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# Swiss Cooperation Programme North Macedonia 2021–24



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# Foreword

A fundamental aim of Swiss foreign policy is stability and prosperity of the Western Balkan countries. Switzerland's engagement in the region began in the 1990s with the provision of humanitarian assistance and refuge for many people affected by conflicts. Since then, Switzerland and the Western Balkans have developed close ties, best documented by an intensive cooperation programme and a sizeable diaspora living in Switzerland. More than 500,000 Swiss residents have family ties to the Western Balkans.

Switzerland has been supporting North Macedonia's political, social and economic transition since 1992. Today, it ranks among North Macedonia's largest bilateral cooperation partners. Bilateral agreements between the Governments of Switzerland and North Macedonia in various fields such as police, trade, economic cooperation and protection of investments underpin this trusted partnership.

North Macedonia has made significant achievements since its independence in 1991. The present Swiss Cooperation Programme North Macedonia 2021–2024 lays out Switzerland's commitment to continue supporting North Macedonia in addressing remaining challenges in the country's political, social and economic transition. The cooperation programme

focuses on three thematic areas: democratic governance, sustainable economic development, and environment and sustainable public utility services. Switzerland has pertinent experience and expertise in all three areas, and is confident that it will make an effective contribution to the country's further development. The foreseen financial commitments for the period 2021–2024 amount to 65 million Swiss francs.

The Swiss Cooperation Programme 2021–2024 was developed by the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO), in close consultation with national and local authorities, partners from civil society and the private sector. SDC and SECO programmes, implemented through the Swiss Embassy in North Macedonia, complement each other.

We are confident that the goals and priorities set out in the Swiss Cooperation Programme North Macedonia 2021–2024 are particularly relevant to the sustainable development of North Macedonia and the well-being of its people.

Bern, January 2021

Swiss Agency for Development  
and Cooperation (SDC)



Patricia Danzi  
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# 1. Context

The Republic of North Macedonia is a multi-ethnic state with an estimated population of approximately 2m. As a result of an early transition to a market economy, North Macedonia achieved visible progress in economic and social development. The country rapidly became a front-runner for Euro-Atlantic integration among Western Balkan states. It received EU candidate status as early as 2005 and made rapid progress towards NATO membership. However, the longstanding dispute with Greece regarding the name of the country and an increasingly authoritarian government stalled the country's progress and started democratic backsliding. From 2015 to 2017, North Macedonia experienced a deep political crisis when, following closely contested early parliamentary elections, a new government was formed. Since 2017, the country has been implementing urgent reforms in areas such as interception of communications, judiciary and prosecution services, external oversight by independent bodies, elections, and the media. It also solved the name dispute with Greece. In March 2020, North Macedonia joined NATO and obtained the green light from the European Council to start accession negotiations based on a domestic roadmap for further reforms.

## A society dominated by political parties

Despite progress towards advancing democracy, North Macedonia's reforms to strengthen state institutions and re-establish a rigorous separation of powers among the executive, the legislature and the judiciary remain incomplete. The dominance of political parties in all spheres of the society, limited democracy within parties, and a political culture characterised as clientelist are root causes of many problems. While state capture and grand corruption have significantly declined, widespread mid- and low-level corruption remain a major issue, thus eroding the rule of law<sup>1</sup>. As a result, low citizen trust and political apathy prevail, which undermines the legitimacy of state institutions and the social fabric. Moreover, the COVID-19 pandemic has pushed back essential steps to further democratise the society, such as the reform of the electoral system.

A commitment to political, administrative and fiscal decentralisation has existed since 2001 when the Ohrid Framework

Agreement was signed. The government is committed to consolidating the local governance system. The development of the regions in North Macedonia has taken centre stage to tackle economic and social inequalities. However, fiscal decentralisation is still limited and municipal authorities, in particular in rural areas, remain too weak to address citizens' needs. Despite some opening up, and some very active grass-roots movements, civil society participation is still undervalued and addressed in an ad hoc manner only.

## Insufficient economic growth to close the gap to advanced economies

North Macedonia is as an upper middle-income country. Early market-oriented reforms and prudent macro-economic management created an environment favourable to economic growth and stability. In recent years, exports have grown and diversified, largely thanks to foreign direct investment (FDI). Successive governments have promoted economic growth and employment. GDP growth reached 3.6% in 2019. However, it remains insufficient to close the gap in living standards with Central European countries, and there is broad consensus that the COVID-19 crisis will result in a severe slowdown of the country's economic development. Wages are the lowest in the region; unemployment is declining but remains high (17% in general and 36% among youth in 2019). More than one-third of the university-educated workforce lived abroad in 2017, and one-third of young people have a strong desire to leave the country in search of better prospects.

