation of the smart specialization strategy and setting the institutional infrastructure for support of the academia - business collaboration - establishment of STP.

In the process of creating a competitive economy, based on knowledge and innovation, there should be a strong link to enhancing the innovation and stimulating cooperation between academia and business for transferring the knowledge, skills development, increasing capacities for research and development etc.

In creation favorable environment for innovation based growth it is necessary to provide strategic framework as a policy guidance with clear vision for inclusive and smart growth and strengthen the institutional support infrastructure for RDI in order to get closer to the forefront of science and technology and become more competitive in regional economy.

Support the development of the innovation eco system will be realized in a two submeasures:

- a. First is related to adoption of the new strategic document **Smart Specialization Strategy - S3**, that should replace the innovation and competitiveness strategy.

This strategic framework should give new impetus to the system by creating efficient coordination, prioritization of domains for smart specialization, propose new set of horizontal measures for development of the innovation eco system as well propose a set of vertical measures and link it to the second sub component - the development of the institutional implementation infrastructure – foundation of the Science Technology Park.

Industrial policy of the Republic of North Macedonia has a focus on manufacturing industry, but as stated in the strategy, building competitiveness through innovation and the vertical/sectoral support will be linked to the new Smart Specialization Strategy where are identified domains with highest economic, innovative and research capacities. This strategy should replace and should be the new Innovation and competitiveness strategy.

Through development and implementation of the S3 should be provided a new approach as a systematic way for introducing and supporting development of the innovation and research eco system, strengthening the institutional infrastructure and implementing concrete instruments for supporting academia business collaboration, new scientific research, innovation enhancement, skills development, continuous EDP, strategic research and innovation partnerships.

The S3 will support the boost of the innovation capacities for competitiveness, promoting primarily specific instruments in identified domains for smart specialization.

Namely, within the Industrial strategy, the National Roadmap for Research Infrastructure, the EU Progress Report Chapter 20 and 25 recommendations as well as findings in the SBA Policy Index is emphasized the importance of the implementation of the new strategic document for smart specialization as a stimulus for innovation, research, growth, green and digital transition, contributing considerably to the strengthening of national research and innovation ecosystem and as a relevant framework for boosting competitiveness based on knowledge and innovation.

The strategy is in the last phase of development, thoroughly following the JRC methodology and closely supervised and in collaboration with JRC experts.

The process for development of Smart Specialization Strategy was launched in 2018 and so far, the quantitative (mapping of economic, innovative, and research capacities) and qualitative mappings (based on 100 interviews with key stakeholders) as well as Entrepreneurial Discovery Process were concluded.

The entrepreneurial discovery process, successfully finalised in 2022, involved more than 200 stakeholders in quadruple helix, jointly discussing and defining the SWOT, vision and policy mix needed as transformation roadmap for the identified domains for smart specialization. The identified domains for S3 are 4 vertical (Smart agriculture and food with higher added value; Electro-mechanical industry – Industry 4.0; ICT; Sustainable materials and smart buildings) and 2 horizontal domains (Energy for future, Tourism).

Green and digital transition are integral part of the S3 concept, as well as other economic and social challenges that should be considered.

Mapping of the already completed National R&D Infrastructure will be base for further development and utilization of the existing capacities for the economy growth.

In the process of S3 development were involved few donor projects that will open the floor for further collaboration in implementation phase too. EU programs are also envisaged as an important source of financing the implementation of the strategy.

It is planned that measures and activities should target research support, innovation support, continuous dialogue with all stakeholders (continuous EDP), strengthening the institutional capacities for development and implementation of the measures.

Most of the measures for innovation support have been implemented through the Fund for innovation and technological development, and it is expected to continue, but also support should be provided by the different ministries competent for some of the S3 domains and other sources including donors and EU funds.

It is also expected not only to be developed new pilot projects, new policy mix instruments, designed specific instruments, but to modify some of the existing instruments as well.

With implementation of the S3 instruments, will be enabled more efficient preconditions for successful launching the STP as an institutional framework.

Soft measures, increased capacities, established links, networks and dialogue will be upgraded by new platform of institutional infrastructure.

There might be a need for changes in the Law on establishment of the Fund for Innovation and Technology Development, in order to enable new set of instruments.

b. Second subcomponent is development of institutional infrastructure – STP

As it is stated in the Mapping of the R&D Infrastructure³⁰ "If North Macedonia wishes to ensure successful implementation of the S3 and to use the existing opportunities, it should provide the upgrade or construction of new research infrastructures and further develop the research-innovation potential". Regarding the investments in projects of national importance, it is also reasonable to invest in RI projects that will contribute to the reduction of the development gap in relation to the developed EU MS.

Current facts are that there are low investments in research and development, insufficiently strong link between science and economy and human resource capacity building in research and innovation in terms of increasing the number of researchers, entrepreneurs, innovators and strengthening their knowledge and skills remain the main challenges faced by the sector. In that regard, this reform measure will enable continuity of the reform efforts invested in research, development and innovation for strengthening the institutional capacities for collaboration academia – business as well support new actions. It also constitutes a follow-up to the reform measures set out in ERP 2021-2023.

In the previous period, the pandemic substantially affected the implementation of this ERP measure for opening the STP which led to reallocation of a part of planned investments or made them impossible. But STP stays as an important challenge for next period.

³⁰ <https://www.rcc.int/download/docs/RI%20Roadmap%20NMKD%20digital.pdf/ead770d94b6db137b6c2d1d7a98ea880.pdf>

It is also linked to S3 identified as an important strategic document that should stimulate innovation.

The Republic of North Macedonia strives to continue its economic growth, so it is very important to develop the competitiveness of its private sector based on knowledge and innovation. Innovative activity is causality 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 introducing innovation.

According to the European Innovation Scoreboard 2021, North Macedonia is classified as an “emerging innovator” with improved performance. It has high performance relative to the EU on indicators such as *attractive research systems and foreign doctorate students*, but still low performance on linkages indicators such as *innovative SMEs collaborating with others and public-private publications*. Data shows that companies rely more on internal knowledge of innovation rather than external knowledge, so cooperation between companies and other stakeholders is limited. Relationships between companies and universities or research institutions are particularly rare, although firms that have established links with academic institutions tend to be more innovative.

The Competitiveness in South East Europe 2021 Policy Outlook places North Macedonia’s scores for science, technology and innovation above the WB6 average in each sub-dimension, rating second in the region in public research system and business-academia collaboration, and third in STI system. The report however also states that despite the notable progress, the institutional support for business-academia collaboration is not approached systemically and remains under-represented in the national STI (science, technology and innovation) policy framework. The recommendation is to promote business-academia collaboration through a systematic and targeted approach: “Targeted incentives, both financial and non-financial, could help raise awareness and stimulate interest in increased collaboration. North Macedonia’s emerging institutional infrastructure will help to support integration between academia and the private sector, if it is designed with encouraging collaboration as a key objective.”

Since 2014, the Fund for Innovations and Technology Development (FITD) has provided direct financing to boost innovation activity in SMEs and since recently has introduced measures tailored to enhance academia-business cooperation. In 2020 FITD piloted the innovation vouchers, in 2021 conducted the first call for establishment of Fab Labs located in HEIs embedding the quadruple helix model and with the support of the EC International Service Facility is designing a new support measure – collaborative grants. Since its establishment in 2014, the FITD has invested more than EUR 80 million public funds in about 800 companies to stimulate innovations and adoption of new technologies. The progress has been noticed in the EC North Macedonia 2021 Report, but having in mind the low investment rate in RDI, especially by the private sector, recommendations to ensure a higher level of investment in research and innovation and intensify efforts to increase participation in Horizon Europe and other EU-financed instruments in the area remain. In the EC Progress report for 2022 is recommended to ensure sufficient financing of the Innovation Fund and to adopt the Smart specialization strategy and start developing measures for its implementation.

With the objective to address the identified weaknesses of the innovation ecosystem and intensify the investments in RDI through a systematic approach targeting the academia-business collaboration, North Macedonia will establish the first Science and Technology Park. It is envisaged that the STP will initially be established with public funding, in premises adapted for a business incubator which will also host the national technology transfer office. During the first phase, the STP will offer incubation and technology transfer services, as well as general business services such as fundraising (including access to EU funds), IPR, market analysis, etc. The services will be provided for the STP tenants but also for other stakeholders under regulated terms and conditions. In the following phases, the STP will expand its infrastructure according to the market demand, gravitating towards private investment. Relevant policy, such as the Smart Specialisation Strategy, the Green Agenda, the Digital Agenda, the Agenda on Innovation, Research, Education, Culture, Youth & Sport and the WB6 Common Regional Market will be embedded in the strategic development plans of the STP. The activities of the STP will be complementary to the activities of the FITD and in close coordination with all relevant stakeholders providing support for enhancing innovation activity.

a. Activities planned in 2023

- Adoption of the S3 strategy and related Action Plan, develop the implementation framework, capacity building for implementation, expand the set of instruments enabling development of innovator eco system, launch first new instruments for S3

- Legal set-up

The activities for establishing of the STP will start with legal registration of the STP as a separate legal entity in line with the Law on Innovation Activity. Management, advisory and supervisory bodies will be appointed, the Statute and the Systematisation Act will be adopted.

In 2023 is expected that the Smart specialization strategy will be adopted by the Government and the implementation will start. Important guiding tool will be Smart Specialization implementation Framework for the EU Enlargement and Neighbourhood Region. The strategy should be send to EC for approval.

- Strengthening the capacity of STP and S3 implementation

Given its novelty within the national innovation ecosystem, during the first year, the activities of the STP will focus on capacity building to achieve operational capacity. Capacity building of employees but also external expert services will be implemented to develop the strategic documents of the STP, as well as the legal/operational procedures, including terms and conditions for provision of STP services.

For S3 implementation it is essential to increase the capacities of all stakeholders as well as establishment of the governance system, organization and management system.

- Adaptation of initial premises – business incubator & NTTO

The first phase in the development of the STP hard infrastructure will be adaptation of existing construction for purposes of office space and business incubation.

b. Activities planned in 2024

- Further implementation of the AP for S3, implement pilot projects, develop new instruments, support continuous EDP, stronger regional collaboration in WB countries, collaboration with EU S3 platforms, possible IPA or twinning projects
- Operational activities

After setting its operational procedures, the STP will start with providing services and implementing activities guided by its strategic documents, including activities for further infrastructural development.

- Further infrastructural development / construction of new infrastructure

The second phase for the hard infrastructure development will include construction of laboratories. The technical specification of the laboratories will be based on market demand and pre-conducted feasibility study.

c. Activities planned in 2025

- Further S3 AP implementation, new projects and partnerships promoted, new Horizon projects developed
- Operational activities

Once established and operational, the STP will continue and extend its operational activities, depending on market needs, mobilisation of funds and established partnerships.

- Further infrastructural development

Once established and operational, the STP will continually expand its infrastructure. The expansion will be based on market demand and pre-conducted feasibility study.

2. Results Indicators

	Baseline (2023)	Intermediate target (2024)	Target (2025)
Number of active contracts for business & academia innovation cooperation	0	0	10
Number of new instruments for S3 developed	0	5	10
Developed platform for continuous EDP dialogue	0	4	4

3. Expected impact on competitiveness

The proposed measure with both components 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 HEIs and PROs which is applicable in industry i.e. will enhance knowledge and technology transfer contributing to the competitiveness and export potential of the companies. The process of enhancing the innovation and research ecosystem will be supported with S3 implementation, stimulating science and economy collaboration too.

The measure is complementary to the activities currently undertaken by the Fund for Innovation and Technological development related to academia-industry cooperation, thus enhancing the sustainability of the results of these measures. By facilitating knowledge and technology transfer and by facilitating the cooperation between the academia and the industry, the STP will also contribute to the BERD which currently is significantly low. It will further increase the capabilities of companies for integrating into the global value chains. The results of this measure will be closely monitored to provide clearer view on economic growth and competitiveness impact. With regards to the first subcomponent 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, 300+ member SME and start-up companies, 30+ established annually, 350+ million EUR revenue, 80+ million EUR in added value (2015), 400+ new high added value jobs, 15+ million EUR in VAT annually (estimated). TPLJ is self-sustainable and profitable with 20 million EUR in assets. Science and technology parks exist and function successfully in our surrounding, Serbia, Bulgaria, Croatia and Greece.³¹

With regards to the implementation of the smart specialization strategy there will be developed a monitoring and evaluation component with set of indicators. Expected impact on competitiveness of the smart specialization is implementation of the new legal framework for innovation, including incentives for research and innovation, and implementation of the new secondary legislation and strategic framework for science and research creating the environment favourable for business sector's investments in research, development and innovation, including strengthening of human resources in this area and linking science and economy, which will produce more visible effects on the competitiveness of enterprises in the market.

Comparisons with EU countries is possible on expected impact on outcomes for implementation of the innovation policy.

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

EUR	2023	2024	2025
1. Budgetary expenditures*	1.100,000	1,700,000	2,800,000
2. Non-budgetary financing	0	0	0
2.1. of which IPA funding, including WBIF funding	0	0	0
Total	1.100,000	1,700,000	2,800,000

*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 and youth entrepreneurship. Gender equality will be mainstreamed in the implementation of the activities and gender segregated data will be incorporated in the monitoring. With the start of operational activities, the STP will develop a Gender Equality Plan that will include gender diversified data, allocated resources and mechanisms for data collection and monitoring. The strategic documents of the STP will also include performance indicators that will measure contributions or impact of the STP on generating new jobs for young people and highly qualified workforce.

6. Expected impact on environment

Environmental Impact Assessment will be incorporated through appropriate evaluation criteria into the rules and procedures for provision of STP services. In particular, initiatives that have positive impact on the preservation and improvement of the environment will be encouraged. Entities beneficiaries of STP services are expected to

³¹<https://www.tp-lj.si/en/about-us/impact-of-technology-park-ljubljana>

contribute to the process of transformation towards a green economy. During the establishment of the Science Technology Park, all environmental impact legal obligations related to the construction works will be respected.

Through Smart specialization strategy is expected implementation of the Green Deal activities, for transformation and specialization of the domains. So, it is expected a significant impact on green transition, the positive effect is expected in terms of impact on sustainability.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating actions
Lack of interinstitutional cooperation and participatory stakeholder involvement during the establishment phase	Low	Although the STP will be established as a separate legal entity, a close cooperation with the relevant line ministries and other relevant stakeholders will be essential for development of its strategic documents and for establishment of efficient and effective operational procedures. For this purpose, from the beginning, the STP will establish consultation and cooperation mechanisms to involve all relevant stakeholders in all related activities.
Lack of efficient governance implementation structure for smart specialization	Low	The Governance structure should be part of the strategy and there will be provided commitment by all stakeholders
Insufficient STP capacities for developing the strategic and operational documents and for conducting contracts for adaptation of the initial infrastructure	Medium	After the legal registration of the STP, budget allocations are planned for employments, strengthening of human capacities and procuring external services for the STP's successful establishment.
Insufficient pipeline for the STP services: (1) Low capacity for RDI in the academic community (2) Low pipeline of deep tech start-ups (3) Low interest of the business community for the STP services	Low	Providing free technical assistance for fundraising to applicants for RDI projects viable for PoC, knowledge and technology transfer to strengthen the pipeline and market demand. Development and implementation of a Communication Action Plan to identify and mobilise the RDI potential. Close cooperation with FITD and alignment with the FITD support measures.

