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**COUNTRY DEVELOPMENT
COOPERATION STRATEGY (CDCS)
September 2020 - September 2025**

Approved for Public Release

USAID/North Macedonia
Country Development Cooperation Strategy, 2020 – 2025

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I. Executive Summary

The goal of the United States Agency for International Development (USAID) for the 2020-2025 North Macedonia Country Development Cooperation Strategy (CDCS) is that “USAID Partnerships Promote a Prosperous, Well-Governed, and Resilient North Macedonia Committed to Euro-Atlantic Integration.” This goal embodies the core belief that the country must lead its own development journey to self-reliance by embracing Euro-Atlantic integration, promoting enterprise-driven development, and building resilience against authoritarian malign influences, especially among youth. This goal calls for USAID to engage in innovative resource partnerships with country institutions, thereby empowering country institutions to lead and finance the country’s sustainable well-being. The new CDCS is planned in the context of North Macedonia having just been approved to commence EU accession negotiations and becoming the 30th member of the NATO Western Military Alliance.

Under this new strategy, USAID will play a pivotal role in tackling key national needs for: (1) greater economic growth through improved competitiveness, (2) increased youth engagement to lower unemployment and disenfranchisement, which is resulting in dramatic levels of emigration and inertia, and (3) reduced corruption that is eroding faith in public institutions and the culture of accountability. USAID, through resource partnerships with country institutions, will target these key challenges to advance economic and democratic values. These focus areas constitute the three CDCS Development Objectives (DOs) required for transition to a more prosperous, well-governed, and resilient country ready to lead the way forward. To the extent necessary, USAID will also follow the COVID-19 developments to see where adjustments to the strategy could address pandemic preparedness, response, and impact mitigation.

USAID will be making a strategic transition from a donor-recipient program to one where USAID’s role in supporting these three key objectives will be catalytic, with USAID helping to forge country-led partnerships between the private sector, government, and civil society. New strategic directions, as articulated in the three DOs, recognize North Macedonia’s high ranking on capacity and commitment to self-reliance in USAID’s Country Roadmaps and zero in primarily on remaining weaknesses in commitment dimensions of self-reliance, especially those related to open and accountable governance and inclusive development. To make this transformation, the CDCS **focus** will be applied to improving economic competitiveness and capacity through increased productivity and European Union (EU)/regional economic market integration (including energy), workforce development, engagement of youth for inclusive development, media literacy, and reducing corruption for open and accountable governance. A **changed approach** to enable more effective co-creation and to move from the traditional model of implementing partners to one where local actors increasingly lead will be applied to work with civil society and on political processes to advance rule of law, government effectiveness, anti-corruption, and party transparency and accountability. A **handover** to country partners, other U.S. government agencies, and donors will occur during the course of this CDCS with programs for social cohesion, parliamentary capacity building, elections support

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and reforms, and access to finance for micro-, small-, and medium-size enterprises (MSMEs), startups, farmers, and entrepreneurs. The Mission has already begun to **exit** programming related to migrant issues, media content production, and CSO capacity building. Previous investments now will pay off by providing a foundation for refocused future USAID resource partnerships. Future investments will be more focused on remaining last-mile challenges as Mission activities reach their planned conclusion. The strategy that follows reflects the vision among the USAID staff and is embraced by Mission leadership.

USAID will also actively engage like-minded development partners to support country partner-led activities targeted to achieve self-reliance. Country resource partners will lead, finance, and own activities with USAID facilitating co-creation, local ownership, and public/private cooperation for sustainable solutions. USAID funding will leverage substantial local and other development resources generated through direct resource mobilization and enterprise-driven growth to finance self-reliance. USAID's involvement will be conditional on this new type of resource partnership focused on country ownership, leadership, and investment. As the country builds greater self-reliance to support its own development, increasingly sophisticated and higher expectations of cost sharing and reforms are anticipated. *The strategy milestone is that country resource partners will lead planning, funding, and achievement of results for activities carried out jointly with USAID.* At the end of the five-year strategy, USAID anticipates a significantly narrowed and focused set of activities to address key targeted remaining challenges.

North Macedonia is not a country of concern per the Department of State's International Religious Freedom report. As of the last census (2002), an estimated 65 percent of the population is Orthodox Christian and 33 percent are Muslim (primarily Sunni), with two percent belonging to other religions. The constitution prohibits religious discrimination and provides for equality of rights of individuals to express their faith freely. Five religious groups are named in the constitution, and others have registered with the government for equal status. There are a few religious groups whose registration applications have not been acted upon, resulting in ongoing complaints of unequal government treatment. USAID will remain cognizant of the potential influence and role of religious communities throughout the strategy period.

More specifically:

Under **Development Objective 1, Economic Competitiveness Increased**, USAID will partner with the private sector, though the government is anticipated to play a critical role, in promoting growth in productivity, reducing barriers to expansion into Euro-Atlantic markets, and advancing energy security. USAID is looking to accelerate enterprise-driven development and propel sustainability by increasing and deepening its collaboration with the private sector. USAID will transition to a modality that will explicitly leverage resource partnerships that facilitate investment and stimulate/mobilize the country's public and private resources, while also promoting effective, transparent, and accountable expenditure of those resources.

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Opportunities will be explored that will foster the country's expansion to high-yield, high-tech production.

Under **Development Objective 2, Youth Contributions to Society Increased**, USAID will play an enabling role by bringing together an array of stakeholders, including youth groups, to work together to foster economic opportunities for youth and their participation in public life. These endeavors can potentially keep youth from emigrating or motivate those who already have left to return. This approach will also seek to remedy the gender imbalance among those working. USAID will promote development of enterprise-driven solutions that will strengthen economic opportunities for youth and ensure that youth are more prepared with the skills needed for available jobs. USAID recognizes that youth are a critical partner and will also help enhance pro-social values among youth, including a stronger sense of responsibility and a culture of lawfulness. There is much that youth as individuals and in groups can do to contribute responsibly to their own development, as well as to the quality of life of their families, communities, and country. Important values for self-reliance require critical thinking skills; i.e., an ability to discern and act upon fact-based information and to be resilient to disinformation campaigns and political manipulation. Developing pro-social values among youth will likely require resource partnerships with the media and a multitude of economic and social platforms, local government authorities, other development partners, and most importantly, with youth. Approaches in DO2 will be guided by the principles of Positive Youth Development¹, where youth are a critical asset. Because youth often drive the most important social movements of an era, their resilience and pro-Western orientation is central to future self-reliance.

Under **Development Objective 3, Corruption Reduced**, USAID will support the critical need for accountability, which lies, in various facets, at the heart of democratic governance. Accountability functions with the basic expectation of transparency, and the unacceptability of corrupt practices. DO3 will focus on accountability of government institutions and of citizens to increase their actions to counter corruption. By fostering accountability among the citizenry and government, USAID will help strengthen expectations of accountability in the private sector.