International competitiveness, which is crucial for an economy with a small domestic market, is low<sup>2</sup>. The full potential of the private sector to leverage FDI, create decent jobs and boost growth remains unlocked. Structural problems include the dominance of low added-value sectors, such as textiles and primary agriculture, and unproductive firms. Companies also suffer from corruption and legal uncertainties, and are challenged by the sizeable grey economy. Skills mismatches, differing expectations between job-seekers and employers, and a shrinking workforce due to labour migration and an ageing population have hampered productivity, as have a weak culture of entrepreneurship and failure to invest in in-

1 North Macedonia ranks 116<sup>th</sup> out of 180 countries in the Corruption Perception Index (2020).

2 North Macedonia ranks 82<sup>nd</sup> out of 141 economies in the Global Competitiveness Index (2019).

novative technologies and practices. At the same time, the private sector has started to show increased awareness of its leadership role, among others through advocacy for improving the vocational education and training (VET) system and its readiness to invest in reforms.

## Persistent inequalities in the society

Social inequalities and inequalities across ethnic groups remain a reality and may increase even further as a consequence of the COVID-19 pandemic. Women are barely represented in the central and in local governments. Mostly thanks to a legal quota, 40% of the national members of parliament (MPs) were women in 2020. Missing perspectives and voice drive many young people into clientelist relationships and labour migration to EU countries. North Macedonia's largest ethnic communities are Macedonians (64%) and Albanians (25%). The 2001 Ohrid Framework Agreement laid the normative basis for a harmonious inter-ethnic co-existence, and overall, the inter-ethnic situation has remained calm. But the process of depolarisation is only moving forward slowly, and further work is required to address ethnic divisions. Especially smaller communities are excluded in many ways, especially the Roma who are estimated to constitute 6.5–12.6% of the population (2010).

Youth (36%), Roma (49%) and people living with disabilities are particularly vulnerable to unemployment. The labour force participation of women is significantly lower than that of men, and North Macedonia's ranking in the Global Gender Gap Index is slipping.<sup>3</sup> Although poverty reduction and social inclusion have been high on the government's agenda, the effects of measures such as a guaranteed minimum income are yet to be seen. The relative poverty rate has remained stable at 21.9%; poverty is more prevalent in rural areas (30%).



Work integration for recipients of minimum income and low qualifications.  
Photo: Goran Cvetkovic

## Environmental challenges exacerbated by climate change

North Macedonia invests significant efforts to align its legislation and systems to EU environmental and climate acquis and policies. Nevertheless, domestic environmental indicators remain significantly below EU levels. The opening of accession negotiations with the EU will put a focus on enforcing national legislation and policies, but lower public budgets as a result of the COVID-19 pandemic could endanger their implementation.

The coverage of treated urban waste water increased from 15% in 2016 to 26.5% in 2019, largely thanks to donor funding. Nature conservation efforts have led to important progress towards enlarging the number and surface of protected areas, but capacities of concerned authorities for sustainable natural resources management remain weak. In addition, unsustainable human practices in agriculture and land management harm the integrity of natural resources and ecosystems, which threatens rural livelihoods. The lack of financial resources and weak institutional capacities also hamper the implementation of policies in other environmental fields, such as in solid waste management.

Climate change-related projections indicate increasing temperatures, reduced rainfall and an increased number and intensity of extreme weather conditions, which will increase the vulnerability of North Macedonia to droughts, floods and forest fires. In this respect, North Macedonia has made important progress towards an integrated approach to climate adaptation and mitigation. New national policies<sup>4</sup> are expected to cut carbon emissions and bring about opportunities for investments in energy efficiency and renewable energy, such as in the so far hardly tapped potential for solar energy. They should serve to build livelihood and community resilience to natural disasters and impacts of climate change. However, the implementation of these policies requires further technical assistance and financial support.

Air pollution, especially in winter caused primarily by household fireplaces, remains one of the biggest environmental and public health problems in larger urban areas. North Macedonia's greenhouse gas emissions<sup>5</sup> are dominated by the energy sector (67.7%). Air polluting brown coal is responsible for around half of the country's electricity generation.

<sup>3</sup> Overall, North Macedonia ranked 70<sup>th</sup> out of 153 countries in the Global Gender Gap Index; it ranked 100<sup>th</sup> in economic participation and opportunity (2020).

<sup>4</sup> Energy Development Strategy 2020–2040; Law on Energy Efficiency (2020); Long-term Strategy on Climate Action; and Law on Climate Action (in preparation).

<sup>5</sup> 12.07m metric tons of CO<sub>2</sub> equivalent in 2013, totaling 0.02% of global greenhouse gas emissions.