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

1. Description of the measure

This measure is rolled over from the previous ERPs.

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:

- Capacity building of 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;
- Provision of 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 of 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 of the national metrology body to improve its measurement standards and services, the coordination with business and secure transparency in the metrology work.

The expectations out of this activity is to enhance the strategic, legislative, and institutional framework in the area of Free Movement of Goods and Services, to enhance the legislative alignment with the EU acquis as regards Company Law, Law on accounting and Law on audit; to enhance the capacity of national bodies for efficient and effective market surveillance and consumer protection and to enhance the capacity of the national metrology body to execute testing, verification, and calibration services.

a. Activities planned in 2023

- 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 for further legislative alignment in the areas: a) motor vehicles, b) emission of pollutants from non-road mobile engines, c) chemicals, d) medical products for human and for veterinary use, e) cosmetics, f) pre-packaging, g) textiles, h) footwear, i) aerosol dispensers and j) toys;
- Functional analyses of the State market inspection services;
- Design of an e-Inspection as a single inspection interoperable database.

b. Activities planned in 2024

- 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;
- 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 (2022)	Intermediate target (2023)	Target (2024)
New legislation drafted	0	0	20
Capacity building events conducted (trainings, workshops etc.)	0	0	5
Functional Point of single contacts	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 measure 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. It is oriented towards the alignment of the legal framework in areas of Chapter 1, Chapter 3, Chapter 6 and Chapter 28 as well as to improve the capacities of relevant national institutions to operate efficiently within the enhanced legal framework.

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

The cost is estimated at EUR 2,000,000. The source of financing is IPA funds.

EUR	2023	2024	2025
1. Budgetary expenditures*	0	0	0
2. Non-budgetary financing	1,000,000	1,000,000	0
2.1. of which IPA funding, including WBIF funding	1,000,000	1,000,000	0
Total	1,000,000	1,000,000	0

*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.

Measure 18: Modernisation of the post-harvest management of the agricultural products

1. Description of the measure

The main objective of the measure is increasing the competitiveness of the agricultural by modernisation of the postharvest management of agricultural products and proper introduction and implementation of the agricultural hygiene and quality standards, waste management and protection of the environment. Modernisation will include construction and operation of two purchase centres in the Municipality of Resen and Strumica, and one agro-food platform in Skopje.

i. Collection and Conditioning Centre in Resen Municipality

The Municipality of Resen accounts for 95% of the total apple production in the Pelagonija Region and for 84% of the total apple production in North Macedonia. In 2018, the total production in Pelagonija reached 105,000 tons. The total production potential is estimated at 150,000 tons.

The sector is characterized by the limited availability of modern cold storage and conditioning facilities, resulting in sub-optimal quality, grading, and storage of the produce, resulting in high losses and forgone revenue. In region, the current total cold storage capacity is about 8,000 tons. Two companies operate facilities with larger Pelagonija capacity while a small number of individual farms have built small cooling facilities for their own production and can partly meet their own needs. Modern storage chambers with controlled atmosphere for long-term storage are installed in a single distribution centre in the vicinity of Resen with a capacity of 5,000 tons.

The CCC in Resen will fill a critical gap in cooling and conditioning facilities, which will be instrumental for more standardized production and quality management, including sorting and packing, for domestic and international

markets. The integrated cooling, sorting, grading and conditioning facility will be technology innovative and can serve as important demonstration for future scale-up.

The CCC will be linked into the national food distribution system organized around the central Agro-Food Platform in Skopje and will provide the facilities and conditions to:

- Improve food safety and quality in compliance with international standards;
- Enhance competitiveness of the apple value chain through quality sorting, grading and packing;
- Enhance aggregation and horizontal integration of small holders for greater market and price negotiation power;
- Contribute to the organization of a national food distribution system through logistics linkages to Skopje; and
- Create an enabling environment for private investments in the processing and services sectors as quantities and quality becomes more predictable and organized.

The basic design parameters for the CCC will tentatively include:

- 10,000 square meter floor area;
- 5,000 square meters facility, flexible to anticipate possible increase of quantities;
- A total handling capacity of 5,000 to 8,000 tons per year;
- Cold Storage capacity;
- A sorting and grading line.

ii. Collection and Conditioning Centre in Strumica Municipality

The Strumica-Radovis Valley and the Gevgelija-Valandovo Valley in the Southeast are the main areas for vegetable production. The total production of the five main vegetable crops – pepper, tomato, cucumber, cabbage, watermelon – represent nearly 60 % of North Macedonia's total production of 380,000 tons. The main producer areas are the municipalities of Strumica, Vasilevo, Gevgelija, Bosilovo, Novo Selo, Bogdanci and Valandovo.

The CCC in Strumica will serve as a critical facility in a region of intensive vegetable production where surpluses of produce cannot immediately access the market and therefore require cold storage, sorting, packing or preparation for processing. While some local operators have already invested in private conditioning centres for their own business, the remaining gap in such facilities is large, negatively impacting directly smallholder producers that do not have access to such facilities, and as well as the volume and quality of produce that can be exported to high value markets. Most of the international big retailers do currently not consider the Southeast Region as supplier for their supermarkets as produce originating from there generally does not meet the required sanitary standards. For a region with a comparative advantage in vegetable production, the CCC would be critical to strengthen competitiveness, access new high value markets and realize higher prizes, which in turn would bring direct and spillover economic benefits to the region.

Specifically, the CCC in Strumica will allow for:

- Standardized product handling,
- Support aggregation of volumes and increase market power,
- Provide the necessary infrastructure and services to meet quality, and sanitary and phytosanitary standards required for accessing high value markets, which would be particularly important and impactful for smallholder farms.

The CCC would be part of the national food distribution system organized around an AFP located in Skopje. The basic design parameters for the CCC will tentatively include:

- 12,000 square meters of area,
- 6,000 sqm of built facilities, flexible to anticipate an expansion;
- Handling capacity for 25,000 tons of fresh and processed vegetables;
- Cold storage capacity;
- A multi-functional sorting and grading line;

iii. Agri-Food Platform in Skopje area (Gazi Baba Municipality)

The construction of an AFP (wholesale market and logistics area) in Skopje will be the focal infrastructure for the organization of fresh food aggregation, marketing and distribution systems in North Macedonia and serve as connector to different CCCs. It will allow the small-holders of the region to access to the market (Ho.re.ca., open air markets, small retailers) but also the main operators of the sector (wholesalers, exporters, Hyper&supermarkets) to organize their activities through synergies and economy of scales.

The objective is to create an agro-food platform in the proximity of the city centre to ease food distribution for Skopje and access of the main customers to the wholesale market, but also well connected to the main axes of communication with the Balkan region to promote logistics activities.

The AFP will have, at minimum, the following functionalities:

- Organize and improve the supply in safe and standardized fresh food products for the city of Skopje with a total population of around 600,000 people;
- Provide access to market for local fresh foods (Skopje produces 46,000 tons of vegetables); and
- Provide logistics and other services for agro-food sector, for both, domestic and international markets.

The main objectives of the AFP project are:

- Enhance a commercial dynamic at the agglomeration and regional levels
- Support the socio-economic development of the region
- Reduce environmental impacts generated by food distribution operations on urban area
- Develop a modern logistics to improve the competitiveness of the value chains
- Improve food safety and hygiene conditions
- Fight against the informal market

The establishment of these modern centres and trading platform will solve most of the problems that currently exist in the production and trade of agricultural products in the Republic of North Macedonia. These problems seriously disrupt the market for agricultural products and affect their competitiveness. Some of the identified main problems are:

- inadequate application of mandatory quality and safety standards in primary production;
- very high percentage of waste due to improper storage, post-harvest treatment, sorting and packaging of agricultural products;
- improper waste management;
- inadequate purchase price that creates revolt among primary producers;
- occurrence of pesticide residues and other chemicals in the final products;
- unorganised export and sale of agricultural products;
- lack of useful data regarding the quantity, quality and price of agricultural products;
- lack of capacities for storage of agriproducts when there are price disturbances on the market.

The centres and platform will be designed and built with high energy efficiency standards and the options for use of solar energy will be explored to further reduce GHG emissions; the anticipated impacts of climate change and climate related risks at the three locations will be considered to ensure climate resistance of new systems.

The estimated amount for establishment of these facilities is EUR 30.7 million financed through a WB loan.

The initial demand/ market analysis is based on meetings with producers, cooperatives, collectors, wholesalers, processors, importers, exporters, and retailers and underlined the broad stakeholder interest in such infrastructure. Potential export markets will be reachable through the improvement of quality and sanitary standards and will provide greater value to producers and develop more sustainable value chains. Many potential users have already been identified and expressed their interests to have access to such facilities for their activities.

The establishment of these centres and platform will be used also for implementation of the national agricultural CMO – Common market organisation policy and CMO measures which soon will be established in North Macedonia (as candidate country we are obligated to introduce and implement CMO policies in the pre-accession period). The CMO measures include intervention measures for storage of agricultural products in case

of market disturbances or measures for school schemes that promote establishing healthy eating habits among children with consumption of fresh fruit and vegetables and additionally have educational purpose.

Responsible for implementation of the measure will be MAFWE – Ministry of Agriculture, Forestry and Water Economy of the Republic of North Macedonia with close cooperation with the other relevant governmental, public and private institutions and entities in North Macedonia.

Direct beneficiaries of the measure will be individual agricultural producers, farmers associations, organisations and cooperatives, agricultural holdings/enterprises, traders and wholesalers.

Indirect beneficiaries will be MAFWE and other related public institutions because of the useful data collected with the software installed in the centres, as well as consumers thanks to the increased quality of agri-food products. Additional benefit would be the reduced impact on the environment through food waste reduction, proper waste management and usage of green energy.

The measure is directly related with the main three goals of the National Strategy for Agriculture and Rural Development 2021 - 2028 (Official Gazette of RNM No: 16/2021):

- Improving the competitiveness of the agro-food sector, economic sustainability and income of agricultural holdings, *(proper implementation of mandatory quality and safety standards, proper storage, packaging and distribution in these modern centres will improve the quality and safety of Macedonian agricultural products and will increase their competitiveness)* ;
- Application of environmental practices in production that lead to a reduction of the impact of climate change and adaptation to them *(with establishment of the centres food waste will be significantly reduced and managed and green energy will be used)*;
- Providing sustainable development of rural areas. *(These centres will employ people from rural areas).*

National legal framework related with this measure is: Law on quality of agricultural products (Official Gazette of RNM No: 140/2010) and Law on agriculture and rural development (Official Gazette of RNM No: 49//2010).

The management and operation with centres would be contracted to a private operator or an association of cooperatives through a concession agreement, while with the management and operation of the trade platform, two options have been identified: (a) a public delegation service contract to a private experienced operator and (b) a public delegation service contract to a semi-public company, with technical assistance for training of local personnel to operate and guide the operation of the market for several years.

The planned activities for realisation of this measure are listed in the following table for the period 2023-2025.

Activity	2023	2024	2025
Institutional set up	New working systematisation with introduction of Department on CMO		
New national CMO law	Adoption of the new CMO law	Adoption of the bylaws	
Programme for support - CMO			Drafting of the programme
Construction of a purchase centre for fruits and vegetables in Resen and Strumica	Preparatory activities related to construction (Development of Feasibility Study and Detailed Design) Starting with construction	Construction	
Construction of a trading platform for fruits and vegetables in Skopje	Preparatory activities related to construction (Development of Feasibility Study and Detailed Design) Starting with construction	Construction	

2. Result indicators

Indicator	Baseline 2018	Intermediate target 2023	Target 2025
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Percentage of agricultural products marketed in compliance with quality standards*	40	/	75
Percentage of loss in postharvest production**	30	/	20
Expected new employment	0	/	200+400 new jobs

Source: * and ** The World Bank Agriculture Modernisation Project (P168014)

*** CCCs and AFP. These are seasonal employments, 100 in CCC Strumica, 100 in CCC Resen and 400 in AFP Skopje

3. Expected impact on competitiveness

The implementation of the measure will improve competitiveness and farmers will achieve better economic results from their production. Namely, through the introduction of quality and safety standards, change of the FFV variety structure and improvement of postharvest conditions of manipulation and storage of the products, it is expected that the products will be with higher quality, higher income and reduced food loss.

The quantity of agricultural products that can be stored in modern purchasing centres with European standards will increase, in Resen 5,000 tons, Strumica 25,000 tons and Skopje 46,000 tons of fruits and vegetables.

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

The total cost of the measure for the period 2023-2025 is estimated at around EUR 31.4 million out of which EUR 700,000 are IPA funds and the remaining funds are provided through the World Bank loan.

In EUR	2023	2024	2025
1. Budgetary expenditures* - World Bank loan	5,542,000	25,134,000	24,000
2. Non-budgetary financing - IPA	0	350,000	350,000
2.1 of which IPA funding, including WBIF funding	0	0	0
Total	5,542,000	25,484,000	374,000

*National public finance sources

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

With the construction of the purchasing centres for fruits and vegetables and especially with the introduction of the measures for regulation of the markets, all farmers on the territory of the Republic of North Macedonia will benefit, especially in the region of Strumica, Resen and Skopje. It will reduce the problem with the storage conditions and storage capacities that we currently have, which result in mud and scattering of agricultural products and economic loss. Gender equality will be respected during the implementation of this measure.

6. Expected impact on the environment

During the construction of the purchase centres, all environmental protection standards will be taken into account. Usage of green energy and reduction and managing of food waste will provide significant positive impact on environment.