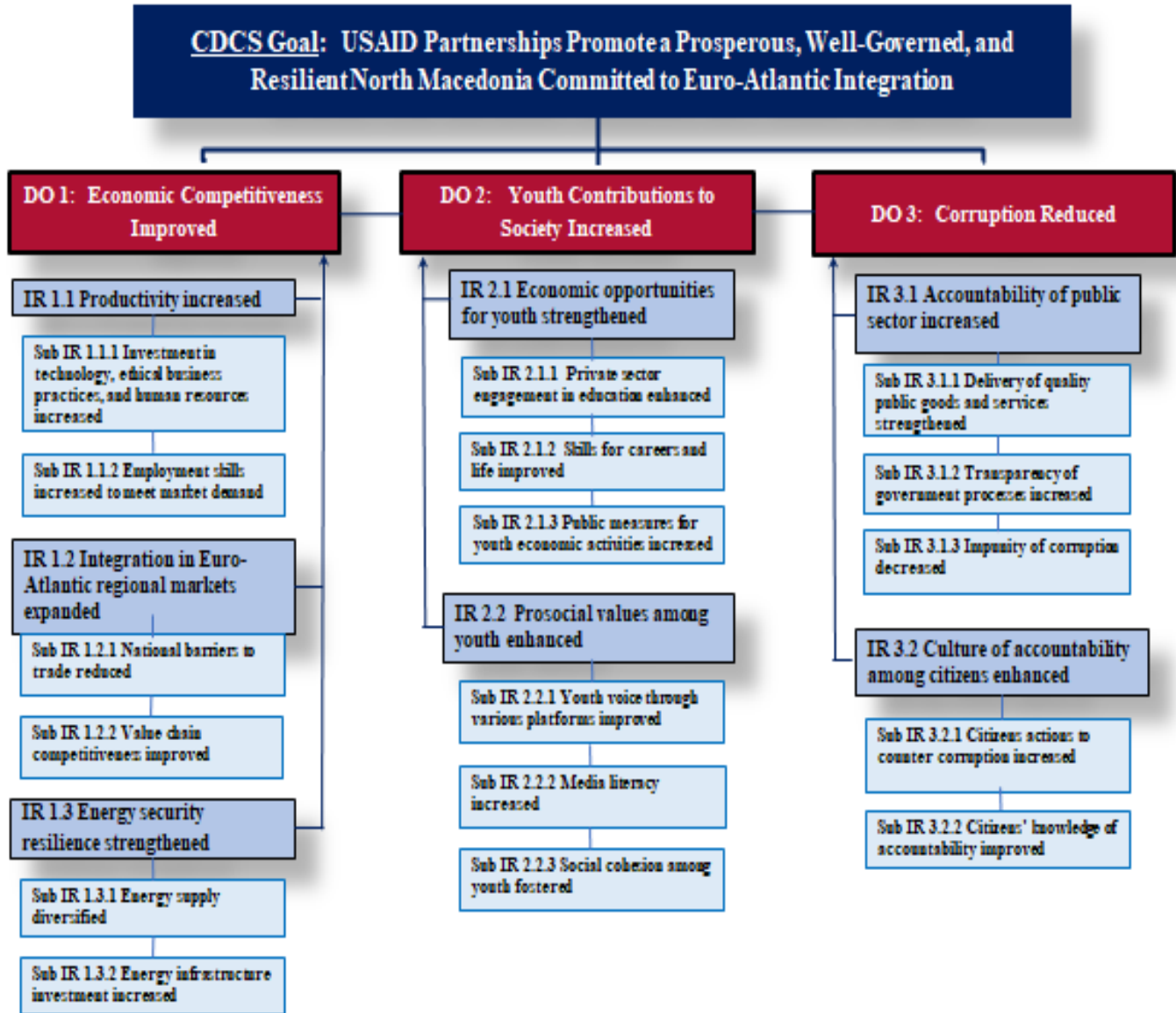
The CDCS goal and focus on key national challenges as Development Objectives (DOs) recognize North Macedonia's high ranking on capacity and commitment for self-reliance in USAID's self-reliance Country Roadmaps and zeroes in on remaining weaknesses; future USAID investments will be focused on remaining key challenges. The CDCS goal and DOs are aligned with the U.S. Integrated Country Strategy (ICS) for North Macedonia; the Department of State (DoS) and USAID Joint Strategic Plan and EUR-E&E Joint Regional Strategy; and the U.S. National Security

¹ Positive Youth Development (PYD) is both a philosophy and an approach to development. Youth Power Learning is defined as: Positive youth development engages youth along with their families, communities, and/or governments so that youth are empowered to reach their full potential. PYD approaches build skills, assets, and competencies; foster healthy relationships; strengthen the environment; and transform systems.

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Strategy. The CDCS is also grounded in U.S. government objectives for Countering Malign Influence and USAID policies for redefining relationships with country institutions (RDR), financing self-reliance (FSR), private sector engagement (PSE), and working with new and under-utilized partners (NPI).

Results Framework Graphic



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II. Country Context

Nearly three years after wiretapping allegations led to a protracted political crisis, in March of 2020 North Macedonia reached two historic milestones. Following resolution of the 27-year name dispute with Greece, the EU approved the opening of accession negotiations with North Macedonia. Simultaneous with this historic development, the country became the 30th member of NATO. While these are energizing developments, they occur against a backdrop of modest economic growth and continued concerns about cronyism, politicization, and corruption, as well as the harsh fallout from the unexpected COVID-19 pandemic.

The United States recognizes the next period as critical to the country’s future as a prosperous ally that contributes to regional stability. The future promises to be challenging for the country, due to a disconnect between high public expectations of future EU membership and the painful reality of actual reforms needed for accession. Indicators point to an advanced level of commitment and capacity for self-reliance, but the realities of required reforms at all levels of society – and a history of relying on the government or donors to take action – highlight needs for greater political will and government commitment to tackle corruption and lead necessary reforms.

U.S. strategic goals for North Macedonia align with those of its citizenry and the government. The United States continues to support the country’s goal to be a prosperous, stable, and inclusive multi-ethnic democracy, whose future is firmly embedded in the West and in Euro-Atlantic institutions, including NATO and the EU. The following table outlines the alignment of the government’s strategic priorities with the J2SR Roadmap.

Development Objectives:	Government Strategic Development Priorities:
DO1: Economic Competitiveness Improved	<ul style="list-style-type: none"> ● Development of the economy, increasing productive employment, and raising citizens’ standard of living
DO2: Youth Contributions to Society Increased	<ul style="list-style-type: none"> ● Reforms in the education system and investment in innovation and information technology
DO3: Corruption Reduced	<ul style="list-style-type: none"> ● Fight against organized crime and corruption; strengthened rule of law, building

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	<p>independent institutions and a functioning system of local self-government</p> <ul style="list-style-type: none"> • Building a civil state and ethnic cohesion based on the principles of mutual tolerance and respect
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Malign Influence in the Country – North Macedonia remains a significant target of malign Kremlin political influence as well as growing Chinese economic pressure, as it joins NATO and seeks to open formal EU accession negotiations. Moscow has vocally opposed the country’s membership in NATO and seeks to foment political instability. The recent history of frequent elections creates opportunities for the Kremlin to sow uncertainty, exploit divergent political agendas, and stoke potential inter-ethnic tensions. The Communist Party of China (CCP) is increasing its presence in the country and its relationships with North Macedonia more broadly through investment as well as cultural engagements such as language classes and visitor programs. While several of the CCP’s projects, which focus primarily on physical infrastructure, have proven successful, the majority have failed due to corruption and questionable business practices. Like the Kremlin, the CCP leverages corruption to secure its political and economic interests, although it is increasingly using a broader range of assistance and cultural tools, many of which mirror U.S. programs and are attracting interest. The CCP is also finding opportunities to expand its technology footprint in schools, universities, and in critical infrastructure such as transportation and security-sector surveillance systems.

J2SR Roadmap Strengths and Weaknesses - The vision of a transformed USAID - government of North Macedonia partnership draws on the country’s J2SR metrics related to the fiscal year (FY) 2021 North Macedonia Country Roadmap. While recognizing North Macedonia’s high ranking on capacity for self-reliance, USAID/North Macedonia's vision is explicitly linked to the country’s remaining self-reliance challenges and to U.S. priorities of further Euro-Atlantic integration. The 2017 change of government brought improved regional relationships, opening of media and the economy, and efforts to resolve ethnic minority grievances. Yet, citizen fatigue with the slow pace of reforms for improved quality of life is growing. Clear remaining self-reliance commitment weaknesses in open and accountable governance and inclusive development dimensions remain most

Countering Malign Kremlin Influence (CMKI) Development Framework objectives addressed by USAID/North Macedonia CDCS 2020-2025

- 1.1 Strengthen checks and balances and rule of law
- 2.2 Increase media literacy and public demand for high-quality, independent reporting
- 3.1 Enhance the energy security of the partner country
- 3.2 Reduce dependence on Kremlin-controlled energy resources
- 4.1 Promote the diversification of exports and enable firms to compete in Western markets
- 4.2 Strengthen the ability of financial markets to meet and comply with international standards and practices

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prominent, with backsliding documented between 2012 and 2017 and the slow pace of reforms. Our vision for the 2020-2025 strategy period recognizes not only the country's J2SR strengths and weaknesses but also the potential for socio-political fragility and an economic downturn because of the COVID-19 pandemic.

III. Strategic Approach

USAID's vision for a strategic transition is that USAID will partner with country institutions to enable the country to advance Euro-Atlantic integration, promote enterprise-driven development, and build resilience against malign influence. The change in approach from donor-recipient relationships to strategic partnerships during the CDCS period will require very different methods to foster North Macedonia's J2SR. ***USAID does not plan a subtle or slow change in approach.*** In general, the ways that USAID will realize its vision are fivefold:

1. USAID will shift from donor-recipient relationships and engage stakeholders differently, i.e., USAID's role will be generative – forging key partnerships that link the private sector, government, and civil society, and leverage their ownership, leadership, and resources.
2. Country institutions will own and lead the development conversation. Through resource partnerships, they will both finance and lead joint interventions and enterprise-driven solutions that have a results-driven mandate to strengthen the country's self-reliance.
3. USAID's limited resource envelope will leverage local resources, and the Mission's footprint will reflect the need to address remaining gaps on the Journey to Self-Reliance (J2SR) Roadmap and critical last-mile challenges to achieving its transition vision, including the Global Power Competition considerations.
4. USAID's approach will be to build self-reliance using broad partnerships through fewer, targeted USAID-managed activities. These partnerships will focus on strengthening the foundations for resilience and self-reliance: improved economic competitiveness, increased youth contributions to society, and reduced corruption.
5. Based on the assessment of USAID's existing portfolio against the J2SR Country Roadmap, the CDCS will focus on improving economic capacity and competitiveness through increased productivity and EU/regional economic market integration, including energy; workforce development and civic engagement of youth for inclusive development, and media literacy; and reducing corruption for open and accountable governance. USAID will implement a changed approach to working with civil society and on political processes to advance rule of law, government effectiveness, anti-corruption, and party transparency and accountability. A handover of programs for social cohesion, parliamentary capacity building, elections support and reforms, and access to finance for MSMEs, startups, farmers, and entrepreneurs will occur during the CDCS period. The Mission has already begun to exit programming related to migrant issues, media

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content production, and CSO capacity building. Future investments will target fewer, key interventions in sectors where USAID assistance offers a strategic advantage.