7. Potential risks

Risk	Probability (high or low)	Planned mitigating action
A long process of obtaining the necessary building permits and approvals	high	Increased cooperation between the competent institutions
Long process of land expropriation	high	Increasing the capacity of the offices of the ombudsman institution in handling and processing the requests for expropriation to the MoF - UIPR, regional offices

5.2 Analysis of obstacles in other areas and related structural reform measures

4) Improving Public finance management

In addition to the upcoming challenges on the way to achieving a decent level of competitiveness and inclusive growth, another challenging that needs to be addressed is the public finance management (PFM). North Macedonia has taken several steps to improve public finance management in recent years, but a number of challenges still remain. The authorities strengthened the commitment control, invested resources in the development of stronger PFM systems for public debt and procurement, and increased fiscal transparency. However, there are many simple improvements that could be made to the publication of first data which could improve fiscal transparency in line with the international norms. North Macedonia also struggles to encourage sufficiently competitive bidding in public procurement contracts, although the government has made important progress in the development of e-procurement systems. In general, the government remained committed to the development of financial management systems over the years. Nevertheless, technological developments impose the necessity to expand the functions of the current systems and, even though they are functioning smoothly, it is important to establish new modern integrated information systems as part of the Ministry of Finance's strategic goals. This includes the development of a new Treasury System and a new Integrated Taxonomic Information System (ITIS). One of the key features of ITIS will be flexibility i.e. the possibility of adapting to a change in the processes caused by a change in the Laws for the implementation of Concept of tax reforms. As part of the renewal process of the systems, the government should also carefully review all available options to integrate them into a single Integrated Financial Management Information System (IFMIS). Considering that the government plans to scale up public investment, strengthening the Public Investment Management should be given particular importance. That being said, a PFM reform programme should combine in-depth diagnostics on cash management, development of new integrated IT systems and improved Public Investment Management.

Measure 19: Establishing Integrated Tax Information System in Public Revenue Office (PRO)

1. Description of the measure

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

The PRO is in the process of the modernization of its core business processes and reform agenda is the highest priority of the tax administration. In this regards, the most important reform is the establishing of new Integrated Tax Information System (ITIS). The inherited systems, which were used and some are still used by the PRO, are limited in their functionality and have not evolved to meet the changing needs of the tax administration. The key weakness of the PRO information system is the lack of real-time information, as well as a reliable and clear picture of the taxpayer compliance status. In addition, there are several ongoing reforms and initiatives aimed at promoting voluntary taxation, improving the effectiveness of taxpayer services, and improving the business environment. These initiatives require the strengthening of IT systems and the development of appropriate functionalities in order to make effective use of these efforts.

In this context, the implementation of the new tax system should not only address the current requirements of the tax authorities but also address the most critical questions and limitations of existing systems, thus eliminating (or reducing) current shortcomings. The new Integrated Tax Information System (ITIS) aims to improve the operational efficiency of tax administration functions, as well as increase revenue by strengthening compliance monitoring and improving taxpayer services. Also fight of the grey economy is one of the key challenges that will be addressed with the digitalisation (projects as My VAT, e-invoice, e-PIT, etc.)

The new Integrated Tax Information System should have the following characteristics: real-time processing, transparency, orientation of the service, continuous availability, automatization of operations, e-Administration, mass-scale processing (data processing), unified monitoring of tax and other liabilities, the 3T principle (Taxpayer; Type of tax; Tax period), client relations management (CRM), log of events and log of revision (audit), and compliance risk management with the taxpayers. Also, the Integrated Tax Information System will cover all taxes (PIT, VAT and CIT) managed by the PRO, as well as social contributions.

As a first step towards the introduction of a new integrated information system in the PRO from 1 November 2017 to 31 January 2019, the IPA 2 Project "Development and reengineering of business processes for the new tax integrated IT system" was implemented.

Based on the defined work processes in this project, a future model of integrated tax IT system of the PRO was proposed, which will provide optimal processes for collection, reporting, analysis and risk management in accordance with the tax legislation.

Several logical units are defined: registration, management of filing and receiving tax returns, assessment, enforcement, payments, refunds, accounting, auditing, legal affairs, international cooperation, compliance management, service management and data exchange with external systems. Each of the logic units consists of several processes that support the required functionality. This project also defined the hardware architecture of the new IT system needed to support these workflows.

In January 2019, the Public Revenue Office adopted an IT strategy 2019-2022 which envisages the application of modern information and communication technologies to provide a reliable and secure information system for the development of flexible, efficient, effective and service-oriented tax administration.

The Tax System Reform Strategy 2020-2023 points out to the introduction of a new Integrated Tax Information System, which covers all business processes and ensures data records in accordance with the national and international regulations and standards.

The new ITIS is being developed as its own software (web-based application based on the Oracle database) instead of COTS (due to budget/time constraints and sustainability issues).

The existing information systems of the Public Revenue Office (for example, e-tax portal, DANIS (current Tax Information System), Monthly calculation for integrated payment -MCIP) are gradually being replaced by new modules of Integrated Tax Information System and the existing interfaces will be expanded (for example, KIBS, future IFMIS, Customs and much more).

Implemented development projects and projects which are underway for the establishment of Integrated Tax Information System are: software solution for simplification of the procedures for reporting and payment of personal income tax for individuals - citizens and issuance of a prefilled annual tax return, which is upgraded with modules for submitting Monthly calculation for integrated payment -MCIP and Personal Income Tax-Tax Balance (PIT TB) and thus completes the module that supports the processes of the tax procedure related to the personal income tax. Also, within this frame, the following projects for the establishment of Integrated Tax Information System are being implemented:

- New Masterfile- the PRO gets rid of the independent keeping of the registers of taxpayers in the part of the basic data that it takes over from the registration bodies in charge of those registers (CRN - for natural persons and CR for the trade register), and concentrates on creating taxpayers' registers by types of tax.
- New tax accounting that will enable better tax debt management and public revenue planning
- A new integrated e-Taxes module in which, in addition to modernizing the method of receiving reports and other submissions that taxpayers submit to the PRO, on the so-called electronic mailbox, that is, on the portal, taxpayers will also be able to download electronic documents submitted by the PRO.

With the implementation of these projects from 2019, the basic structure of the IT system of the PRO began to be established, and the basic structure will be completed by replacing the module for processing tax returns and other submissions and determining tax debt. To complete the IT system, there remain modules of the information system, which are planned to be implemented in the period until 2025. Most of the modules for the new ITIS are financed with budget funds, and the rest of the ITIS will be financed with a loan through the World Bank. In the part of the PRO, a proposal has been prepared for Component 2: Supporting the tax reforms of the IT strategy of the PRO and promotion of the integrated tax information system (or ITIS), which include the remaining projects/modules for completing the IT system.

In the framework of the digital transformation of the Public Revenue Office and the introduction of Integrated Tax Information System, two components are emphasized:

Component 1. Completion of the remaining modules from Integrated Tax Information System

In order to complete the new IT system, modules of PRO's information system remain, as follows:

- Realisation of procurement of software for implementation of tax procedure per case in 2023, which will end in 2024, new Integrated Tax Information System modules for e-commerce and e-invoice, Data warehouse and Business Intelligence Tools as components: risk management, compliance and fact-based decision-making.

a. Activities planned in 2023

- The realization of the procurement of the software for the implementation of the tax procedure by subject, including Masterfile and tax accounting.
- -Starting activities for the establishment of a Data Warehouse

b. Activities planned in 2024

- Continuation of the realization of the procurement of the software for the implementation of tax procedure by subject.
- Establishing a Data Warehouse and business intelligence tools - Data Warehouse and BI
- Establishing a new ICT infrastructure

c. Activities planned in 2025

- Usage of business intelligence tools when processing reports from taxpayers and for risk management and compliance management

Component 2. Ensuring security of IS (Information system) and smooth functioning of the Integrated Tax Information System

This component comprise of: activities to increase the safety and security of IS and establishing of Disaster Recovery Centre.

a. Planned activities in 2023

- Continuation of the modernization of the ICT infrastructure
- Continuation of activities to increase the security of the PRO systems

b. Planned activities in 2024

- Continuation of the activities to increase the security of the PRO systems
- Continuation of the activities for the development and restructuring of the IT subsystems of the Public Revenue office
- Starting activities for the establishment of a Disaster Recovery Centre

c. Planned activities in 2025

- Increasing the reliability of the PRO systems
- Development and restructuring of the IT subsystems of the PRO
- Establishment of a Disaster Recovery Centre

2. Results Indicators

Indicator	Baseline (2021)	Intermediate target (2023)	Target (2025)
Percentage of business processes implemented in the new Integrated Tax Information System	N/A	At least 90%	At least 95%
% of taxpayer services that have been digitalised	83%	Up to 95%	Up to 100%
Number of governmental institutions with which the Integrated Tax Information System is exchanging data	15	At least 25	At least 30
Percentage of transferred types of data into the Data Warehouse from types of data witch need to be filled into the Data Warehouse	N/A	60%	80%
Percentage of successful tests for security and safety of the system	N/A	50%	100%
Percentage of successful tests of the Data Recovery Centre	N/A	50%	100%

3. Expected impact on competitiveness

This measure also takes into account the opportunities offered by digitalisation, new communication channels and the large increase of internal and external data sources, which will allow at the end tax administration to fully digitalise services towards taxpayers, thus helping the companies to save time and costs. Digital transformation of the tax administration will inevitably lead to increasing the collection of taxes estimated at least 10%, as well as reducing the informal economy, which helps formal business to increase their revenues, automated fact based decisions and to voluntarily comply.

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

The cost for implementation of the whole measure is estimated at EUR 5,000,000.

In EUR	2023	2024	2025
1. Budgetary expenditures*	2,500,000	1,350,000	1,150,000
2. Non-budgetary financing	0	0	0
2.1. of which IPA funding, including WBIF funding	0	0	0
Total	2,500,000	1,350,000	1,150,000

* National public finance sources

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

The digitalisation of the business processes of the tax administration will inevitably lead to less financial burden to the businesses, which can further on allocate funds to increase employment, thus reducing poverty. Another positive impact is gender equality because digitalisation does not favour or discriminate any particular gender.

6. Expected impact on the environment

This measure will lead to improving environmental sustainability. The digitalisation of the tax administration's business processes will have a positive impact on the environment. Paperless administration means less pollution and in the same time will reduce time and costs of the new digitalised business processes, which will save resources.

7. Potential risks

Risk	Probability (low or high)	Planned mitigating action
Lack of human and institutional capacities in the PRO, especially in the Directorate of Information Technology	High	Human resource management policy, especially in the IT
Insufficient dedication and resistance to change by the PRO staff	Medium	Ensured transparency and inclusion of as much as possible staff of the PRO in the projects and trainings for the employees
Late procurement of hardware	Medium	Temporary use of the existing equipment
Non-provision of legal frameworks	Medium	Harmonisation with the existing legislation

5.3 Summary of reform measures

A. Reforms addressing the three key challenges:
1. Strengthening of human capital for inclusive development
Measure 1: Further development of qualification system
Measure 2: Increasing the flexibility and security of the labour market
Measure 3: Enhancing the system for social inclusion of vulnerable groups
Measure 4: Strengthening the quality of the Primary Health care
2. Fostering the green transition

Measure 5: Promotion of renewable energy sources
Measure 6: Improvement of energy efficiency
Measure 7: Establishing wastewater collection and treatment infrastructure in accordance with EU requirements
Measure 8: Establishing an integrated and financially self-sustainable waste management system
3. Improving the competitiveness of domestic companies, their integration in the global value chains and formalisation of the economy
Measure 9: Implementation of an Intelligent Transport System (ITS) along Corridor X
Measure 10: Broadening the scope of digital services provided on National E-service Portal
Measure 11: Streamline the use of parafiscal charges
Measure 12: Hybrid fund for green and digital start-ups and innovative SME's
Measure 13: Financial support for Roma entrepreneurs
Measure 14: Establishment of Management Information System on State Aid
Measure 15: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities
Measure 16: Support to development of the innovation eco system
Measure 17: Strengthening the market rules in the Republic of North Macedonia
Measure 18: Modernisation of the postharvest management of the agricultural products
B. Reforms addressing other challenges:
Measure 19: Establishing Integrated Tax Information System in Public Revenue Office (PRO)

Annex 1: Summary data

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

Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	Total
Measure 1: Further development of qualification system					
Year 2023	5,571,754	0	0	0	5,571,754
Year 2024	5,732,004	0	0	0	5,732,004
Year 2025	5,732,004	0	0	0	5,732,004
Measure 2: Increasing the flexibility and security of the labour market					
Year 2023	0	45,000	0	0	45,000
Year 2024	0	0	0	0	0
Year 2025	0	0	0	0	0
Measure 3: Enhancing the system for social inclusion of vulnerable groups					
Year 2023	0	462,000	14,675,000	900,000	16,037,000
Year 2024	0	621,000	14,048,000	500,000	15,169,000
Year 2025	0	300,000	13,400,000	0	13,700,000
Measure 4: Strengthening the quality of the Primary Health care					
Year 2023	0	230,000	26,000	660,000	916,000
Year 2024	3,740,000	402,000	156,000	4,664,500	8,962,500
Year 2025	3,740,000	359,800	286,000	2,467,500	6,853,300
Measure 5: Promotion of renewable energy sources					
Year 2023	0	0	500,000	0	500,000
Year 2024	0	30,000	500,000	0	530,000
Year 2025	0	23,000	500,000	0	523,000
Measure 6: Improvement of energy efficiency					
Year 2023	0	6,000,000	0	0	6,000,000
Year 2024	0	600,000	0	0	600,000
Year 2025	0	1,020,000	0	0	1,020,000
Measure 7: Establishing wastewater collection and treatment infrastructure in accordance with EU requirements					
Year 2023	0	331,000	0	56,460,652	56,791,652
Year 2024	0	526,000	0	56,265,652	56,791,652
Year 2025	0	526,000	0	56,265,652	56,791,652
Measure 8: Establishing an integrated and financially self-sustainable waste management system					
Year 2023	0	312,699	0	16,764,451	17,077,150
Year 2024	0	223,749	0	8,975,615	9,199,364
Year 2025	0	223,749	0	8,975,615	9,199,364

Measure 9: Implementation of an Intelligent Transport System (ITS) along Corridor X					
Year 2023	0	0	0	6,500,000	6,500,000
Year 2024	0	0	0	9,300,000	9,300,000
Year 2025	0	0	0	300,000	300,000
Measure 10: Broadening the scope of digital services provided on National E-service Portal					
Year 2023	0	1,668,000	0	0	1,668,000
Year 2024	0	4,550,000	0	0	4,550,000
Year 2025	0	3,750,000	0	0	3,750,000
Measure 11: Streamline the use of parafiscal charges					
Year 2023	0	150,000	0	0	150,000
Year 2024	0	0	0	0	0
Year 2025	0	0	0	0	0
Measure 12: Hybrid fund for green and digital start-ups and innovative SME's					
Year 2023	0	0	10,000,000	0	10,000,000
Year 2024	0	0	0	0	0
Year 2025	0	0	17,000,000	0	17,000,000
Measure 13: Financial support for Roma entrepreneurs					
Year 2023	0	0	1,980,000	0	1,980,000
Year 2024	0	0	1,980,000	0	1,980,000
Year 2025	0	0	0	0	0
Measure 14: Establishment of Management Information System on State Aid					
Year 2023	500,000	1,500,000	0	0	2,000,000
Year 2024	1,500,000	0	0	0	1,500,000
Year 2025	0	0	0	0	0
Measure 15: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities					
Year 2023	0	180,000	0	0	180,000
Year 2024	0	80,000	0	0	80,000
Year 2025	0	0	0	0	0
Measure 16: Support to development of the innovation eco system					
Year 2023	100,000	0	0	600,000	700,000
Year 2024	150,000	0	0	850,000	1,000,000
Year 2025	150,000	0	0	1,850,000	2,000,000
Measure 17: Strengthening the market rules in the Republic of North Macedonia					
Year 2023	0	1,000,000	0	0	1,000,000
Year 2024	0	1,000,000	0	0	1,000,000
Year 2025	0	0	0	0	0
Measure 18: Modernisation of the postharvest management of the agricultural products					