Specifically, for *redefining the relationship with the government*, general discussions with government partners will result in agreements on the responsibilities of each party (i.e., the government, USAID, and other key players), and how to hold each other accountable to reach the intended results. Through dialogue with the Prime Minister's office, line ministries and local governments, USAID will negotiate the role(s) it can play as a partner and catalyst, forging key partnerships among the private sector, government, and civil society to foster a prosperous, well-governed, and resilient country committed to Euro-Atlantic integration. Agreement details would include terms of ownership, mobilizing resources and commitments required for policy reforms, and engagement of other country stakeholders, such as the private sector and other development partners.

For the array of anticipated results under the CDCS, there will need to be different approaches that reflect partnership arrangements with different stakeholders. Under DO1, ***Economic Competitiveness Increased***, USAID will partner with the private sector. The private sector will lead on key elements of the interventions, though the government will play a critical role in promoting growth in production and reducing barriers to expansion into Euro-Atlantic markets. USAID will explicitly leverage partnerships that facilitate investment and stimulate/mobilize the country's public and private resources. A key element will be financial markets/products that promote investments to ensure that country actors and institutions are the ones expanding productivity and energy security. This key element is an essential approach to combat malign influence.

USAID is looking to accelerate enterprise-driven development and catalyze sustainability by increasing and deepening its collaboration with the private sector. USAID plans to advance North Macedonia's financial self-reliance by helping to strengthen domestic revenue mobilization and improve the enabling environment for raising domestic revenue and attracting private investment from a wide array of sources, while also promoting effective, transparent, and accountable expenditure of those resources. Opportunities will be explored that will foster the country's expansion to high-yield, high-tech production. USAID will identify private-sector entities that are willing and eager to partner in stimulating productivity and Euro-Atlantic expansion. The roles and responsibilities of all partners will be formalized and agreed upon together.

Under DO2, ***Youth Contributions to Society Increased***, USAID will play an enabling role by convening an array of stakeholders, including youth groups, to work together with the private sector (the end-user of skilled youth) and the educational system, to foster economic opportunities and opportunities for greater participation in public life in an effort to stem youth emigration and motivate those who already have left to return. This approach will also help to remedy the gender imbalance among those working. Agreements will be sought with country

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partners to develop dynamic programs linking the workplace with educational opportunities and innovation. USAID will also promote development of enterprise-driven solutions that will strengthen economic opportunities for youth and ensure that youth will be more prepared with the skills needed for available jobs.

USAID recognizes that youth are a critical partner and thus will also promote pro-social values among youth, including a stronger sense of responsibility for their country's development. There is much that youth as individuals and in groups can do to contribute meaningfully to their own development, as well as to the quality of life of their families, communities, and country. Multiple platforms can be used to shape attitudes and values that enable young people to lead effectively. In addition, important values for self-reliance require critical thinking skills, i.e., an ability to discern and act upon fact-based information. USAID will endeavor to increase youths' resilience to disinformation campaigns and political manipulation by enhancing their media literacy and critical thinking skills. Advancing this resilience, leadership, and other Euro-Atlantic values will enable young men and women to serve as change agents for self-reliance and resilience to malign influence. Developing pro-social values among youth will likely require partnerships with the media and a multitude of economic and social platforms, local government authorities, other development partners, and, most importantly, with youth. Approaches in DO2 will be guided by the principles of Positive Youth Development², where youth are a critical asset. Because youth often drive the most important social movements of an era, their resilience and a Euro-Atlantic orientation is central to future self-reliance.

Under DO3, ***Corruption Reduced***, USAID will tackle the critical need for accountability, which lies, in various facets, at the heart of democratic governance. Accountability is about a relationship between those responsible for something, and those who have a role in passing judgment on how well that responsibility has been discharged. It functions with the basic expectation of transparency, and the unacceptability of corrupt practices. DO3 will focus on accountability of government institutions. DO3 will help to foster individual citizen accountability. A demanding citizenry and government can strengthen the expectation for an accountable private sector. Because malign influence often capitalizes on corrupt officials and opaque systems, DO3 interventions will support countering malign influence.

Furthermore:

For shifting our focus – USAID engagement will sustain its focus on economic competitiveness, including energy security. New areas of focus will target increased youth opportunity and workforce participation, with greater youth contributions to society by

² Positive Youth Development (PYD) is both a philosophy and an approach to adolescent development. Youth Power Learning definition: Positive youth development engages youth along with their families, communities and/or governments so that youth are empowered to reach their full potential. PYD approaches build skills, assets and competencies; foster healthy relationships; strengthen the environment; and transform systems.

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engendering support for Euro-Atlantic integration. While not new, the laser focus on reducing corruption zeroes in on the most important bottleneck to good governance.

For shifting our approach – USAID’s milestone of country partners leading the planning, funding, and achievement of results captures the essence of the overall approach. USAID will monitor the progress of country partners in leading, funding, and achieving desired results through partnerships with USAID; USAID will also target facilitation of public-private solutions. USAID’s approach will be clear to all partners: USAID funding must leverage substantial domestic and other resources. USAID’s involvement will be conditional on this new type of resource partnership focused on country ownership, leadership, and investment.

New approaches will transform USAID’s working modality from the traditional model of implementing partners to one where local actors (from public, private, and non-profit sectors) increasingly advance self-reliance to lead and own their development results. USAID will use innovative financing and mainstream more flexible approaches to procurement, to ensure that USAID can adapt to changes quickly. USAID will work with key stakeholders and partners at a multitude of levels to ignite a strong results orientation and establish a common vision and strong collaboration among key stakeholders.

For addressing last mile challenges, the Mission will target three focus areas central to achieving the CDCS goal, namely countering corruption, advancing economic competitiveness, and engaging youths’ participation in society. Knowing that “last mile challenges” are called that because of the tenacious nature of these challenges, USAID will work closely with other development partners to leverage both financing AND momentum. For example, it is not so easy to set out to tackle pernicious and entrenched corruption issues, especially focusing on an approach to introduce greater transparency in an area that presently shrouds corruption: public financial management. As seen under DO3, USAID plans to work closely with the World Bank and the UK in the challenging area of corruption, collaborating with the government to implement an effective national system that can potentially leapfrog out of present inefficiencies. The World Bank collaboration is further critical because it has provided significant financing through a loan to the government stemming from the Country Partnership Framework launched in July 2019, and it will be important to capitalize on that source of revenue and the World Bank influence to ensure that the country implements a well-conceived, comprehensive, and transparent Public Financial Management System. It will also be important for USAID to look to the experiences of other countries that have dealt with public financial management and related systems in a highly effective way, e.g., Tanzania.

USAID recognizes that the outlined DOs are ambitious but believes that the potential yield is worth the risk, as addressing these issues is of paramount importance for the country to achieve self-reliance. While planning approaches to achieve these DOs in partnership with

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country institutions, USAID will take the time to anticipate formidable challenges, particularly because so much of what will occur will be outside of USAID’s control under the new arrangements. And USAID will anticipate and watch for symptoms of vested interest in the *status quo* when working with stakeholders on key aspects of the CDCS, e.g., corruption. This will be equally true for planning and establishing potential legacy programs as laid out by DO in this CDCS.

USAID plans to: 1) continually highlight the value-added for resource partnership relationships, 2) focus on accountability and metrics, 3) ensure a proactive, catalytic USAID presence on teams for the key alliances established with partners, and 4) work in close collaboration with other development partners to develop a comprehensive, integrated set of interventions of joint strategy development.

IV. Results Framework Narrative

Goal Statement and Narrative

USAID’s goal for the 2020-2025 North Macedonia strategic transition CDCS is that “USAID Partnerships Promote a Prosperous, Well-Governed, and Resilient North Macedonia Committed to Euro-Atlantic integration.” The Results Framework (RF) developed for this CDCS will help North Macedonia to successfully advance its J2SR and Euro-Atlantic integration goals. The RF draws on North Macedonia’s J2SR gains shown in the FY 2021 Country Roadmap, while helping the country address challenges noted primarily in Open and Accountable Governance, Inclusive Development, and Government Capacity dimensions. It will be imperative to capitalize on the country’s progress to date while addressing last-mile challenges of which endemic corruption is key.

USAID’s assistance will be an engine for progress and a tool to advance a strong democracy and growing economy, in large part by embracing youth as society’s future leaders, workers, and citizens. To address remaining challenges and areas of historical backsliding, USAID will ensure that the priority themes of accountability and resilience are interwoven throughout all efforts. USAID’s legacy will advance North Macedonia’s Euro-Atlantic integration, abilities to protect itself from malign influences, and help citizens, especially youth, to have a strong sense of responsibility for the country’s development. The DOs capture areas where USAID investments will have the greatest impact, mainly because they will be based on innovative resource partnerships with country institutions, as well as continued close inter-agency collaboration within the U.S. government, and coordination with the EU and other development partners.

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DO1 – Economic Competitiveness Improved

DO1 Development Hypothesis Statement:

IF productivity is increased, integration in Euro-Atlantic regional markets is expanded, and energy security resilience strengthened; THEN North Macedonia will improve economic competitiveness for greater prosperity, financial self-reliance, stability, and citizen well-being, as well as resilience to malign influence.

DO1 Development Hypothesis Narrative:

While the country has made significant strides in stabilizing the economy in the last two years, the key to accelerated economic growth is through improved economic competitiveness in the private sector – the primary driver of economic activity. The involvement of the state in the private sector remains significant and has been detrimental to business in terms of regulatory frameworks, barriers to trade, lack of transparency, and uneven application of rules and regulations. Under the CDCS strategy, USAID will use creative approaches based on resource partnerships for activities led by country partners. There is significant opportunity for economic growth, initially within the Western Balkans and then expanding to broader Euro-Atlantic regional markets, but it will require aggressive interventions to build on modest domestic economic growth.

Recognizing the value of regional markets, Western Balkan countries initiated a joint Multi-Action Plan in 2017 to develop a Regional Economic Area that aligns legal frameworks with required practices for EU accession and full integration into EU value chains. In 2019, North Macedonia joined with Albania and Serbia to explore establishing a “mini-Schengen” to facilitate regional trade, though aspirations could expand farther, both geographically and topically. Productivity and growth must increase to capitalize on these opportunities, particularly through increased investment in technology, ethical business practices, innovation, and skilled human resources. Many workers are employed in low-productivity sectors, while wages tend to be higher at more productive firms and wage growth is associated with productivity growth. According to the EBRD, most economic activity and employment in the country is generated by the private sector, making it a logical springboard to accelerate sustainable economic growth and job creation/upgrading.

A DO1 priority will be to partner with the private sector to spark self-reliance, spur growth, and stimulate productivity. There are also opportunities to adopt approaches to reduce the 27 percent gender labor gap disadvantaging women, and address indicators showing that women, youth and ethnic minorities are more likely to be out of the labor force, unemployed, or in precarious employment, in order to strengthen the workforce and fill workforce gaps. Opportunities will be identified to spur moving production up the value chain – adapting to

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emerging market trends, pursuing high-tech opportunities³, and leapfrogging outdated production methods. **For DO1, the private sector will be in the lead**, with USAID serving as a partner to stimulate productivity and expansion into Euro-Atlantic regional markets. It will also be important to engage the government in this endeavor, particularly to grasp and embrace the importance of minimizing the barriers to business and expanded trade highlighted above. DO1 will capitalize on previous investments to promote economic growth. Increasing productivity and integration in Euro-Atlantic regional markets will counter CCP investments in the economy and technology that lead to elite self-enrichment and corruption and neutralize Kremlin-sponsored campaigns to undermine confidence in free-market systems and integration in Euro-Atlantic regional markets.

A key component of improved economic competitiveness is energy security. The country is dependent on inefficient and outdated domestic coal-fired power and imported natural gas from Russia, i.e., the country is dependent on fossil fuels for more than 80 percent of its energy consumption. Current efforts to create alternatives through renewable energy sources will be important to diversifying access to energy and reducing pollution, e.g., through hydropower, solar, wind, biomass, and gas. DO1 will build on prior USAID assistance to enhance the regulatory framework for an open, transparent, and vibrant energy market, by advancing adoption of diverse energy sources and stimulating investment in energy infrastructure while making sure it is climate-resilient. USAID efforts will complement EBRD and World Bank Partnership Framework investments to accelerate a more sustainable energy mix and help the country comply with EU and Energy Community requirements. USAID will sustain support for energy security, which underpins both economic growth and citizens' quality of life. This support also counters malign influence in the energy sector, especially from the Kremlin since Russia currently supplies 100 percent of the country's gas.

Given the importance of improved economic competitiveness to prosperity, stability, and resilience to malign influences, USAID will dedicate 30 percent of available resources to DO1.

DO1 Linkages to the Country Self-Reliance Roadmap

- Fosters *commitment* by improving: 1) the business environment; 2) social group equality (disparity related to ethnic minorities); 3) the economic gender gap; and 4) trade freedom
- Expands *capacity* by improving: 1) export sophistication; 2) information, communications, and technology (ICT) use; and 3) government effectiveness

Country context critical to DO1:

The country's early steps toward a market-oriented economy were successful, and the country moved to promote trade openness, privatization, and price liberalization, enabling it to move to

³ An example of high-tech emphasis is USAID's partnership with Fx3x, an internationally recognized and Oscar-winning firm that does digital animation and visual effects, which also offers promising careers to high school students. Fx3x's services are in great demand in the motion picture industry.

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a market economy faster than its Western Balkan neighbors. However, challenges remain in the quest to become a well-functioning and thriving market economy. Low and declining productivity of local firms, weak state institutions, and deficiencies in competition, investment policy, and business regulation continue to pose serious challenges to economic growth. A competitive business legal framework has yet to translate into a vibrant private sector that can fully exploit the country's location and potential. Despite an increasing employment rate (47.3 percent), unemployment remains high at 17.3 percent and labor force participation is low, especially for those younger than 25, older than 55, and women. The private sector suffers from a small domestic market and a high degree of market concentration. Resulting resource misallocation has not pressured firms to retool by adopting new methods and technologies. The large disparity in productivity between the most and least productive firms illustrates the wide gaps in firm capabilities. The government is committed to business environment reforms to support an open, transparent economy that encourages an even playing field, and address rigidities in product, network, and labor markets to attract foreign direct investment. Opportunity remains for vibrant trade with the other Western Balkan countries, which can be expanded beyond that area to other Euro-Atlantic regional markets.

DO1 - Specific role of other development actors:

- The EU and international financial institutions, including the World Bank and EBRD, are providing significant resources related to DO1 programs, particularly in the energy sector. Specifically, since 2001, the World Bank has invested \$400 million in the country, supporting private companies in the energy, telecoms, and pharmaceutical sectors, among others. In addition to direct investments, they have also implemented several advisory programs to facilitate development of the country's private-sector potential in the economy, create economic opportunities, and support European integration. The recent World Bank Partnership Framework, with *loans totaling \$420 million* (FY 2019 - 2023), is comprised of three focus areas: 1) fostering a dynamic and competitive private sector, 2) strengthening human capital and closing opportunity gaps, and 3) strengthening effective governance, fiscal prudence, and environmental sustainability. EBRD has a focus on supporting competitiveness through its 2019 - 2024 programs. *Amount budgeted: €819 million (~\$900 million)*, with loans focused on: enhancing value chains, up-skilling the workforce; strengthening regional integration, soft connectivity; and supporting a green economy through a more sustainable energy mix and greater resource efficiency (while 84 percent of funds are for infrastructure, the balance will include priority reforms, such as public financial management, energy reforms, transport market restructuring, trade, foreign direct investment, and domestic investment, and improving the business environment).
- The Swiss are focusing resources on employment growth and employability, manufacturing competitiveness, and environmental issues. The Swiss Development Cooperation is funding a program to increase market employability. *Amount budgeted over 10 years: CHF 15.7 million (~\$16.3 million)*. In addition, they support another

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program to create job opportunities for all through UNDP. *Amount budgeted over 10 years: CHF 11.6 million (~\$12million).*

- The UK and the World Bank support an Innovation and Competitiveness Fund.

USAID will collaborate closely with the above programs, playing a synergistic role in optimizing the use of these resources (particularly those targeting similar or linked outcomes), collaborating on implementation approaches, and leveraging USAID's investments to achieve far greater results than otherwise possible.

Linkages with other countries in the region, particularly on DO1:

Several Balkan countries were part of the former Yugoslavia, and there is a history of their linkages. There are opportunities for these countries to emphasize development and initiatives at the regional level. This is crucial to strengthen the countries' socio-political and economic outlook in the 2020s. Regional integration in the energy sector is especially critical, as energy flows beyond borders, and countries depend on each other's transmission capacities and markets.