Year 2023	0	1,872,000	0	3,670,000	5,542,000
Year 2024	0	2,554,000	0	22,930,000	25,484,000
Year 2025	0	350,000	0	24,000	374,000
Measure 19: Establishing Integrated Tax Information System in Public Revenue Office (PRO)					
Year 2023	0	0	0	2,500,000	2,500,000
Year 2024	0	0	0	1,350,000	1,350,000
Year 2025	0	0	0	1,150,000	1,150,000

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: Further development of qualification system								
Year 2023	4,048,502	0	0	1,523,502	0	0	0	5,571,754
Year 2024	4,208,502	0	0	1,523,502	0	0	0	5,732,004
Year 2025	4,208,502	0	0	1,523,502	0	0	0	5,732,004
Measure 2: Increasing the flexibility and security of the labour market								
Year 2023	0	0	0	0	45,000	0	0	45,000
Year 2024	0	0	0	0	0	0	0	0
Year 2025	0	0	0	0	0	0	0	0
Measure 3: Enhancing the system for social inclusion of vulnerable groups								
Year 2023	13,380,000	0	0	1,100,000	0	1,557,000	0	16,037,000
Year 2024	13,400,000	0	0	1,000,000	0	769,000	0	15,169,000
Year 2025	13,400,000	0	0	300,000	0	0	0	13,700,000
Measure 4: Strengthening the quality of the Primary Health care								
Year 2023	816,000	0	100,000	0	0	0	0	916,000
Year 2024	5,112,500	0	3,850,000	0	0	0	0	8,962,500
Year 2025	3,013,300	0	3,840,000	0	0	0	0	6,853,300
Measure 5: Promotion of renewable energy sources								
Year 2023	500,000	0	0	0	0	0	0	500,000
Year 2024	500,000	0	0	0	30,000	0	0	530,000
Year 2025	500,000	0	0	0	23,000	0	0	523,000
Measure 6: Improvement of energy efficiency								
Year 2023	150,000	0	0	850,000	0	5,000,000	0	6,000,000
Year 2024	90,000	0	0	510,000	0	0	0	600,000
Year 2025	180,000	0	0	1,020,000	0	0	0	1,200,000
Measure 7: Establishing wastewater collection and treatment infrastructure in accordance with EU requirements								
Year 2023	10,895,990	0	0	18,495,662	0	27,400,000	0	56,791,652
Year 2024	10,895,990	0	0	18,495,662	0	27,400,000	0	56,791,652
Year 2025	10,895,990	0	0	18,495,662	0	27,400,000	0	56,791,652
Measure 8: Establishing an integrated and financially self-sustainable waste management system								
Year 2023	3,377,235	0	0	13,699,915	0	0	0	17,077,150
Year 2024	2,195,567	0	0	7,003,797	0	0	0	9,199,364
Year 2025	2,195,567	0	0	7,003,797	0	0	0	9,199,364

Measure 9: Implementation of an Intelligent Transport System (ITS) along Corridor X								
Year 2023	0	0	0	0	0	6,500,000	0	6,500,000
Year 2024	0	0	0	0	0	9,300,000	0	9,300,000
Year 2025	0	0	0	0	0	300,000	0	300,000
Measure 10: Broadening the scope of digital services provided on National E-service Portal								
Year 2023	368,000	0	0	1,300,000	0	0	0	1,668,000
Year 2024	3,250,000	0	0	1,300,000	0	0	0	4,550,000
Year 2025	3,250,000	0	0	500,000	0	0	0	3,750,000
Measure 11: Streamline the use of parafiscal charges								
Year 2023	0	0	0	150,000	0	0		150,000
Year 2024	0	0	0	0	0	0	0	0
Year 2025	0	0	0	0	0	0	0	0
Measure 12: Hybrid fund for green and digital start-ups and innovative SME's								
Year 2023	10,000,000	0	0	0	0	0	0	10,000,000
Year 2024	0	0	0	0	0	0	0	0
Year 2025	0	0	0	0	0	0	17,000,000	17,000,000
Measure 13: Financial support for Roma entrepreneurs								
Year 2023	990,000	0	0	0	990,000	0	0	1,980,000
Year 2024	990,000	0	0	0	990,000	0	0	1,980,000
Year 2025	0	0	0	0	0	0	0	0
Measure 14: Establishment of Management Information System on State Aid								
Year 2023	0	0	0	0	0	2,000,000	0	2,000,000
Year 2024	0	0	0	0	0	1,500,000	0	1,500,000
Year 2025	0	0	0	0	0	0	0	0
Measure 15: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities								
Year 2023	0	0	0	100,000	80,000	0		180,000
Year 2024	0	0	0	0	80,000	0	0	80,000
Year 2025	0	0	0	0	0	0	0	0
Measure 16: Support to development of the innovation eco system								
Year 2023	700,000	0	0	0	0	0	0	700,000
Year 2024	1,000,000	0	0	0	0	0	0	1,000,000
Year 2025	2,000,000	0	0	0	0	0	0	2,000,000
Measure 17: Strengthening the market rules in the Republic of North Macedonia								
Year 2023	0	0	0	1,000,000	0	0	0	1,000,000
Year 2024	0	0	0	1,000,000	0	0	0	1,000,000
Year 2025	0	0	0	0	0	0	0	0
Measure 18: Modernisation of the postharvest management of the agricultural products								

Year 2023	0	0	0	0	0	5,542,000	0	5,542,000
Year 2024	0	0	0	350,000	0	25,134,000	0	25,484,000
Year 2025	0	0	0	350,000	0	24,000	0	374,000
Measure 19: Establishing Integrated Tax Information System in Public Revenue Office (PRO)								
Year 2023	2,500,000	0	0	0	0	0	0	2,500,000
Year 2024	1,350,000	0	0	0	0	0	0	1,350,000
Year 2025	1,150,000	0	0	0	0	0	0	1,150,000

Table 11: Reporting on the implementation of the structural reform measures of the ERP 2022-2024

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) ³²
	Measure 1: Further development of the qualification system	Stage of reform implementation (1-5)
Activities planned for 2022	1. Adoption of a new Law on vocational education and training with separate chapters for Regional VET Centres and dual education	2
	2. Adaptation and reconstruction of 3 Regional VET Centres	4
	3. Development of Standards for higher education qualifications, primarily for professions in the field of education, such as pedagogue, psychologist, caregiver, educator	3
	4. Establishment of the last 3 sectoral commissions: for graphic design, forestry and wood processing and for sports and recreation	1
	5. Preparatory activities for evaluation and adoption of a bylaw on methodology for evaluation of qualification standards registered in the Register (validity period 4 years)	3
	6. Adoption of one-year and four-year work programme	4
Description of implementation and explanation if partial or no implementation	1. In cooperation with the business community, chambers, companies, educational institutions, a new Law on Vocational Education and Training has been prepared, which provides special chapters for the functioning of the regional centres and determining dual education. The Ministry of Education and Science in parallel is working on new Law for Secondary Education.	
	2. Starting from 2021, three Regional VET Centres are officially functioning. An analysis of the training needs of the employees in the three centres was made, and standards were developed for the space and equipment for schools. The reconstruction of the Regional VET Centre in Kumanovo – KiroBurnaz is in accordance with the dynamics. The deadline for completion of the reconstruction is 27.04.2023. The reconstruction of the Regional VET Centre in Ohrid – VanchoPitoshevski is advancing. Up to September 2022, the percentage of realization is 15% (13.89%). The finalizing of this reconstruction will be prolonged to the second half of 2023. The reconstruction of the Regional VET Centre in Tetovo – Moshja Pijade in the process of obtaining permission for reconstruction from the municipality. Since the Law on VET has not been adopted, the MoES instructed the Directors of the 3 RVETCs to follow the Concept for the establishment of RVETC and proceed with the preparation of the relevant official documents per the Concept since the content of the Concept is already fully reflected in the draft Law on VET. Accordingly, the 3 RVETC established a new structure, adopted organigrams and statute following the functions foreseen in the Concept for the establishment of RVETC	
	3. In 2022 TheNationalBoard for National Qualification Framework has adopted the standard for a teacher in higher education as a first higher education qualification standard. Within the framework of the Twinning project, standards for higher education qualifications will be developed, namely: standards for teachers for primary and secondary education, for psychologists and pedagogues, and for tourism and catering, as a national priority. Currently there is an ongoing process of forming a working group with representatives from these areas and experienced professors from the respective faculties	

³²0=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

	<p>who will contribute to the development of these standards.</p> <p>4. Currently there are 6 functional sectorial councils, since 5 of them were established earlier, now they are in process for obtaining their second mandate. The sectorial councils for geology, mining and metallurgy, art, graphic design, forestry and wood processing and for sports and recreation are expected to be established in 2023. The nomination of the proper candidates for the sectorial councils is very sensitive procedure because the person nominated from the stakeholder needs to have the important competences in comply with the Sectorial councils authorities stated in the Law on NQF.</p> <p>5. The evaluation of 39 qualification standards that was planned for 2022 as regular process for each 4 year is postponed due to preparatory activities for development of the Methodology for evaluation which is planned to be realised within the Twinning project activities. Methodology for evaluation of the qualification standards on regular bases in order to be up date with the latest innovation and technologies will be developed in coordination with all relevant stakeholders</p> <p>6. National Council for Higher Education, Science and Research in the course of July adopted the one – year program for 2023. The four-year work programme was adopted in December 2021. http://www.nacionalensovetzavoinid.com.mk/ Short overview of the undertaken activities: <ul style="list-style-type: none"> • Rulebook on the standards and procedures for external evaluation and self-evaluation is published. • Prepared list of electronic databases of scientific magazines in order professors and universities to have an access to them. • Rulebook on the norms and standards for the establishment of higher education institutions and for the performance of higher education activities. • Rulebook on the norms and standards for establishing scientific institutes and for the performance of scientific research activity. • Proposal - decree on measures and criteria for stimulating talented students • Drafting the Proposal - decree for determining the scientific research fields at the third level (areas), as an addition to already developed the two levels of the International Frascati Classification. Drafting the Proposal for harmonization with the National Classification of Occupations according to the addition of the two levels of the International Frascati Classification. Drafting the Rulebook on the content of study programs is also in progress, a commission established by the Council is working on it.</p>	
	Measure 2: Increasing the flexibility of the labour market	Stage of reform implementation (1-5)
Activities planned for 2022	1. Activities to promote legal changes in the labour law, aimed at increasing the flexibility of the labour market (atypical forms of employment contracts, repetitive seasonal work, telework, work from home, etc.). Organisation of round tables, tribunes and so on	1
	2. Adoption of a new Law on Labour Relations and preparation of bylaws in accordance with the new Law	1
	3. Organisation of educational, trainings/seminars on application of the new legal provisions (for labour inspectors, social partners and so on)	0
Description of implementation and explanation if partial or no implementation	1. This activity will be implemented after the adoption of the Law on Labour Relations. The consultations carried out during the preparation phase of the draft text of the new Law on Labour Relations made it possible to promote the changes aimed at increasing the flexibility of the labour market.	
	2. A proposal for a Law on Labour Relations has been prepared and consultations with stakeholders are underway	
	3. This activity will be implemented after the adoption of the Law on Labour Relations	
	Measure 3: Enhancing the system for social inclusion of vulnerable groups	Stage of reform implementation (1-5)

I. Inclusion of vulnerable groups through activation		
Activities planned for 2022	1. Monitoring and evaluation of activities for activation of minimum guaranteed assistance beneficiaries in the labour market	5
	2. Elaborating provisions in the Law on Employment and Insurance Against Unemployment conducive to provision of services for supported employment by various service providers	5
	3. Developing a Law on Social Enterprises and providing financial and technical support for social enterprises that focus on improving employment prospects for vulnerable population, including persons with disabilities	4
	4. Elaborating new employment model for persons with disabilities with a view to greater inclusion of persons with disabilities in the open labour market	4
Description of implementation and explanation if partial or no implementation	1. The Study on the impact of social benefits on the labour market activation of vulnerable groups was prepared. Short-term and long-term solutions are envisaged to overcome the institutional and systemic challenges for efficient activation of GMA beneficiaries.	
	2. A draft proposal of the Law on Employment and Insurance in Case of Unemployment was prepared, which includes provisions that enable the provision of supported employment services by various service providers. Completion of the consultation process and adoption of the Law is planned for 2023.	
	3. A working group formed by the Ministry of Labour and Social Policy with technical support of the EU-funded project "Support to Social Enterprises" is preparing a proposal Law on Social enterprises. It is planned that by the end of September 2022 a draft text of the Law on Social Enterprises will be prepared, and consultations will be carried out from October 2022. The procedure for adoption of the law is planned to be initiated in the first half of 2023. Since the establishment of the Centre for Social Enterprises, in November 2021, support (mentoring, internships, training, counselling, etc.) has been provided to about 300 members of the non-governmental sector and other entities that identify themselves as social enterprises. With expert support, a programme for training and capacity building of the regional centres for support of social enterprises and the Centre of Social Enterprises is being implemented, as well as a solution for the sustainability of the established structure. In order to improve access to funding for social entrepreneurs, the Innovation and Technological Development Fund has awarded grants to encourage social entrepreneurship, for the first time. In addition, within the two EU-funded projects in July and August 2022, calls were published for the provision of grants to organizations acting as social enterprises.	
	4. A document was prepared in which a new model for employment of persons with disabilities in the open labour market was developed, as well as a quantitative analysis of the fiscal implications of model. On the basis of the developed model a draft Law on Employment and Rehabilitation of Persons with Disabilities was prepared.	
II. Improving the availability of quality social services		
Activities planned for 2022	1. Providing financial and technical support for further development and diversification of social services in local communities across the country	4
	2. Developing a new software which integrates cash benefits and social protection services	3
Description of implementation and explanation if partial or no implementation	1. In September 2022, according to the Law on Social Protection, there are 69 licensed providers of social services (compared to 20 providers in 2020) in Skopje and other municipalities in the country, providing services to about 3,200 users. Part of the newly established services are financed by a loan from the World Bank for the development of social services that were selected in a public call, in 2020. In 2022 a new public call was also published for awarding grants to municipalities for the development of new social services through the aforementioned World Bank loan, and based on the needs of citizens identified in the local action plans for advancing social protection.	
	2. A tender procedure was conducted and a contractor for the new software solution was selected.	
Measure 4: Strengthening the quality of the Primary Health Care		Stage of reform implementation (1-5)