DO1 Potential Legacy Plans:

The most important legacy for DO1 that USAID can develop is an enabling environment and momentum for the private sector that is independent of government and will continue long beyond USAID's presence and role as an agent of change. This environment should include: 1) mechanisms that can stimulate investment, including financing that meets the private sector's needs; 2) an array of responsive services, new laws, and regulations that support the growth and development of a robust private sector that can thrive with uncompromised rule of law; 3) a level playing field; 4) tax incentives that will support innovative practices and technology, increase productivity, and strengthen the ability of the private sector to employ a large segment of the population; and 5) an ability to produce goods and services in a free market that can strengthen the competitive edge of the country.

DO1 will specifically aim to achieve, through sub-intermediate results (IRs):

IR 1.1 Productivity Increased

IR 1.2 Integration in Euro-Atlantic Regional Markets Expanded

IR 1.3 Energy Security Resilience Strengthened

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DO2 – Youth Contributions to Society Increased

DO2 Development Hypothesis Statement:

IF economic opportunities for youth are strengthened, and skills and pro-social values among youth are enhanced, THEN youth will increase their contributions to society.

DO2 Development Hypothesis Narrative:

Youth are the foundation of a resilient North Macedonia. They can lead the country's development, discern and confront malign influence, and, through their participation, strengthen free and open markets, democratic institutions and processes, and social cohesion. Yet they face a number of significant challenges, including a rising cost of living, limited job opportunities, and an education system that does not provide them with the knowledge and skills needed for the labor market and growth industries, e.g., high technology and knowledge industries. Partnerships that link the private sector, educational institutions, and youth to foster skills development and innovation are nascent. Over 40 percent of North Macedonia's youth are unemployed, and many become "disconnected." They lack opportunities for professional development, social and civic engagement, and leadership roles in the economy and society. Those who are employed complain of poor pay and conditions, and many are under-employed, i.e., working in jobs unrelated to their training. Those who are unemployed and disillusioned are particularly vulnerable to malign influence. Many, including the most talented, have already left the country; and the 2019 Youth Assessment found that *over half intend to leave in the next two years* (reported equally by gender and across age groups). This reality is an imperative for working with youth up through 34 years of age. *If the country wants to stop the hemorrhage of young people emigrating for economic and social opportunities, and to entice those who left to return, it needs to invest in them.*

DO2 will tap the potential of young people up to 34 years of age to lead self-reliant lives, contributing to the economy and society. DO2 will build on previous and current USAID investments in civic education in schools, sound media content and investigative journalism, and programs to foster innovation and entrepreneurship among youth and better prepare them for the workforce. The U.S. National Security Strategy (NSS) calls for empowering women and youth to participate in civic and economic life as a priority action for championing American values. The NSS notes that "around the world, nations and individuals admire what America stands for," and this is true for North Macedonia's youth, for whom there is no direct translation in local languages of the concept of self-reliance and specifically of taking personal responsibility for individual, family, community, and national well-being. Like in much of the world, however, aspirations to be part of a culture based on the values of liberty and opportunity for prosperity, where young people are valued for their qualifications and innovating talent, remain unfulfilled. With a projected population growth of virtually zero and nearly all international assessments pointing to deteriorating human capital and acute youth out-migration as a major impediment to socioeconomic growth, USAID is shifting its focus to strengthening and retaining the country's major asset for the future: **youth**.

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As former USAID Administrator Mark Green so clearly opined: *“We see, with the largest youth community in history, the greatest opportunity in history, because with each young person, we have an open mind. With each young person, we have new ideas and new energy.... With all the challenges that are out there.... We need our young people. It's the only way we're going to advance.”*

DO2 priorities are to accelerate youth contributions to society, both economically and socially. USAID will preensively engage in resource partnerships with the government (including educational institutions), private-sector enterprises, youth organizations, and youth to enable youth to increasingly contribute to society and the economy to secure a prosperous, vibrant, and stable future. DO2 will set in motion expanded opportunities in the private sector to prepare youth for employment opportunities. USAID will also work with the government to intensify nascent public initiatives to enable youth participation in the economy and society so that they are expanded and gain momentum. Of note: on November 23, 2019, President Stevo Pendarovski highlighted that youth would continue to emigrate unless “responsible politicians in power offer them a chance” to succeed in their home country. In January 2020, members of parliament from all political parties passed the **Law on Youth** and allocated budgetary resources for public initiatives to support youth empowerment.

Youth themselves, in line with Agency guidance to promote Positive Youth Development (PYD)⁴, must participate as equal partners. This requires that they embrace the values that underpin self-reliance; namely, by demonstrating a sense of independence, confidence in individual as well as social strength; applying a strong value system; and striving for accomplishments. DO2 will also help shape attitudes and values for self-reliance among youth and promote active youth engagement to foster a generation of youth who feel both that they are a vital part of society and can make a difference in their own futures. This will be advanced by leveraging social platforms to influence them, and then for them to influence and engage others. DO2 will also increase media literacy to reduce vulnerabilities to disinformation and political manipulation, including efforts by the Kremlin to fuel divisions and tensions within society.

The bottom line is that youth are one of the country's greatest assets. Through successful participation in the workforce and as social leaders, they can be a potent force for positive social change and economic growth. The greatest measure of USAID's success would be a decrease in youth out-migration or youth returning, bringing back new work and life skills to benefit the country.

Former USAID Administrator Green aptly recognized *“disillusionment, and young people being disconnected from the rest of their community or feeling disconnected from the rest of their*

⁴ Positive Youth Development (PYD) is intended to improve the capacity of youth-led and youth-serving institutions and engage young people, their families, communities, and governments so that youth can reach their full potential.

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community. So, media tools abused by extremists are dangerous, but they are only dangerous if they hit fertile ground. And so, I think it is very important that ... we are listening to young people. But even more importantly, young people are listening to each other, talking to each other. And we must let our young people know they have a home, and that we're there. And if they are uncomfortable, if they are unfamiliar or concerned with messages that they're hearing, things that they are seeing, people who are reaching out to them, talk about it. Remember that extremists are looking to isolate people, looking to cut people off. They want to turn young people into victims. So, yes, there are extremists out there who seek to prey upon, abuse, and misuse young people, but my money's on young people. Push back, stand up, and be open and talk about it." DO2 responds to the former USAID Administrator's call.

DO2 Linkages to the Country Self-Reliance Roadmap

- Strengthens *commitment* by addressing the economic gender gap, social group equality, and the business environment; and improving open and accountable governance and inclusive development
- Strengthens overall *capacity* of the economy, as well as government effectiveness; builds citizen capacity by targeting youth to buttress commitment to open and accountable governance

Country context critical to DO2:

Activities under DO2 are starting off on a positive footing, with political will demonstrated by the government's new Law on Youth, with funding to invest in youth and address the push factors that are enticing youth to leave. The private sector has also recognized that companies need to invest in workforce development and vocational training targeting youth. During the CDCS period, USAID will foster linkages between and among youth organizations, educational institutions, private-sector entities, media entities, and government ministries and institutions to enable them to work together to develop effective partnerships and continue investing in programs activities that will create positive opportunities and benefits for youth. At the end of the CDCS period, these country organizations will have the capacity and resources to work independently, thus allowing USAID to move away from significant youth programming.

Given the importance of youth to a bright future, the Mission will dedicate 20 percent of available resources to DO2.

DO2 - Specific role of other development actors (multi-year programs):

- The EU-funded Youth Access to the Labor Market in 2019 aided young people who are neither employed nor in school, and to develop centers of excellence to ensure modern work-based learning practices and quality education
- International financial institutions, including the World Bank and EBRD, are offering significant resources. USAID can play a role in optimizing the use of some of these resources. *Amount budgeted: €15 million (~\$16.5 million)*

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- The UK is supporting: 1) the establishment of a program to enhance training for youth in digital skills and establishment of a digital skills platform. *Amount budgeted: £350,000 (~\$434,000)*, 2) a skills-matching in textile and construction programs with the Ministry of Labor and Social Policy and the Ministry of Education. *Amount budgeted: £750,000 (~\$930,000)*, and 3) a program to counter disinformation, as well as a program to promote media literacy. *Amount budgeted: £1.5 million (~\$1.9 million)*
- The British Council is financing a program entitled 21st Century Schools to promote the integration of critical thinking, digital, and problem-solving core skills in teaching and learning. *Amount budgeted: £10 million (~\$12.4 million)* for the Balkan countries
- The Swiss Development Cooperation is supporting: 1) a program to create jobs and increase incomes for un- and under-employed women and men, with a special focus on youth. *Amount budgeted (2014 - 2025): CHF 15.7 million (~\$16.3 million)*; 2) a program to increase employability of the unemployed, especially youth, through improved vocational training. *Amount budgeted (2016 - 2027): CHF 14.5 million (~\$15.0 million)*; and 3) a program that facilitates employment of unemployed members of vulnerable groups, including youth. *Amount budgeted (2017 - 2027): CHF 11.6 million (~\$12.0 million)*

USAID will collaborate closely with the above programs, playing a conducive role in optimizing the use of these resources (particularly those targeting similar or linked outcomes), cooperating on implementation approaches, and leveraging USAID's investments to achieve far greater results than otherwise possible.

Linkages with other countries in the region, particularly on DO2:

Despite efforts to engage and empower youth in the Western Balkans since the breakup of Yugoslavia, patterns of youth disillusionment, isolation, and emigration throughout those countries have increased unabated. A 2019 report⁵ on the experiences and aspirations of youth in Southeast Europe affirmed that North Macedonia's youth face the same challenges as their peers in the region, and they share affinities with the West and desires to belong to Europe. High levels of youth unemployment and underemployment stem from economies slow to recover from the 2008 global financial crisis and educational systems that have been slow to adapt to changing labor markets. In a 2017 report⁶, nearly 25 percent of the region's youth were inactive, meaning that they were not in employment, education, or training. With few incentives to stay in their home countries, emigration is a common goal. These reports highlighted that socioeconomic development could support circular migration, benefiting youth and countries in the region. But economic insecurity is not the only factor influencing youth decisions. Poor services and poorly performing political institutions and endemic corruption have bred cynicism and alienation among youth in the region; and some countries, including

⁵ Western European Balkans, August 4, 2019; <https://europeanwesternbalkans.com/2019/04/08/southeast-european-youth-wants-decent-future/>

⁶ [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2017\)608683](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)608683)

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Albania, Bosnia and Herzegovina, and Kosovo, also struggle with the threat of radicalization and violent extremism among populations disillusioned with continued poor performance of political, social, and economic systems.

DO2 Potential Legacy Plans: To sustain DO2 successes, the Mission will explore a legacy program that would establish investment funds (another possible Rapid Funding Envelope-style approach) from the government and private sector, specifically for youth engagement. It could be managed by youth organizations to tap into the creativity of the next generation. This innovative approach would allow young women and men to take control of their futures by transforming their talents, skills, and abilities into vehicles to grow into their full potential—without the weight of government or corporate intrusion on ideas. The recommended approach is in the vein of how innovations like Microsoft, Amazon, and Kayak were developed—i.e., ideas that are not “managed” by companies or the government. It could be done in two steps: 1) awards to pilot ideas (such as use of technology, ground-breaking practices to improve ethnic cohesion, or novel approaches to improve gender equity in the workplace, and 2) awards to bring successful pilots to fruition for greater impact. For example, funding could support the use of technology for workplace preparation and solutions for youth.

DO2 aims to achieve, through sub-IRs:

IR 2.1 Economic Opportunities for Youth Strengthened

IR 2.2 Prosocial Values among Youth Enhanced

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DO3 - Corruption Reduced

DO3 Development Hypothesis Statement:

IF the public sector is accountable in terms of delivery of equitable, timely, and quality public goods and services, IF government processes function with increased transparency, IF effective mechanisms for addressing corruption are implemented, and IF citizens embrace a culture of accountability, playing a personal role in fighting corruption; THEN corruption will be reduced, enabling economic well-being and social cohesion for a more self-reliant future that is resilient to malign influence.

DO3 Development Hypothesis Narrative:

Widespread corruption stymies economic growth and social cohesion and contributes to political fragility and instability; it also provides openings for malign influence from multiple great powers, including the CCP, the Kremlin, and their proxies in the region. Corruption is eroding the credibility and effectiveness of public institutions and rule of law, and it is accepted by citizens as a cultural norm. Corruption thrives in an environment bereft of rule of law, accountability, and effective administrative structures and internal controls. It also flourishes where access to resources are politicized, like in North Macedonia. These great powers and their proxies in the region leverage corruption for their own economic and political interests.

Recent empirical studies identify a strong effect of weak institutions and governance on emigration, particularly of highly educated and skilled workers – a significant problem in the country. Ironically, while North Macedonia scores exceptionally well in the World Bank’s Doing Business Report, it ranks poorly on corruption. Corruption is also a significant barrier to external investment; in a survey of more than 350 businesses worldwide, 35 percent of companies were deterred from an otherwise attractive investment because of the country’s reputation for corruption. The European Commission 2019 Report highlights: good progress in investigating, prosecuting, and trying high-level corruption cases; changes to the legislative framework; and establishment of a new Commission for the Prevention of Corruption that was appointed in February 2019. The same report notes the critical need to strengthen the integrity of policies, transparency, and accountability of public institutions, including controls for public procurement, concessions, public/private partnerships, and execution of public contracts. While these developments provide encouraging news, *greater accountability and effectiveness of government institutions, strengthened by a powerful expectation of accountability among citizens and individual citizen action to fight everyday corruption, is urgently needed to reverse the entrenchment of norms that bolster and spread corruption.*

DO3 will build on previous investments to build civil society and government capacity for sharpening the focus on endemic corruption.⁷ Previous support for political processes already

⁷ An accountability strategy must address **both** ‘vertical’ systems of accountability, i.e., where citizens hold institutions accountable, and ‘horizontal’ accountability, i.e., when state institutions engage in mutual scrutiny to correct abuses of office.

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shifted to target political party transparency and accountability, key to countering malign influence in a society governed by political party dominance. In addition to building upon the lessons learned from previous investments in anti-corruption and rule of law activities, DO3 activities will explicitly seek to support local efforts to buttress transparency and accountability mechanisms and reforms in a way that will cement progress and reduce backsliding. Heightened public awareness and scrutiny, implemented legislation, increased e-governance solutions, and a strengthened Public Financial Management System will reduce the space where corruption can take place. Cementing these advances, combined with the start of EU accession negotiations, will provide concrete incentives for government institutions and political parties to advance and adhere to anti-corruption and rule of law reforms. By the end of the CDCS period, this will allow USAID to reduce its efforts in this space and explore a focused legacy mechanism that can foster efforts to safeguard anti-corruption and rule of law advancements.

Given the centrality of corruption to stymied growth and social cohesion and the erosion of the credibility of political parties, public institutions, and rule of law, as well as being an entry point for malign actors that affect the stability (national security) of the country, the Mission will dedicate 50 percent of available resources to DO3.

DO3 specific role of other development actors:

- The EU and international financial institutions, including the World Bank and EBRD, are providing significant resources to counter corruption. Key areas of support include smart solutions for addressing community challenges, ameliorating problems with municipal policy and service delivery, and strengthening governance, as well as strengthening fiscal and public financial management
- The World Bank Center of Excellence in Finance is implementing a program to strengthen public financial management in the ECA region, along with budget, treasury, and internal audit. *Amount budgeted: \$12 million*
- The UK is supporting a program to restore public accountability and transparency through citizen engagement. *Amount budgeted: £240,825 (~\$298,300)*
- The UK has also funded support, along with the World Bank, to the Ministry of Finance in preparation of a new Organic Budget Law, technical specifications for a new IT system and capacity building at the Ministry of Finance, which will help to support a Public Financial Management System. *Amount budgeted: £1 million (~\$1.2 million)*
- The EU supports Rule of Law for an independent, efficient, accountable, and competent judiciary and prosecution, curbing corruption, fighting organized crime, human rights, and freedom of expression. *Amount budgeted: €19.3 million (~\$21.2 million)*
- The EU also supported some foundational work in public financial management. *Amount budgeted: €18.6 million (~\$20.4 million)*. In addition, there is a component of an EU program in 2020 for Rule of Law that is focused on curbing corruption
- The Germans and Swiss are investing in employment growth, including a program to improve the quality and quantity of representation and make municipal government

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more accountable and effective in meeting the needs of citizens. *Amount budgeted 2014 - 2020: CHF 10 million (~\$10.4 million)*

- The Swiss Development Cooperation will support improved quality and quantity of representation and accountability of the state toward citizens. *Amount budgeted 2007 - 2025: CHF 19,566,000 (~\$20.3 million)*
- The Swiss will support a program implemented by UN Women to engender the public financial management reforms to promote more inclusive and transparent governance (*Amount budgeted 2018 - 2022: CHF 3 million (~\$3.1 million)*), and complete another implemented by UNDP to make municipal government more accountable and effective in meeting the needs of citizens (*Amount budgeted 2014 -2020: CHF 10 million (~\$10.4 million)*)
- The Austrian Development Agency will support gender budget watchdog monitoring and reporting for strengthened government accountability (*Amount budgeted 2019 - 2022: €3 million (~\$3.3 million)*)

USAID will collaborate closely with the above programs, and will continue to play a catalytic role in optimizing the use of these resources (particularly those targeting similar or linked outcomes), collaborating on implementation approaches and leveraging USAID's investments to achieve far greater results than otherwise possible.