Activities planned for 2022	1. Establishment of a national body for implementation of PHC reforms.	
	2. Development of PHC protocols: - For the selected primary care general medicine physicians for the five most common non-communicable diseases: diabetes, asthma, COPD, hypertension and hypothyroidism, - For the selected primary care gynaecologists for prenatal care , cervical cancer and family planning, - For the selected primary care paediatricians for obesity in children and spinal deformities.	
	3. Development and codification of a List of interventions that can be provided by the selected PHC doctors (doctors in general medicine, gynaecologists and paediatricians)	
	4. Providing specialisation in family medicine for at least 20 doctors who already work as selected primary care doctors	
	5. Amendments to relevant laws and bylaws	
	6. Upgrading of software modules in the system of 'My appointment' for code of interventions, protocols and forms that should be filled in by the selected doctors when providing health services	
	7. Conducting a public campaign and development of information and education materials related to the developed PHC protocols	
	8. Equipping the departments of at least 300 of the selected family medicine specialists with a set of vital signs (otoscope, rhino scope, ophthalmoscope, blood pressure monitor, stethoscope), ECG and inhaler	
Description of implementation and explanation if partial or no implementation	1.	
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	Measure 5: Promotion of renewable energy sources	Stage of reform implementation (1-5)
Activities planned for 2022	1. Preparation of an Action plan for biofuels	1
	2. Preparation of bylaws from the Law on biofuels	1
	3. Detailed analysis to improve the legal framework for prosumers and comply with ECS guidelines	5
Description of implementation and explanation if partial or no implementation	1. The Action plan for biofuels and the bylaws from the Law on biofuels were not prepared due to the fact that the Law on biofuels was not adopted. The draft law on biofuels will be revised in order to be compliant with the provisions of the Renewable Energy Directive 2018/2001	
	2. Analysis was prepared to improve the legal framework for prosumers and the Ministry of economy adopted amendments to the Rulebook for RES	
	3.	

	Measure 6: Improvement of Energy Efficiency	Stage of reform implementation (1-5)
Activities planned for 2022	1. Adoption of amendments of Energy Efficiency Law or in Law for establishing DBNM for developing of the EEF (depending on the results from the analysis)	2
	2. Preparation of Inventory for energy performance for public buildings on the territory of Republic of North Macedonia	3
	3. Preparation of typology of buildings needed for adoption of the Strategy for reconstruction of buildings by 2030	4
	4. Issuing licenses and authorisations on energy audits in large traders and buildings	3
	5. Preparation the rest of bylaws arising from the Energy Efficiency Law	3
Description of implementation and explanation if partial or no implementation	1. The amendments of Energy Efficiency Law are under preparation	
	2. Phase of selection of consultants that will work on the Inventory	
	3. Analysis of data from last census and first results of typology in December	
	4. Establishment of the process for trainings and exams after the adoption of the Rulebooks	
	5. The rest of the Rulebooks are in a phase of preparation	
	Measure 7: Establishing wastewater collection and treatment infrastructure in accordance with EU requirements	Stage of reform implementation (1-5)
Activities planned for 2022	1.Tendering procedure and start the project for Improved Implementation of the EU Floods Directive through Harmonisation of National Legislation and Preparation of Flood Risk Management Plans	
	2. Tendering procedure and starting the activities for Development and Implementation of River Basin Management Plans for all River Basins (River Vardar, CrnDrim, Strumica) under the Water Framework Directive with Implementation of Measures.	
	3.Tendering procedure for supply and Supply of Specific Equipment for Water Monitoring Information System	
	4.Tendering procedure and start the implementation of the project activities for Technical audit of existing wastewater collection and treatment plants systems in North Macedonia and preparation of necessary documentation for Supply of Water Equipment for Municipalities of Radovish, Kichevo, Strumica, Prilep, Berovo, Kumanovo, Bitola and Tetovo	
	5.Tendering procedure and start the implementation of the project activities for Further support in the implementation of the reforms in the water sector	
	6.Continuation of activities for Improvement of the wastewater collection infrastructure in the City of Skopje	
	7.Signing a Contract and start the implementation of the project for Rehabilitation and extension of the sewage network in the Municipality of Kichevo (104 km of network, 4630 new households connected)	
	8.Conducting a tendering procedure and start the implementation of the project for Construction of Waste Water Treatment Plant and extension of the sewage network in the Municipality of Bitola (capacity 112.474 PE and 375 m extension to the existing collector sewer) and (9 km new + 13 km reconstructed)	
	9.Conducting a tendering procedure and start the implementation of the project for Construction of WWTP (capacity 95 152 PE) and construction of sewage network in the Municipality of Tetovo (19 km main collector sewer + 32.4 km secondary foul sewer)	
	10.Conducting a tendering procedure and start the implementation of the project for Construction of WWTP for the City of Skopje(Design and construction of the Central WWTP for 625.000 PE up to 2035)	

Description of implementation and explanation if partial or no implementation	1.	
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	Measure 8: Establishing an integrated and financially self-sustainable waste management system	Stage of reform implementation (1-5)
Activities planned for 2022	1. Continuation of activities for closure of the non-compliant landfills and dumpsites in the East and Northeast regions	
	2. Start the project for Supporting of the implementation of the Regional Waste Management System in the East and Northeast regions	
	3. Signing a Contract for preparation and revision of the National Planning Documents for Waste Management	
	4. Signing the Contract and starting of implementation of Twining Contract for Support in the implementation of the waste management legislation and extended producer responsibility scheme	
	5. Starting the activities for construction of the transfer stations and the regional landfill for the east and Northeast region	
Description of implementation and explanation if partial or no implementation	1.	
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	Measure 9: Increasing the competitiveness of the electricity market	Stage of reform implementation (1-5)
Activities planned for 2022	1. Amendment and approval of the new Project Roadmap to finish the process in year 2022	5
	2.HLMD (High level market design) drafting and approval (electricity market connection between EU country and non EU country connection)	5
	3.Full CACM (legislation) adoption in North Macedonia	4
	4.Rules for electricity trading in organised electricity market	5
	5.Drafting and submission of the SDAC procedures amendments for inclusion of BG-MKD border of electricity	4
	6.Training materials preparation and members' training activities	4

Description of implementation and explanation if partial or no implementation	<p>1. MEMO joined the SDAC (Single day ahead coupling) as an observer member. Full membership is one of the preconditions for a successful market merger with a market run by a member state of the European Union. Closely related to the full adoption of the CACM in the Republic of North Macedonia.</p> <p>2. Draft Law amending the Law on Energy has been prepared and accepted by the Parliament.</p> <p>The measure represents an increase in the competitiveness of the electricity market, as it implies the day-ahead coupling of the electricity markets between MK and BG. At the moment, all procedures for this measure have been completed and the online test period has begun.</p> <p>The tender for the procurement of the software required to make the coupling work has been completed and installed in the organized market operator MEMO. The trial period of work is in progress. Due to difficulties in applying the CACM regulation between an EU member state and a non-member state, MEMO joined the SDAC (Single day ahead coupling) as an observer member. Therefore, this trial period may last until a solution is found at the state level to regulate the sales tax.</p> <p>An amendment was made to the Law on Energy, which was adopted in the Parliament, the market rules for an organized market were drawn up, the training process is ongoing, but until a solution is found for what I mentioned earlier, the work mode will be trial. After that, a regular mode of operation will occur between the two electricity exchanges, when we expect a larger and smoother flow of energy between the two countries. This is expected to happen at any moment, but no later than spring 2023.</p>	
	Measure 10: Implementation of an Intelligent Transport System (ITS) along Corridor X	Stage of reform implementation (1-5)
Activities planned for 2022	1. Completing the national ITS Strategy	4
	2. Selecting contractor and supervision of the ITS deployment. Estimated duration of the contracts is 12 months for ITS deployment and 18 months for supervision	1
	3. Start of installation and supervision activities	0
Description of implementation and explanation if partial or no implementation	1. Consultant for preparation of National ITS Strategy has been selected and the activities have started in April 2022 and will end in December 2022.	
	2. Selection of the contractor for construction and selection of supervision of construction is expected in Q1-Q2 2023. Signing of contracts expected in Q2-Q3 2023.	
	3. Expected start of ITS deployment is Q2-Q3 2023.	
	Measure 11: Broadening the scope of digital services provided on National E-service Portal	Stage of reform implementation (1-5)
Activities planned for 2022	1. Business analysis of the service delivery processes	4
	2. Mapping of the necessary registers for delivering a specific services	5
	3. Building capacities for process reengineering	N/A
	4. Technical specification of the required equipment for deployment of the solution	4
	5. Development of the Methodology for measuring e-service delivery including piloting	5
	6. Development and deployment of Register of registers	4
	7. Reengineering of processes	4
	8. Development and deployment of new e-services on the Portal	3

	9.Integration of existing e-services on the National Portal	
Description of implementation and explanation if partial or no implementation	1. The business analyses is in process and it is integral part of the service delivery process. The business analyses is completed for some of the planned services and it is continues activity.	
	2. The mapping of the registers for planned 135 e-services is finished.	
	3. This activity is not well specified, therefore cannot be measured.	
	4. The technical specification is consisted of two parts. The first part, covering 80% from equipment is financed by DEU and it is done. The public procurement by government institutions will be realized in 2023.	
	5. The Methodology for measuring e-service delivery including piloting is developed.	
	6. The Register of registers is developed but its usage by government institutions will start in 2023.	
	7. Reengineering of processes is an integral part of e-services development process. It is continuous activity.	
	8. Within the IPA 2017: Enhancing e-Government project, the development of 135 new services for citizens and businesses is planned. The development of these services is ongoing and they are planned to be ready by the end of the project, in August 2023.	
	9.	
	Measure 12: Streamline the use of parafiscal charges	Stage of reform implementation (1-5)
Activities planned for 2022	1.Make an assessment of the legal, institutional and operational framework for para-fiscal charges in Republic of North Macedonia	5
	2.Make an assessment of best EU or regional practices for establishing legal, technical and organisational framework to ensure transparency and predictability of para-fiscal charges	5
	3.Develop study for rationalisation of parafiscal charges to include the fiscal implication of such action taking in consideration the process of digitalisation of processes and make an assessment of the List of 377 parafiscal charges –legal background, fiscal implications and possibility for digitalisation	3
Description of implementation and explanation if partial or no implementation	1.An assessment of the legal, institutional and operational framework for para-fiscal charges in Republic of North Macedonia has been completed	
	2.An assessment of best EU or regional practices for establishing legal, technical and organisational framework to ensure transparency and predictability of para-fiscal charges has been completed	
	3.Proposal for establishing legal, technical and organisational framework for parafiscal charges has been completed. This activity along with developing methodology for streamlining parafiscal charges is replacing the study for rationalization of parafiscal charges. Consultants are currently working on the methodology which will be the key document according to which pilot 50-100 charges will be optimized.	
	Measure 13: Hybrid fund for green and digital start-ups and innovative SME's	Stage of reform implementation (1-5)
Activities planned for 2022	1. Selection of a private company for managing the Fund (Fund Manager), in a process in two phases	0
	2. Establishment and operationalisation of the Fund	0
	3. Generating pipeline and improving investment readiness on the market and start with investments	0
Description of implementation and	1.Planned activities for 2022 have not been concluded. The Government is still considering the possibilities for establishing the Fund and the methods for its financing. As soon as a final decision is made by the Government, the Fund can engage in further steps in areas of its interest and support.	

explanation if partial or no implementation	2. No funding from central budget has been provided to FITD for activities in direction of establishing the Hybrid Fund in 2022.	
	3.	
	Measure 14: Financial support for Roma entrepreneurs	Stage of reform implementation (1-5)
Activities planned for 2022	1. Setting up the basic infrastructure, conditions and operative rules for implementing the measure	5
	2. Prepare operational guidelines for the implementation of Measure 1 and the establishment of a Project administration	5
	3. Mapping the non-formal employees and registered businesses led by Roma interested to apply for support	5
	4. Open call, evaluation and selection of applicants	3
Description of implementation and explanation if partial or no implementation	1. These measures are already being planned within the Operational Plan for active employment programmes and measures in the self-employment measure, the call for credit within the Employment Service Agency is open for the whole year, while the measures are implemented through the Macedonian Development Bank, where Roma entrepreneurs can also use them. REDI also established a basic experience with saving house (Horizonti) in supporting entrepreneurship.	
	2. Operational guidelines for the implementation of the Measures and the establishment of Project Administration exist within the framework of the same programs both at the level of institutions and at the level of REDI	
	3. REDI have a mapping report from the field for non-formal employees and registered businesses led by Roma interested to apply for support (at least 1000 people have intention to be part of this common measures)	
	4. Evaluation process have to be under the targeted quota, and this quote is not reached	
	Measure 15: Establishment of Management Information System on State Aid	Stage of reform implementation (1-5)
Activities planned for 2022	1. Develop the MIS system framework (institutional, ICT requirements in both hardware and software)	0
	2. Develop inventory of the State Aid alike programmes and schemes (of all types as per the regulatory framework on State Aid)	0
Description of implementation and explanation if partial or no implementation	1. No implementation	
	2. No implementation	
	Measure 16: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities	Stage of reform implementation (1-5)
Activities planned for 2022	1. Finalising the design of the model and mechanism which promote formal employment in selected sectors with high incidents of undeclared activities	4
	2. Performing cost-benefits analysis from implementation of the proposed model and developing legal framework, institutional and administrative mechanisms for its implementation	4