DO3 Linkages to the Country Self-Reliance Roadmap

- Strengthens *commitment* by improving the sub-dimensions for open government and the business environment, and by fostering the dimensions for inclusive development, open and accountable governance, and economic policy
- Strengthens government *capacity* by improving sub-dimensions for government effectiveness and efficiency of tax administration; strengthens citizen capacity to act accountably

Country context critical to DO3:

Corruption in the country is an enormous and costly problem at every level. It is a significant concern in the public sector, with a large proportion of the population considering Parliament, police, public officials, and particularly the judiciary and political parties very corrupt. It is so endemic that it also plays out down to the individual level, taking the form of bribes that could be money, gifts, or favors. Corruption is enabling malign CCP investments in the economy and technology that entrench corrupt practices and deter domestic and foreign investment and economic growth; it is also creating openings for malign Kremlin-sponsored campaigns to undermine confidence in democratic and free-market systems and integration in Euro-Atlantic alliances and markets such as NATO and the EU. Fortunately, there are other significant development partners, e.g., the World Bank, focused on fighting corruption, and significant collaboration is anticipated on this broad based and critical issue.

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Linkages with other countries in the region, particularly on DO3:

The political and economic development of the countries in the Balkan region has long been affected by forces outside the region, including malign influence. Corruption across the Balkans is a serious concern and can impede EU Membership. North Macedonia tied with Albania as last in the Transparency International's Corruption Perception Index, and other Balkan countries are within 1-2 points of one another, meaning that corruption levels are generally high and even across the region. Given that the Balkan countries are anxious to join the EU, with the EU demanding concrete results in fighting corruption at high political levels as one of the main conditions for accession, malign powers are reportedly stopping short of nothing to incorporate these countries into their sphere of influence. Great powers are reported to use direct engagement and through proxies in the region to tap corruption. These concerns have been documented by various international reports, which have raised major concerns among EU officials on the enlargement process. The Balkan countries must meet social, political, and human rights standards as fundamental qualifications for joining the EU. The green light to open accession negotiations reflects commitment to reform, which will need to be sustained.

DO3 Potential Legacy Plans: The Mission will explore the potential to catalyze one or two legacy programs that would be based on leadership of key institutions, such as the State Commission for the Prevention of Corruption, or the creation of a new institution by multiple domestic stakeholders, such as a foundation. By exploring public and private funding, and ways to seed capital, USAID will facilitate the creation of legacy institutions with funding and systems to support ongoing anti-corruption efforts and norms across society. This could take the form of a grants program, not "managed" by companies or government. Like legacies for youth engagement, support could take the form of awards to: 1) pilot innovative ideas (such as innovative use of technology, ground-breaking practices to improve accountability, transparency, or sociocultural norms; 2) stimulate those ideas that are generating demonstrated results; and 3) support watchdog organizations.

DO3 aims to achieve, through sub-IRs:

IR 3.1: Accountability of Public Sector Increased

IR 3.2: Culture of Accountability among Citizens Enhanced

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V. Monitoring, Evaluation, and Learning

USAID will be employing an intentional and continuous approach to increase USAID’s capacity to monitor and evaluate progress toward achievement of CDCS DOs, as well as to collaborate, learn, and ensure iterative adaptation during CDCS implementation.

Monitoring Performance Management:

Within six months of CDCS approval, USAID will develop a Performance Management Plan (PMP). In addition to further defining PMP indicators, USAID has already conducted a baseline survey on some of the IR and sub-IR indicators and will be devising a Knowledge, Attitudes, and Practices (KAP) Survey to measure change in a culture of lawfulness, adoption of pro-social values, and work ethics and norms. The resulting findings will be synchronized with internal portfolio reviews and will inform the annual Performance Plan and Reporting. Along with the annual updates of the J2SR Country Roadmap by USAID/Washington, contextual discussions of the country’s metrics and sub-indices that portray capacity for and commitment to the J2SR will be incorporated in the PMP. This may include other measures (such as the Competitiveness Index of the World Bank or the Corruption Perception Index of Transparency International) as situational indicators at the DO level, as well as compiled indicators at a regional level that show relative progress as compared with other countries in the region. In addition, within the Local Works program, aligned with the overall strategic approach, USAID will use Geographic Information Systems (GIS) as one of the methods to monitor performance.

Evaluations:

Assessing progress during CDCS implementation will be consistent with USAID’s Evaluation Policy, including the requirement for at least one whole-of-project evaluation within the CDCS timeframe. USAID will evaluate flagship projects with civil society as they are completed mid-CDCS, and USAID will support evaluations of regional economic growth and energy security programs operating in the country. A full Evaluation Plan will be developed as part of the PMP, and USAID will ensure that information from the Evaluation Plan is included in the Evaluation Registry of the annual Performance Plan and Report. At the strategy level, USAID will conduct a strategy-wide assessment of progress to serve as the basis for a mid-course stocktaking exercise in CYs 2022-2023, as well as a final assessment intended to inform development of USAID’s subsequent priorities and strategic transition.

Learning:

USAID will enable Collaborating, Learning, and Adapting (CLA) among its staff, implementing partners, country stakeholders, and donors throughout the life of the strategy. USAID will develop a CLA plan as part of the PMP. The following principles will guide the CLA approach: a) balanced portfolio management in which reviews and learning will take place around DOs; b) as envisioned, the DOs reinforce each other; therefore, the collaboration across DOs will be optimized; c) the PMP will include milestones and other indicators specifically selected to alert USAID and country partners if shifts among different scenario trajectories are taking place. The

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PMP will identify context monitoring and other sources to learn and adapt USAID’s evolving role and relationships in the country and may include the following indicators: established and strengthened partnerships, resources leveraged, and effective collaboration with government, the private sector, and other donors. All these inputs will be used to adjust DO implementation. USAID will prioritize learning questions related to specific dimensions of self-reliance capacity and commitment in the PMP, evaluation scopes of work, and the agenda for CDCS mid-course stocktaking. To better ensure sustainable results and increased commitment, USAID will consider the following in its learning agenda to be assessed throughout the life of the CDCS: 1) How does USAID facilitate the private sector, citizens, and government to work together organically? 2) How can USAID better engage with new partners and identify possibilities for innovative development financing without proliferating USAID’s management units? 3) What are the most effective tools or approaches for inclusive engagement of citizens to demand transparency and fight corruption?

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Journey to Self-Reliance Country Roadmap



NORTH MACEDONIA

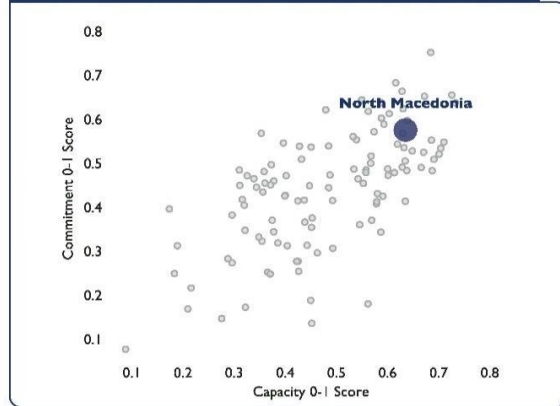
JOURNEY TO SELF-RELIANCE:
FY 2021 COUNTRY ROADMAP



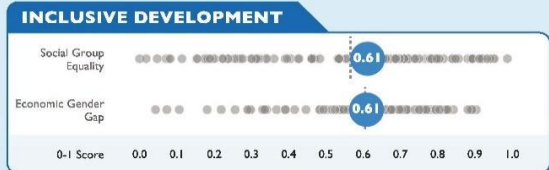
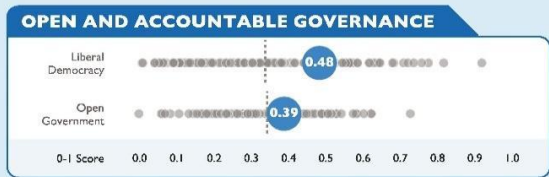
LEGEND



LOW- & MIDDLE-INCOME COUNTRY SNAPSHOT



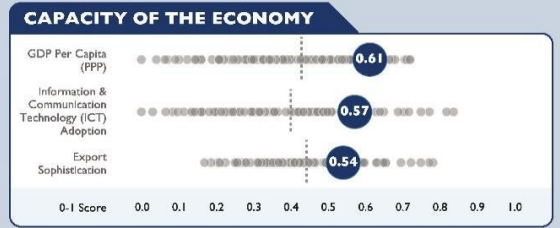
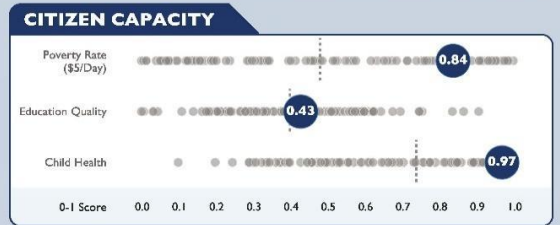
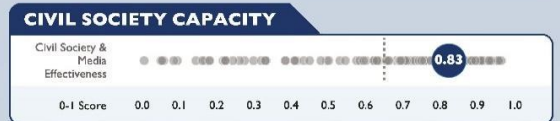
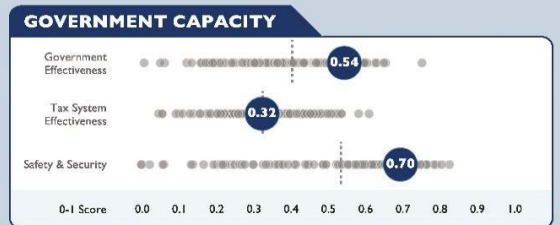
COMMITMENT



RISK OF EXTERNAL DEBT DISTRESS

Recent IMF Risk of External Debt Distress rating not available for this country. See the USAID J2SR Country Roadmap Methodology Guide for more information and the Journey to Self-Reliance Secondary Metrics Compendium for additional tools to explore the issues of fiscal policy and outlook.