	3. Implementing preparatory activities for rolling-out the agreed model, including definition of procedures, forms, training of staff;	2
	4. Introduction of an identification cards system for employees (Workplace ID Cards) in certain sectors where undeclared work is present (e.g., construction, catering, and so on)	3
	5. Analysis and design of model proposals for reducing undeclared work among seasonal workers/simplifying the procedures for registration of these workers (in the agricultural sector)	4
	6. Design and implementation of an informative and educational campaign on undeclared work and the negative effects on workers and society. The campaign will be devised, designed and implemented in close cooperation between the relevant state institutions and the social partners	2
	7. Conducting trainings for different target groups (workers, employers, labour inspectors, other inspection services, representatives of other relevant institutions), on issues related to the informal economy, undeclared work, application of new approaches/tools for dealing with informal employment, and so on	1
	8. Design and establishment of a system/tool for collecting and exchanging data between institutions and strengthening their cooperation, data analysis, etc., in the area of informal employment and undeclared work	4
	9. Preparing a new Strategy for Formalisation of the Informal Economy, for the following period 2023-2027, along with an Action Plan for 2023 – 2024	0
Description of implementation and explanation if partial or no implementation	1. A business model for temporary, casual and seasonal work engagements was developed in consultation with relevant institutions/stakeholders, such as the Health Insurance Fund, the Employment Service Agency and the Pension and Disability Insurance Fund; and it was presented to the Working group on formalisation of undeclared work in May 2022. The legal aspects regarding the introduction of the proposed model are being elaborated.	
	2. Cost-efficient implementation analysis of the proposed model was prepared. The analysis will be finalised after determining the social security contribution rates and finalising the legal framework.	
	3. The start of the activity 3 is conditioned by the completion of activity number 2. According to the dynamics of the “Improving Working Conditions” Project under IPA, this activity would be carried out in the last quarter of 2022.	
	4. A model proposal for identification cards for employees in certain sectors (construction) was developed, which was presented to the competent institutions and social partners. The legal aspects of the model are being elaborated.	
	5. In cooperation with the IPA project “Improving working conditions” and the GIZ Project “Improving Employment Opportunities for Seasonal Workers in the SEE Region”, the MLSP is developing a unique model for temporary, casual and seasonal employment that will meet the needs of workers and employers in agriculture, tourism, catering, personal and household services, which is expected to be achieved by adopting a new legal solution. The establishment of an electronic system for the registration of seasonal workers was proposed, which imposes the need for an appropriate legal framework which will facilitate the employment of workers. On the basis of the proposed flexible solution, a business process was developed, as well as an IT specification for the implementation of the software (portal).	
	6. A strategy and action plan for raising awareness, education and informative campaign were defined. The design and slogan of the campaign were also prepared.	
	7. These trainings are planned to be conducted in the forthcoming period, following the finalisation of the new approaches/tools for dealing with informal employment.	
	8. A system for collecting and sharing data between institutions has been prepared and methodology and indicators have been developed for the size and characteristics of formal and informal employment and undeclared work in the Republic of North Macedonia. The system is completed with a software which is in the advanced stage of development.	

	9. In order to implement this activity and ensuring political commitment at a high level, the Ministry of Labour and Social Policy proposed to the Government to appoint a new chairman, members and deputy members of the Coordinating Body responsible for coordinating the development and implementation of the Strategy for formalization of the informal economy 2023-2025.	
	Measure 17: Enhancing cooperation between the academy and the industry - STP	Stage of reform implementation (1-5)
	Establishment of a Science and Technology Park (STP)	
Activities planned for 2022	1. Legal set-up The activities for establishing of the STP will start with legal registration of the STP as a separate legal entity in line with the Law on Innovation Activity. Management, advisory and supervisory bodies will be appointed, the Statute and the Systematisation Act will be adopted	0
	2. Strengthening the capacity of STP Given its novelty within the national innovation ecosystem, during the first year, the activities of the STP will focus on capacity building to achieve operational capacity. Capacity building of employees but also external expert services will be implemented to develop the strategic documents of the STP, as well as the legal/operational procedures, including terms and conditions for provision of STP services	0
	3. Adaptation of initial premises – business incubator & NTTO The first phase in the development of the STP hard infrastructure will be adaptation of existing construction for purposes of office space and business incubation	0
Description of implementation and explanation if partial or no implementation	1. The legal set-up of the STP has not occurred. As a result, activities no. 2 and 3 from 2022 have not been conducted.	
	2. Several contacts among the FITD, Ministry of Education and Science, Ministry of Defense for allocating premises for the initiation of the work of the STP have been during 2021 and 2022, but have not been concluded in a final solution. In this direction, the Fund will continue contacts during 2023 with related institutions to find a proper solution for the legal set-up and construction/adaptation of premises for the STP. If these steps are successfully concluded, the Fund will focus on capacity building with employees and experts who will operationalize the functioning of the STP.	
	3. No funding from central budget has been provided to FITD for activities in direction of establishing the Hybrid Fund in 2022.	
	Measure 18: Strengthening the market rules in the Republic of North Macedonia	Stage of reform implementation (1-5)
Activities planned for 2022	1. Screening of domestic legislation and administrative practices in the area of free movement of goods and services	1
	2. Drafting new legislation in the area of free movement of goods and services for further legislative alignment in the areas: a) motor vehicles, b) emission of pollutants from non-road mobile engines, c) chemicals, d) medical products for human and for veterinary use, e) cosmetics, f) pre-packaging, g) textiles, h) footwear, i) aerosol dispensers and j) toys	
	3. Functional analyses of the State market inspection services	
	4. Design of an e-Inspection as a single inspection interoperable database	
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4.		

	Measure 19: Modernisation of the post-harvest management of the agricultural products	Stage of reform implementation (1-5)
Activities planned for 2022	1. Institutional set up - New working systematisation with introduction of Department on CMO	1
	2. New national CMO law - Adoption of the new CMO law	2
	3. Programme for support – CMO - Drafting of the programme	0
Description of implementation and explanation if partial or no implementation	1. New working systematisation with introduction of Department on CMO will be submitted on Governmental procedure by the end of the year.	
	2. Working Group for the new CMO law is established. Adoption of the new CMO law is planned to be at the end of June 2023 year.	
	3. Programme for support – CMO - Drafting of the programme is related with the CMO law and will be finalized after the adoption of the law.	
	Measure 20: Establishing Integrated Tax Information System in PRO	Stage of reform implementation (1-5)
Activities planned for 2022	Component 1. Completion of the remaining modules from Integrated Tax Information System	
	1.Continuation of the realisation of the procurement of the software for conducting a tax procedure per case	0
	2.Commencement of activities for establishing a data warehouse	0
	Component 2. Ensuring security of IS (Information system) and smooth functioning of the Integrated Tax Information System	
	1.Continuation of modernisation of the ICT infrastructure	0
	2.Continuation of activities to increase the security of the Public Revenue Office systems	0
	3.Commencement of activities for the establishment of a Disaster Recovery Centre	0
Description of implementation and explanation if partial or no implementation	Component 1. Completion of the remaining modules from Integrated Tax Information System	
	1. No implementation	
	2. No implementation	
	Component 2. Ensuring security of IS (Information system) and smooth functioning of the Integrated Tax Information System	
	1. No implementation	
	2. No implementation	
	3. No implementation	

Annex 2: Links between reform areas and relevant policy documents

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 1: Further development of qualification system The measure will increase the quality of curricula and will lead to the acquisition of knowledge, skills and competences that will enable smooth transition from school to work.</p>	<p>Key challenge 1: Improving the quality and relevance of the education system to increase employment and mitigate skills mismatch levels</p>	<p>Linked to 6th Policy guidance: Develop new vocational education and training (VET) legislation with a focus on inclusion, labour market needs and a new methodology of financing VET as well as provide a yearly report for improving higher education, including recommendations for a new formula for the financing of higher education. Continue efforts to strengthen access to active labour market policies, particularly for low-skilled unemployed and people in vulnerable situations. Further increase the capacity of and cooperation between the employment agencies and centres for social</p>	<p>Chapter 3.26 Recommendations: →implement the strategic framework for education and particularly the targets for pre school education and the Vocational Education and Training (VET) reform; → improve support for teachers' training and professional development and ensure that an effective assessment process is in place; → improve access to quality education for all, in particular children with disabilities and children from Roma communities, and increase pre-school enrolment.</p>	<p>SDG 4 - Quality Education - With provided better education the young people will acquire transversal skills that will contribute to better mobility of the workforce and career development.</p>	<p>Within the activities related to "green jobs" and green qualifications, in 2020 the Board for the national qualifications framework has adopted a conclusion for preparation and development for them methodology for greening the existing qualifications as well as the new qualification standards and occupational standards and determining learning outcomes related to green qualifications. http://registar.mrk.m k/wp-content/uploads/2021/04/Godisen-izvestaj-za-rabotana-odbor-2020.pdf</p>	<p>Ministry of Education and science adopted a concept for development of a distance learning system in primary and secondary schools and a national distance learning platform as a result of the measures to restrict movement due to the Covid-19 pandemic.</p>	<p>-This measure is financially supported by IPA 2019 – Sectoral Budget support; - Twinning project for additional support for implementation of the national qualifications framework which started in September 2021 with a duration of 30 months. - Increasing attractiveness, inclusiveness and relevance of VET and Adult Education</p>

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
		work as well as education and training institutions to provide integrated services and measures for improvement of inclusion in the labour market.					
<p>Measure 2: Increasing the flexibility and security of the labour market</p> <p>The measure will contribute to increasing the employment rate and improving the labour market conditions. At the same time, this measure refers to the modernization of the legal framework for non-standard employment contracts and the labour market.</p>	<p>Key challenge 1:</p> <p>Improving the quality and relevance of the education system to increase employment and mitigate skills mismatch levels</p>	<p>The measure is related to the 6th conclusion of the policy guidance → Continue efforts to strengthen access to active labour market policies, particularly for low-skilled unemployed and people in vulnerable situations.</p>	<p>Chapter 19 –Social policy and employmentRecommendations: →The country should continue implementing measures to activate long-term and low-skilled unemployed persons, including women, persons with disabilities and Roma, and ensure adequate monitoring and evaluation of such measures.</p>	<p>SDG 8 –Decent work and economic development; SDG 5 – Gender equality; SDG1 – End poverty</p>	/	/	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 3: Enhancing the system for social inclusion of vulnerable groups</p> <p>The 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.</p>	<p>Key challenge 1: Improving the quality and relevance of the education system to increase employment and mitigate skills mismatch levels</p>	<p>Linked to 6th Policy guidance</p> <ul style="list-style-type: none"> - Continue efforts to strengthen access to active labour market policies, particularly for low-skilled unemployed and people in vulnerable situations. - Further increase the capacity of and cooperation between the employment agencies and centres for social work as well as education and training institutions to provide integrated services and measures for improvement of inclusion in the labour market. 	<p>Chapter 19 –Social policy and employment</p> <p>Recommendations: → The country should continue to provide assistance to all vulnerable groups and support and reforms of the social protection system, by strengthening the link between activation measures and social inclusion</p>	<p>SDG 1 – End poverty; SDG 5 – Gender equality; SDG 8 –Decent work and economic development. The measure is directly related to the above-mentioned goals for sustainable development through activities to reduce the poverty rate and ensure employment for vulnerable groups.</p>		<p>Increasing the effectiveness and efficiency of social work centres and employment centres through the implementation of the new software for social protection and services.</p>	<p>Action document 2022 „EU for improved health and social protection and gender equality“, „Strengthened monitoring and quality assurance of social services at all levels”</p> <p>Action programme 2019, project „Transformation and rehabilitation of Public Institute Topansko Pole“</p>
<p>Measure 4: Strengthening the quality of the Primary Health Care</p> <p>The measure has a goal to improve the primary health</p>	<p>Key challenge 1: Improving the quality and relevance of the education system to increase employment and mitigate skills mismatch levels</p>	/	<p>Chapter 28: Consumer and health protection</p> <p>Recommendations: → intensify efforts on tobacco control; → publish reports on registers for cancer</p>	<p>SDG 3 - Ensure healthy lives and promote well-being for all at all ages</p> <p>SDG 5 - Achieve gender equality and empower women</p>	/	<p>-Sophisticated information system for healthcare management “My appointment” is implemented which includes individual electronic files of</p>	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>care through reform of the payment method of the primary healthcare which will secure better preventive, defining and adopting standards for health services, reducing the level of referral to a higher level of health care, a larger number of general practitioners who will have a specialisation in family medicine, encouraging the realisation of certain health services by nurses and facilitating the administrative load.</p>	<p>Good healthcare protection is directly linked to the human capital of the country.</p>		<p>and individual rare diseases and ensure adequate funding and specialised knowledge for early detection and treatment, based on data from the registers</p>	<p>and girls -5.6 Ensure universal access to sexual and reproductive health and reproductive rights</p>		<p>patients, referrals from primary healthcare to higher levels of care and diagnostic services. - E- prescription of medications and drugs, system that connects the services of the primary healthcare and the pharmacies.</p>	

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 5: Promotion of renewable energy sources</p> <p>The implementation of the measure will ensure: diversification of the supply, increased competition of the energy market and increased resilience to energy price hikes. The measure promotes use of alternative methods for energy efficiency and increased use of renewable energy sources</p>	<p>Key challenge 3: Energy sector modernisation and transition to clean energy</p>	/	<p>Chapter 15- Energy, regarding the Renewable Energy Sources, especially to sustainability of biofuels and electricity prosumers. Recommendation: -increase the number of staff and the technical/engineering capacity of the Energy Department in the Ministry of Economy and the Energy Agency</p>	<p>SDG 7 – Affordable and clean energy - Increased renewable energy sources and improving energy efficiency as well as reducing the dependency on energy import The measure is in line with the goals for ensuring clean and affordable energy from the European Green Deal as well as the goals for decarbonising the energy system and reduction of greenhouse emissions</p>	<p>The measure is in line with the goals for ensuring clean and affordable energy from the European Green Deal as well as the goals for decarbonising the energy system and reduction of greenhouse emissions.</p>	/	/
<p>Measure 6: Improvement of energy efficiency</p> <p>This measure will ensure adoption of bylaws arising from the Energy</p>	<p>Key challenge 3: Energy sector modernisation and transition to clean energy</p>	<p>Linked to 5th Policy guidance: - Adopt and implement energy efficiency legislation, including bylaws to the energy efficiency law.</p>	<p>Chapter 15- Energy, regarding energy efficiency, developing and implementation secondary legislation and financing for energy efficiency development support.</p>	<p>SDG 7 – Affordable and clean energy - Improving energy efficiency and reducing private energy consumption, as well as reducing the</p>	<p>The measure is in line with the goals for ensuring clean and affordable energy from the European Green Deal, as well as the goals for</p>	/	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
Efficiency Law, adoption of Strategy for reconstruction of buildings by 2030 and establishment of Energy Efficiency Fund.		- Following development and adoption of the legal and regulatory framework, establish the envisaged Energy Efficiency Fund.		number of households that are unable to keep home adequately warm	reconstruction, use and building energy efficient buildings		
<p>Measure 7: Establishing wastewater collection and treatment infrastructure in accordance with EU requirements</p> <p>This measure will ensure sustainable water management, wastewater collection and treatment and protection and conservation of water resources</p>	/	/	<p>Chapter 27: Environment and climate change Recommendations</p> <p>→improve inter-sectoral coordination and increase financial resources for the reduction of air pollution at the local and national level; → make significant steps to establish a regional waste management system; → implement the Paris Agreement, including by adopting a comprehensive climate Strategy and a Law, consistent with the EU 2030 framework.</p>	<p>SDG 6 –Ensure availability and sustainable management of water and sanitation for all</p> <p>SDG 11 - Make cities inclusive, safe, resilient and sustainable</p>	The measure is in line with the goals for waste water collection and treatment, including treatment of nutrients.	/	IPA II

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 8: Establishing an Integrated and financially self-sustainable waste management system</p> <p>This measure will ensure establishment of a functional system for regional waste management based on harmonised waste legislation in 2021.</p>	/	/	<p>Chapter 27: Environment and climate change Recommendations →improve inter-sectoral coordination and increase financial resources for the reduction of air pollution at the local and national level; → make significant steps to establish a regional waste management system; → implement the Paris Agreement, including by adopting a comprehensive climate Strategy and a Law, consistent with the EU 2030 framework</p>	<p>SDG 11 - Make cities inclusive, safe, resilient and sustainable SDG 12- Sustainable consumption and production</p>	The measure is in line with the goals for waste prevention, modern waste management and recycling.	/	IPA II
<p>Measure 9: Implementation of an Intelligent Transport System (ITS) along Corridor X</p> <p>The measure envisages implementation of on A1 Motorway,</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	/	<p>Chapter 14: Transport policy Recommendations: → strengthen the operational and administrative capacity of the inspection bodies and develop enforcement capacity to reduce fatalities on road and</p>	<p>SDG 9 – Industry, Innovation and infrastructure The use of ITS in the field of transport, related to infrastructure, vehicles or users improves network capacity, traveller mobility and</p>	This measure is in line with the Green agenda for Western Balkans with focus on the deployment of Intelligent Transport System solutions (ITS) aimed at making transport operations more efficient, and	The measure is in line with the goals for digitalisation of the industry from the European Digital Strategy.	WBTF (WB project)

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>part of Corridor X, section Tabanovce - Gevgelija in the length of 175 km that will collect data on weather conditions and air pollution including systems for monitoring GHG (SLCP) emissions. This measure 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.</p>			<p>rail infrastructure; → implement the connectivity reform measures on rail reform and open the rail transport market, set up a national system to continuously collect data on road crashes, and finalise pending border-crossing agreements/protocols; → adopt legislation on Intelligent Transport Systems (ITS) and combined transport, and make further efforts to produce a strategic framework to implement ITS and the core network</p>	<p>therefore enhance economic productivity. The use of this technologies promotes sustainable infrastructure and industrialisation.</p>	<p>reducing CO2 emissions. Wide availability and use of data technologies in public transport systems has the potential to make them smarter, less polluting and customer friendly.</p>		

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 10: Broadening the scope of digital services provided on National E-service Portal The goal of the measure is enhancing public service delivery by deployment of e-services on the National E-services portal, thus reducing time and cost of businesses and citizens in their daily interactions with public bodies.</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	<p>Linked to 4thPolicy guidance -Continue the digitalisation of public services for businesses and citizens by upgrading and enhancing the use of e-portals for services.</p>	<p>Chapter 10: Information society and media Recommendations: →finalise and adopt the long-term information and communication technology (ICT) strategy, → strengthen the independence and capacity of the media regulator, the public service broadcaster and of the regulator on electronic communication.</p>	<p>SDG 8 - Decent work and economic growth SDG 9 – Industry, Innovation and infrastructure - Building sustainable digital infrastructure promotes inclusive growth and industrialisation. - The E-service portal is expected to reduce the administrative and financial burden not only for the citizens, but also for the companies which will increase the efficiency of businesses.</p>	<p>The measure is in line with the goals for mobilisation of research and innovation through digitalisation of the processes according to European Green Deal. Digitalisation will be a key enabler for the five pillars of the GAWB in line with the concept of the dual green and digital transition.</p>	<p>The measure is in line with the goals for digital transformation and online platforms which will give business a possibility to digitalise as part of the European Digital Strategy, as well as the initiatives for open digital society from the same strategy. Strengthening digital economy and society as per DAWB.</p>	<p>IPA project "Strengthening e-governance in North Macedonia"</p>
<p>Measure 11: Streamline the use of parafiscal charges The goal of the measure is to simplify the system of non-tax duties and parafiscal fees,</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	<p>Linked to 4thPolicy guidance - Use the list of mapped para-fiscal charges to evaluate, optimise and rationalise parafiscal charges at central and local levels.</p>	<p>Economic criteria - Functioning of market economy - Functioning of product markets - Business environment</p>	<p>SDG 8 - Decent work and economic growth SDG 9 – Industry, Innovation and infrastructure SDG 16 - Promote peaceful and inclusive societies for sustainable</p>	<p>Digitalisation will be a key enabler for the five pillars of the GAWB in line with the concept of the dual green and digital transition.</p>	<p>The measure is in line with the goals for digital transformation and online platforms which will give business a possibility to digitalise as part of the European Digital Strategy, as well as the initiatives</p>	<p>IPA - Technical assistance through the project "Streamline the use of parafiscal charges"</p>

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
improve their transparency and predictability, and thus contribute to a more favourable business environment				<p>development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> <ul style="list-style-type: none"> - Reducing the administrative and financial burden on companies and increasing their competitiveness. - Create more favourable environment for establishment of new businesses, which will further increase the entrepreneurship incentives among all citizens including youth and woman. - Digitalisation of the services for reducing both costs and time for business operations. - Increase trust in public institutions and transparency. 		for open digital society from the same strategy. Strengthening digital economy and society as per DAWB.	

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 12: Hybrid investment fund for start-ups and innovative micro, small and medium enterprises</p> <p>The establishment of this fund will enable diversification of the economy, improvement of productivity, as well as closing the financial gap in investment capital and early growth and quasi-capital financing for green and digital start-ups and innovative SMEs through the use of private investment.</p>	<p>Key challenge 2:</p> <p>Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	/	<p>Economic criteria -</p> <ul style="list-style-type: none"> - Functioning of market economy - Functioning of financial markets - Access to finance 	<p>SDG 8 – Decent work and economic growth: This measure is expected to increase the productivity of enterprises, as well as diversify the economy and export to more value-added sectors.</p>	<p>This measure will target business activities in accordance with the EU Green Plan in order to move towards a green economy, i.e. companies strongly committed to enhancing resource efficiency by focusing on the circular economy and reducing pollution, i.e. moving towards zero pollution and zero waste.</p>	<p>The measure is in line with the goals for digitalisation of the industry from the European Digital Strategy</p>	/
<p>Measure 13: Financial support for Roma entrepreneurs</p>	<p>Key challenge 2:</p> <p>Improving the competitiveness of domestic companies, including integration</p>	/	<p>Economic criteria -</p> <ul style="list-style-type: none"> - Functioning of market economy - Functioning of financial markets 	<p>SDG 8 - Decent work and economic growth</p>	/	/	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
The measure foresees establishing of a matching fund as to promote the development of entrepreneurship and to increase access to financing of Roma entrepreneurs	into global value chains (GVCs) and reducing informal economy		Business environment, Access to finance				
Measure 14: Increasing the State Aid transparency The measure foresees establishing of a comprehensive and transparent state aid registry aimed at close monitoring the state aid schemes, their cost-effectiveness, including strengthening the capacities of the Commission for protection of competition.	Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy	/	Economic criteria - - Functioning of market economy - Functioning of financial markets - Business environment Chapter 8: Competition policy	SDG 8 - Decent work and economic growth	/	/	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 15: Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities</p> <p>The measure provides for simplified registration of seasonal, temporary and casual work in agriculture, catering, tourism, personal services and other sectors with a high incidence of informal work</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	<p>Linked to the 4th Policy guidance Recommendation: →Adopt a comprehensive new strategy and Action Plan for formalisation of the informal economy 2023-2025 and ensure high level political commitment by all institutions relevant for the coordination and implementation.</p>	<p>Economic criteria - Functioning of market economy - Functioning of financial markets - Business environment</p> <p>Chapter 20 - Enterprise and industrial policy</p> <p>Recommendation: →continue implementing, assess and renew the strategy and action plan to formalise the informal economy, with specific attention to its business environment component.</p>	<p>SDG 8 - Decent work and economic development</p>		<p>In line with the goal for strengthening the digital economy and society</p>	<p>IPA – project "Improving working conditions"</p>
<p>Measure 16: Support to development of the innovation eco system – STP</p> <p>The measure will introduce mechanisms to encourage RDI</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	/	<p>Economic criteria - Capacity to cope with competitive pressure and market forces within the Union - Education and innovation</p>	<p>SDG 4 - Quality Education; SDG 8 - Decent work and economic growth; SDG 9 – Industry, innovation and infrastructure</p> <p>This measure will</p>	<p>STP will enhance innovation activity related to achieving the goals of the European Green Deal and the Green Agenda for the Western Balkans by enhancing access to finance for RDI</p>	<p>STP will enhance innovation activity related to achieving the goals of the European Digital Agenda and the Digital Agenda for the Western Balkans by enhancing access to finance for RDI</p>	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>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</p>				<p>provide better education and increased number of young people who will have relevant job skills for decent employment. - 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 STP will facilitate access to financial services and markets in an inclusive manner; contribute to upgrading industries and infrastructures for sustainability; enhance research and upgrade industrial technologies by enhancing transfer of technologies.</p>	<p>earmarked for green transformation of the economy and facilitating transfer of green technologies</p>	<p>earmarked for green transformation of the economy and facilitating transfer of green technologies</p>	

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
<p>Measure 17: Strengthening the market rules in the Republic of North Macedonia</p> <p>The measure will enhance the harmonisation with the EU Acquis in the area of free movement of goods and services including support for real functioning of Point of single contact, reorganisation of state market inspection service and improvement of measurement standards and services.</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy</p>	/	<p>Chapter 1 - Free movement of goods:</p> <p>Chapter 3 - Right of establishment and freedom to provide services:</p>	<p>SDG 8 - Decent work and economic growth; SDG 16 – Peace, justice and strong institutions</p> <p>- The measure will contribute to improving the business environment and boosting economic growth and trade relation with EU by improving conformity with health, safety and environmental requirements</p> <p>- Creating transparent and efficient institutions.</p>	/	Strengthening digital economy and society as per Digital Agenda for Western Balkan.	IPA
<p>Measure 18: Modernisation of the postharvest management of Macedonian agricultural products</p> <p>The measure</p>	<p>Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal</p>	/	<p>Chapter 11- Agriculture and rural development</p> <p>Recommendation:</p> <p>→adopt a legislative framework for further alignment with the EU</p>	<p>SDG2 – Zero Hunger, SDG 8 - Decent work and economic growth</p>	The measure is closely related with EU Green Deal where the main EU's goals in the field of agriculture are to ensure food security in the face	/	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
aims to increase competitiveness of the agricultural sector by implementing appropriate quality standards and Common market organisation measures.	economy		acquis in the area of common market organisation.		of climate change and biodiversity loss, reduce the environmental and climate footprint of the EU food system, strengthen the EU food system's resilience and lead a global transition towards competitive sustainability from farm to fork.		
Measure 19: Establishing Integrated Tax Information System in Public Revenue Office (PRO) The new ITIS aims to improve the operational efficiency of tax administration functions, strengthen compliance monitoring and improve taxpayer services.	Key challenge 2: Improving the competitiveness of domestic companies, including integration into global value chains (GVCs) and reducing informal economy	/	Chapter 16-Taxation Recommendation: →further improve the capacity of the tax administration by efficiently implementing the tax system reform strategy; → develop a new integrated IT tax system for the Public Revenue Office, improve its compliance risk management and further extend e-services for tax payers; →start preparation for	SDG 8 Decent work and economic growth - digitalisation of the business processes of the tax administration will inevitably lead to less financial burden to the businesses, which can further on allocate funds to increase employment and thus reducing poverty.	According to the Tax System Reform Strategy 2021-2025 the objective of the Priority 5 (Introducing green taxation) is to improve legal arrangements regarding green taxation. The priority is in line the Green Agenda for the Western Balkans, where the revenues from carbon taxation should be higher in mid and long term.	Measures is in line with the Digital Agenda for the Western Balkans: e-Government	/

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2022	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA III projects supporting this reform
			putting in place a mechanism for the effective implementation of the automatic exchange of tax information with EU Member States in line with the OECD Global Standard.				

Annex 2a: Links between reform measures in the Economic Reform Programme areas, investments in the areas of Economic and investment plan for Western Balkans, IPA and SPP

Reform Measure	Area in ERP Guidance Note	Area in Economic and Investment Plan	Investments – Single Project Pipeline			
			Ongoing		Planned	
			Project	m EUR	Project	m EUR
Promotion of renewable energy sources	Green Transition	Investing in clean energy (solar renewable energy sources)			PV Oslomej 2 и PV Bitola	30,0
					PVOslomej 3	90,0
		Investing in clean energy (hydro renewable energy sources)			Zletovica Phase – Hydro Power Plants	30,0
					Renovation of Hydro Power Plants phase III	27,0
		Investing in clean energy (wind renewable energy sources)			Wind Park Miravci	88,0
					Wind Park Bogdanci II	18,0
		Investing in clean energy (modern, low emission gas infrastructure)			Construction of National Gas Pipelines, Gostivar – Kichevo Section and Sveti Nikole - Veles Section	22,0
		Investing in clean energy (gas and electricity connections)	Gas interconnection North Macedonia – Greece	57,8	Gas Interconnection North Macedonia - Kosovo	12,0
Electricity interconnection	49,0		Gas Interconnection North	14,0		

Reform Measure	Area in ERP Guidance Note	Area in Economic and Investment Plan	Investments – Single Project Pipeline			
			Ongoing		Planned	
			Project	m EUR	Project	m EUR
			North Macedonia- Albania		Macedonia - Serbia	
Improvement of energy efficiency		Investing in clean energy (modernisation of district heating)	District heating of Bitola	39,0		
		Investing in clean energy (energy efficiency, renovation wave)	Public Sector Energy Efficiency Project	25,0		
			Energy Efficient Renovation of Student Dormitories	20,0		
Establishing wastewater collection and treatment infrastructure in accordance with EU requirements		Greening the Western Balkan – Investing in the environment and climate (depollution - reduce water pollution)	Wastewater Treatment Plant Skopje	126,0	Water Supply and Waste Water Collection II	50,0
			Water Supply and Waste Water Collection	50,0	Improvement of the Wastewater Collection Infrastructure in the City of Skopje	9,7
					Rehabilitation and expansion of the sewerage network in the municipality of Kicevo	10,7
					Wastewater treatment plant in the Municipality of Bitola	26,6
					Wastewater treatment plant in the Municipality of Tetovo	26,9
					Wastewater treatment plants and rehabilitation of the sewerage network in Veles, Stip and Vinica	63,0
Establishing an Integrated and financially self-sustainable waste management system		Greening the Western Balkan – Investing in the environment and climate (depollution - waste management)	Solid Waste Treatment Project (landfills) Southwest, Southeast, Vardar, Pelagonija and Polog region	70,0	Solid Waste Treatment Project (landfills) Skopje region	26,5
					Closure of landfills, construction of a central waste management facility for the eastern and north-eastern region in Sveti Nikole	14,0