CAPACITY



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NORTH MACEDONIA

JOURNEY TO SELF-RELIANCE:
FY 2021 COUNTRY TRENDS

LEGEND



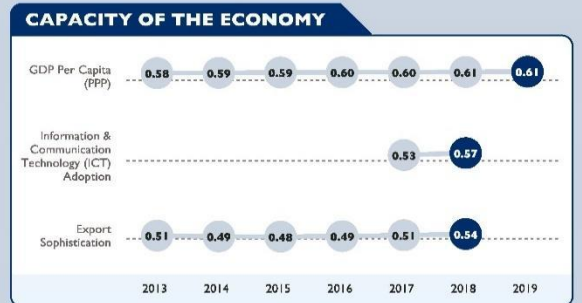
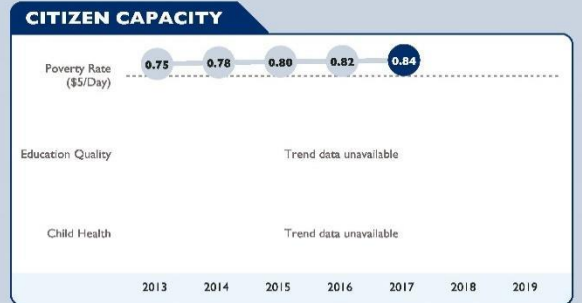
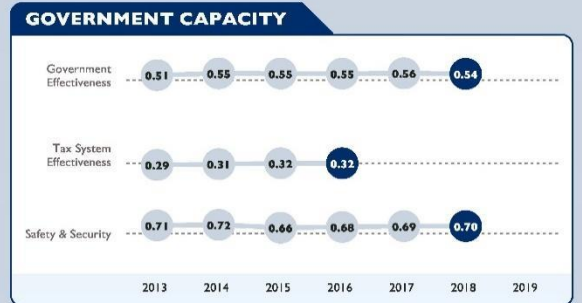
COMMITMENT



METHODOLOGICAL NOTES

FY 2021 Country Roadmap results (darker shaded points) and prior year results (lighter shaded points) are normalized in the same manner to ensure comparability. In some instances, USAID has taken several additional measures to maximize comparability of results across time, including adjusting source reporting year to actual year of measurement and removing historical data that are no longer comparable due to methodological revisions. For more detail, please see the [USAID J2SR Country Roadmap Methodology Guide](#).

CAPACITY



USAID/North Macedonia

Country Development Cooperation Strategy, 2020 – 2025



SELF-RELIANCE ROADMAPS

INDICATOR DEFINITIONS AND SOURCES

The FY 2021 Country Roadmaps draw on the latest data available as of July 1, 2020, with latest results typically covering the 2019 or 2018 period. All source data are derived from third-party institutions. All indicators are weighted equally in the calculation of the overall Commitment and Capacity scores. Map boundary representations are not necessarily authoritative.

For more information on definitions and sources, please visit selfreliance.usaid.gov.

COMMITMENT

OPEN AND ACCOUNTABLE GOVERNANCE

Liberal Democracy: Measures freedom of expression, freedom of association, suffrage, elections, rule of law, judicial constraints on the executive branch, and legislative constraints on the executive branch. Source: Varieties of Democracy (V-Dem).

Open Government: Measures the degree to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy deliberations. Sub-factors include: publicized laws and government data, right to information, civic participation, and complaint mechanisms. Source: World Justice Project, Rule of Law Index.

INCLUSIVE DEVELOPMENT

Social Group Equality: Measures political equality with respect to civil liberties protections across social groups as defined by ethnicity, religion, caste, race, language, and region. Source: Varieties of Democracy (V-Dem), Social Group Equality in Respect for Civil Liberties.

Economic Gender Gap: Index comprising five components: (1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts. Source: World Economic Forum, Global Gender Gap Report, Economic Participation and Opportunity Sub-Index.

ECONOMIC POLICY

Business & Investment Environment: A composite measure gauging the conduciveness of a country's (1) enterprise conditions—the degree to which market, entrepreneurial, tax, labor, and other regulations enable businesses to start, compete, and expand—and (2) investment environment—the extent to which investments are protected adequately through the existence of property rights, investor protections, and contract enforcement, as well as the availability of domestic and international capital. Source: Legatum Institute, Prosperity Index.

Trade Freedom: Measures a country's openness to international trade based on average tariff rates and non-tariff barriers to trade. Source: Heritage Foundation, Index of Economic Freedom.

Environmental Policy: Gauges the soundness of environmental stewardship and natural resource management, factoring a wide array of macroeconomic policies with environmental consequences, such as energy and tax policies, and incentives at the firm and household levels. The metric also factors whether legislation and regulations are effectively executed, as well as the influence of societal stakeholders beyond the government, including the private sector and civil society. Source: Bertelsmann Stiftung Transformation Index (BTI).

RISK OF EXTERNAL DEBT DISTRESS

Rates a country's risk of public sector debt distress on a four-tier scale: "low risk", "moderate risk", "high risk", and "in debt distress". Ratings are based on countries' debt and market structures, fiscal and macroeconomic outlook, and institutional capacity to manage debt burden. Ratings help guide the borrowing decisions of lower-income countries to meet development needs while reducing the chances of excessive debt build-up. Ratings are shown for 66 lower-income countries for which the IMF prepares risk ratings and are not scored components of Commitment or Capacity. Source: International Monetary Fund, Debt Sustainability Analysis for Low-Income Countries.

CAPACITY

GOVERNMENT CAPACITY

Government Effectiveness: Measures the quality of public services, the quality of the civil service and its independence from political pressure, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies. Source: World Bank, Worldwide Governance Indicators.

Tax System Effectiveness: Ratio between a country's actual tax collection and the estimated level of tax revenue that a country could achieve, given its macroeconomic, demographic, and institutional features. Source: USAID, Collecting Taxes Database, Tax Effort Indicator.

Safety & Security: Measures the degree to which individuals and communities are free from war and civil conflict, terrorism, politically related terror and violence, violent crime, and property crime. Source: Legatum Institute, Prosperity Index.

CIVIL SOCIETY CAPACITY

Civil Society & Media Effectiveness: Measures the range of actions and mechanisms that citizens, civil society organizations, and an independent media can use to hold a government accountable. The mechanisms include using informal tools such as social mobilization and investigative journalism. Source: Varieties of Democracy (V-Dem), Diagonal Accountability Index.

CITIZEN CAPACITY

Poverty Rate (\$5/Day): Measures the percent of the population living under \$5/day in purchasing power parity (PPP) terms. Source: World Bank, PovCalNet.

Education Quality: Gauges both the quality of education—using harmonized scores across major international student achievement testing—and the quantity of schooling received—using age-specific enrollment rates—to evaluate the relative performance of educational systems worldwide. Source: World Bank, Human Capital Index, Learning-Adjusted Years of Schooling Indicator.

Child Health: A composite measure that aggregates child mortality, access to at least basic water sources, and access to at least basic sanitation facilities. Source: Columbia University Center for International Earth Science Information Network (CIESIN).

CAPACITY OF THE ECONOMY

GDP Per Capita (PPP): Measures the flow of resources available to households, firms, and government to finance development as the country's total Gross Domestic Product (PPP) divided by the country's population. Source: World Bank, World Development Indicators.

Information & Communication Technology (ICT) Adoption: Index comprising: (1) mobile-cellular telephone subscriptions; (2) mobile-broadband subscriptions; (3) fixed-broadband internet subscriptions; (4) fiber internet subscriptions; and (5) internet users. Source: World Economic Forum (WEF), Global Competitiveness Index.

Export Sophistication: Measures the diversity and ubiquity of a country's exported goods, key markers that can help gauge economic sophistication and resilience. Source: Center for International Development at Harvard University, Economic Complexity Index.