Reform Measure	Area in ERP Guidance Note	Area in Economic and Investment Plan	Investments – Single Project Pipeline				
			Ongoing		Planned		
			Project	m EUR	Project	m EUR	
		Greening the Western Balkan – Investing in the environment and climate (soil depollution)			Lindane contaminated sites at OHIS factory (second basin)	35,0	
Implementation of an Intelligent Transport System (ITS) along Corridor X	Digital Transformation	Investing in sustainable transport (digital technologies for improved information systems and road safety)	Western Balkan Trade and Transport Facilitation Project	26,2			
Broadening the scope of digital services provided on national E-service Portal			New electronic tolling systems along - Corridor VIII	13,0			
Streamline the use of para-fiscal charges		Business environment and reduction of the informal economy	Boosting a private sector			North Macedonia Digital Economy Project	30,0
Hybrid investment fund for start-ups and innovative micro, small and medium enterprises							
Financial support for Roma entrepreneurs							
Establishment of a state aid management information system							
Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities							
Encouraging collaboration between academia and industry	Research, development and innovation						
Strengthening the market rules in the Republic of North Macedonia	Economic integration reforms						

Reform Measure	Area in ERP Guidance Note	Area in Economic and Investment Plan	Investments – Single Project Pipeline			
			Ongoing		Planned	
			Project	m EUR	Project	m EUR
Modernisation of the postharvest management of the agricultural products	Agriculture, industry and services	Greening the Western Balkan – Investing in the environment and climate (farming and food production – sustainable production patterns and food systems)	Agriculture Sector Modernisation project	46,0		
			Irrigation Programme North Macedonia	80,0	Zletovica - Phase Irrigation	34,7
Further development of qualification system	Education and skills	Investing in human capital (education and skills)	Primary Education Project	21,5		
Increasing the flexibility of the labour market	Employment and labour market	Investing in human capital (employment)				
Enhancing the system for social inclusion of vulnerable groups	Social protection and inclusion	Investing in human capital (social protection and inclusion)	Social Services Improvement Project	28,7		
			Social Insurance Administration Project	13,8		
Straightening the quality of the Primary Health Care	Healthcare systems	Investing in human capital (health) Investing in digital future (e-health services)	Covid-19 response project	90,0	Clinical Centre Skopje	500,0
	Transport market reforms	Investing in sustainable transport (sustainable urban mobility plan), Greening the Western Balkan – Investing in the environment and climate (air depollution)	Bus Rapid Transit Project	70,0		
			Road Corridor VIII Rankovce - Kriva Palanka	83,0	Road Corridor VIII, rehabilitation of section Kumanovo - Rankovce	15,0
		Investing in sustainable transport (core transport network)	Road Corridor VIII Kriva Palanka - Deve Bair (Bulgarian border)	12,5	Highway Corridor VIII Construction Project (Tetovo - Gostivar, Gostivar – Bukojchani, Trebenishta - Struga – Kjafasan) and Prilep - Bitola	750,0
			Motorway Corridor VIII Gostivar – Kicevo phase I (Bukojcani -Kicevo)	130,0	Joint Border Station Tabanovce	5,2
			Motorway Corridor VIII Kicevo - Ohrid	638,0	Rail Corridor VIII (eastern part) section III	405,0

Reform Measure	Area in ERP Guidance Note	Area in Economic and Investment Plan	Investments – Single Project Pipeline			
			Ongoing		Planned	
			Project	m EUR	Project	m EUR
			Rail Corridor X Project	17,6	Rail Corridor VIII Kicevo Lin phase I (Kicevo Struga)	426,0
			Rail Corridor VIII (eastern part) section I	46,4	Rail Corridor X Rehabilitation of section Kumanovo - Deljadrovce	50,0
			Rail Corridor VIII (eastern part) section II	145,0	Replacement of protective fences according to EN standards on Corridor 10 highways	9,6
		Comprehensive transport network – not included in EIP	Project for municipal-local roads	70,0	Motorway Interchange Stenkovec - BC Blace	97,2
			Road Stip – Radovis	64,0	Roads Prilep – bridge Leniska river and Quarry Mavrovo - Belovodica	8,0
			Road A2 rehabilitation section Kumanovo - Stracin	4,7	Installation of signalisation of the railway level crossings	2,1
			Road section Gradsko - Interchange Drenovo as part of road Corridor X-d	23,0	Measures for improvement of road safety along the selected road sections	2,7
			National Roads Programme	181,0		
PRO digital transformation by establishing ITIS	<i>Public Finance management</i>			ITIS	8,35	
			Ongoing:	2.366	Planned:	2.944
			Total million EUR 5.310			

Annex 4: Result Indicators of the structural reform measures per areas

i. PUBLIC FINANCIAL MANAGEMENT							
Measure 19	Indicators	Baseline (2021)	2023	2025	/	/	
Establishing Integrated Tax Information System in Public Revenue Office (PRO)	Percentage of business processes implemented in the new Integrated Tax Information System	N/A	At least 90%	At least 95%			
	% of taxpayer services that have	83%	Up to 95%	Up to 100%			

	been digitalised						
	Number of governmental institutions with which the Integrated Tax Information System is exchanging data	15	At least 25	At least 30			
	Percentage of transferred types of data into the Data Warehouse from types of data which need to be filled into the Data Warehouse	N/A	60%	80%			
	Percentage of successful tests for security and safety of the system	N/A	50%	100%			
	Percentage of successful tests of the Data Recovery Centre	N/A	50%	100%			
ii. GREEN TRANSITION							
Measure 5	Indicators	Baseline(2018)	2022	2023	2025	/	
Promotion of renewable energy sources	Share of RES in the final consumption	18.2%	24%	26%	29%		
	Share of RES in electricity	24.8%	34%	37%	46%		
	Share of RES in transport	0.1%	3%	3%	5%		
	Share of RES in heating and cooling	32.2%	37%	40%	42%		
	Total installed capacity of RES	766.37 MW	1,087 MW	1,162 MW	1,493 MW		
Measure 6	Indicators	2023-2025	/	/	/	/	
Improvement of energy efficiency	Number of issued authorisations for energy audit in buildings	150					
	Number of issued licenses for energy audit in buildings	60					
	Number of issued authorisations for energy audit in large enterprises	70					
	Number of issued licenses for energy audit in large enterprises	50					

	MVP software	Functional						
	Energy efficiency investments in municipal public buildings - Number of successfully finalised energy renovation contracts	>50						
Measure 7	Indicators	Baseline (2020)		2024	2028	/	/	
Establishing wastewater collection and treatment infrastructure in accordance with EU requirements	Number of WWTPs in the country	25		27	30			
	WWTP capacity (PE)	595,000		801,000	1,607,800			
	Percentage of population covered with the WWTPs	27.5		37.33	74.7			
	% of households connected to the wastewater treatment plants for agglomerations above 10 000 p.e.	16.8		21				
	% of households connected to sewerage systems	68		75				
	% of household served with waste collection service	75		80				
Measure 8	Indicators	Baseline (2021)		2024	2028	/	/	
Establishing an Integrated and financially self-sustainable waste management system	Number of regional landfills	0		1	5			
	Percentage of the population covered by the regional integrated waste systems	0		370,901	2,000,000			
	Number of closed dumpsites	0		115	1,000			
	Number of closed noncompliant landfills	0		18	54			
	Number of prepared Plans for implementation of the Extended Producer Responsibility Schemes and circular economy 2020-2030	0		It will be determined after the assessment phase within the IPA project				
iii. DIGITAL TRANSFORMATION								
Measure 9	Indicators	Baseline (2018)		2025		/	/	/
Implementation of an Intelligent Transport	Reduced number of traffic accidents expressed in% along	No. of accidents	% decreased	No. of accidents	% decreased			

System (ITS) along Corridor X	Corridor 10	67	0%	56	16,6%				
	Reduce travel time in% along Corridor 10	No. of accidents	% decreased	No. of accidents	% decreased				
		103	0%	85,5	17%				
Measure 10	Indicators	Baseline(2022)		2023	2024	2025	/		
Broadening the scope of digital services provided on National E-service Portal	Number of registered users of the National Portal	82,000		87,000	92,000	97,000			
	Number of e-services offered	200		380	450	550			
	Number of applications submitted through the National Portal	25,000		33,000	41,000	49,000			
BUSINES ENVIRONMENT AND REDUCTION OF THE INFORMAL ECONOMY									
Measure 11	Indicators	Baseline(2020)		2023	2025	/		/	
Streamline the use of parafiscal charges	Number of parafiscal charges amended	0		At least 50	Up to 100				
	Number of parafiscal taxes lowered for SME's	0		At least 50	Up to 100				
Measure 12	Indicators	Baseline(2021)		2022	2023	/		/	
Hybrid fund for green and digital start-ups and innovative SME's	Volume of attracted private investments in the Fund	0		0	EUR 17 million				
	Number of supported start-up companies and innovative SMEs	0		1	30				
Measure 13	Indicators	Baseline(2022)		2023	2024	/		/	
Financial support for Roma entrepreneurs	Number of self-employed (New/formalised business of Roma entrepreneurs), through the activity for self-employment, opening of new jobs, support for formalisation, for registered unemployed persons (cumulative)	17		50	100				
	Number of supported new employments through supported businesses under the measure of favourable and affordable credit funds for existing businesses run	17		50	100				

	by Roma (cumulative)						
Measure 14	Indicators	Baseline(2021)	2022	2023	/	/	
Establishment of Management Information System on State Aid	SA MIS established	0	1	0			
	Number of state aid providers included in SA MIS	0	0	5+ ³³			
	Number of SA Schemes/ programmes registered in the SA MIS	0	0	5+ ³⁴			
Measure 15	Indicators	Baseline(2020)	2023	2025	/	/	
Introducing mechanisms for formalising informal work in sectors with high incidents of undeclared activities	Participation/share of informally employed in the total number of employed persons (SSO - LFS))	13.6%	13.0%	10.0%			
v. RESEARCH DEVELOPMENT AND INNOVATION							
Measure 16	Indicators	Baseline(2023)	2024	2025	/	/	
Support to development of the innovation eco system	Number of active contracts for business & academia innovation cooperation	0	0	10			
	Number of new instruments for S3 developed	0	5	10			
	Developed platform for continuous EDP dialogue	0	4	4			
vi. ECONOMIC INTEGRATION RERORMS							
Measure 17	Indicators	Baseline(2022)	2023	2024	/	/	
Strengthening the market rules in the Republic of North Macedonia	New legislation drafted	0	0	20			
	Capacity building events conducted (trainings, workshops etc.)	0	0	5			

33 The number of institutions that provide/manage one or more State Aid alike programmes or schemes.

34The number of programmes/schemes included in the system. the number do not show actual entities – users of state aid as the character of the programmes schemes vary from individual to horizontal, regional, etc. where number of users is more than one.

	Functional Point of single contracts	0	0	1			
	Digital tools introduced in the inspection institutions	1	1	4			
	Measurement standards and services developed	/	/	5			
vii. ENERGY MARKET REFORMS							
viii. AGRICULTURE INDUSTRY AND SERVICES							
Measure 18	Indicators	Baseline (2018)	Intermediate target (2023)	2025	/	/	
Modernisation of the post-harvest management of the Macedonian agricultural products	Percentage of agricultural products marketed in compliance with quality standards	40	/	75			
	Percentage of loss in postharvest production	30	/	20			
	Expected new employment	0	/	200 + 400 new jobs			
ix. EDUCATION AND SKILLS							
Measure 1	Indicators	Baseline (2020)	2021	2022	2023	2024	2025
Further development of qualification system	Ratio of students enrolling to VET schools compared to general education	58%-42%	60,3%-39,7%	62%-38%	64%-36%	64%-36%	64%-36%
	System for VNIL	-	Piloting 1	Piloting 2	Piloting 3	Efficient system for validation	Established system for validation
	Number of established Regional VET Centres	Adoption of changes in the Law	Refurbishment and Transforming 3 VET schools	Functional 3 Regional VET centres	Purchase of equipment and development of programmes for 3 regional VET Centres	New 2 Regional VET centres established	Functional 5 Regional VET centres
	Ration of participation in Life Long Learning (from 25 - 64 participating in education or	2.8	3.0	3.0	3.1	3.2	3.2

	training) (%)						
	Ration of early leavers from education and training at age 18 – 24 (%)	7.1	7.0	7.0	6.9	6.8	6.7
x. EMPLOYMENT AND LABOUR MARKETS							
Measure 2	Indicators	Baseline (2021)	2025	2026	/	/	
Increasing the flexibility and security of the labour market	Employment rate (20-64) - TOTAL	59.5%	60.0%	61.0%			
	Employment rate (20-64) - WOMEN	49.2%	49.6%	50.0%			
	Employment rate (15+)	47.2%	48.4%	49.5%			
	Unemployment rate of young people (15-29)	27.6%	27.0%	24.0%			
	Long-term unemployment rate	12.5%	12.0%	10.0%			
xi. SOCIAL PROTECTION AND INCLUSION							
Measure 3	Indicators	Baseline	2025	2026	/	/	
Enhancing the system for social inclusion of vulnerable groups	Poverty rate	21.8% (2020)	21%	20.5%			
	% of people living in households with very low work intensity (0-59)	15% ³⁵ (2020)	14.8%	14.5%			
	% of severely materially deprived people	28.6% (2020)	-	28%			
	Number of licenced services	69	80	100			
xii. HEALTHCARE							
Measure4	Indicators	Baseline (2021)	2023	2024	/	/	
Straightening the quality of the Primary Health Care	Referral to a higher level of health care	-	Reduction by 10% compared to 2019	Reduction by 20% compared to 2019			

³⁵https://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat__ZivotenStandard__LaekenIndikatorSiromastija/375_ZivStd_Mk_LaekenINTENZITET_ml.px/table/tableViewLayout2/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

	Percentage of patients with chronic non-communicable diseases (diabetes, hypertension, asthma/COPD and hypothyroidism) who are monitored at the primary level	0	30%	50%			
	Percentage of patients who underwent preventive examination for timely detection of the diseases envisaged with the developed protocols	0	30%	60%			