## 2. Swiss Foreign Policy in North Macedonia



Centre for work-oriented rehabilitation of persons with disabilities in Strumica.  
Photo: Goran Cvetkovic

Switzerland's engagement in the Western Balkan region was initiated in the 1990s. Underpinned by its geographic proximity, close ties have been formed between the Swiss government and people of North Macedonia and other Western Balkan countries. As a non-EU/non-NATO member, Switzerland is considered an independent partner and honest broker. In 2018, Switzerland contributed CHF157.5m to development cooperation, human security and peacekeeping in Albania, Bosnia and Herzegovina, North Macedonia, Serbia and Kosovo. A sizeable diaspora of around 500,000 people from the region have made Switzerland their home.

Swiss international cooperation and geographical priorities are determined by **needs** and Switzerland's added-value and long-term **interests**. Cooperation with Western Balkan countries is motivated by Switzerland's solidarity with the poor and excluded, and the respect for human rights. It responds to Switzerland's long-term interest in regional stability and security in its immediate vicinity. In addition, prosperity, strong and sustainable economies and attractive markets facilitate trade and domestic and foreign investments.

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### Box: Swiss International Cooperation Objectives 2021–24

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- › Contribute to sustainable economic growth, development of markets and the creation of decent jobs
  - › Address climate change and its effects and manage natural resources sustainably
  - › Save lives, ensure quality basic services, especially in relation to education and healthcare, and diminish the causes of forced and irregular migration
  - › Promote peace, the rule of law and gender equality
- 

Swiss cooperation is aligned with North Macedonia's EU-driven reforms and localised efforts to achieve the SDGs. It is guided by the Swiss Foreign Policy Strategy 2020–23 and Switzerland's Strategy for International Cooperation 2021–24 which pursues change in the areas of economic development, the environment and climate change, human development, and peace-building and governance (Box). It is also aligned with the Swiss Migration Strategic Framework with the Western Balkans 2020–23.

Total net ODA from OECD-DAC donors to North Macedonia was US\$66.97m in 2018, an equivalent of around 1.4% of GDP. Among the limited number of bilateral donors, Switzerland is the largest and most engaged (CHF21m in 2019). The Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO) have shared responsibility for Switzerland's assistance to North Macedonia. Thanks to the complementarity of their mandates, resources, networks and worldwide experiences, as well as solid partnerships with established Swiss NGOs, Swiss companies and the parliamentary services of the Swiss Parliament, Switzerland adds significant **value** in the development context and development partner landscape. Swiss cooperation is not one-off, but has a strong focus on long-term systemic change and reliable framework conditions through policy dialogue and technical expertise. Impartiality and the consequent application of democratic principles and consensual decision-making provide tangible value added to the efforts of other development partners such as the EU, the United States Agency for International Development (USAID), the Swedish International Development Cooperation Agency (SIDA) and the Netherlands in strengthening democratic

governance, rule of law and regional development. In economic development, where there are only few development partners, Switzerland works alongside the EU, the World Bank, the European Bank for Reconstruction and Development (EBRD), USAID and the United Kingdom. It stands out through a strong emphasis on VET and private sector engagement, including some successful cases of diaspora engagement. In the field of environment and public utility services, Switzerland is the second-largest grant donor after the EU.<sup>6</sup> Its technical assistance and capacity building for national and local stakeholders are highly appreciated.



Education Center for Nature Conservation in Negrevo. Photo: Nature Conservation Programme

<sup>6</sup> Financial volume IPA II (2014–20) EUR123m, largely for capital investments in wastewater treatment, solid waste management and nature conservation. IFIs that support capital investments (mainly public utility infrastructure) include KfW Development Bank, EBRD, the European Investment Bank (EIB) and the World Bank.



# 3. Achievements and Lessons Learned 2017–20

During the period 2017–20, Switzerland worked with a variety of partners to strengthen state and non-governmental institutions and to generate public demand in support of reforms to meet European standards with the long-term goal to build a socially-inclusive democracy and market economy, while ensuring sound governance of natural resources. The four-year programme with an overall budget of around CHF76m proved relevant in a rapidly changing context. An overview of key achievements is provided below.

## Democratic governance

Democratic governance is the longest-standing area of Swiss cooperation in North Macedonia. During 2017–20, Switzerland further intensified its engagement, and a number of good results were achieved that enhanced transparency, accountability and the legitimacy of public institutions at national and sub-national levels. In particular,

- the Law on Parliament was amended to support greater autonomy and independence of the Parliament;
- the total budget to support balanced and socially inclusive regional development increased<sup>7</sup>;
- more than one third of all municipal council members were equipped with knowledge and skills to better create municipal budgets and scrutinise budget spending; and
- citizen's trust in civil society organisations (CSOs) significantly increased<sup>8</sup>.

During the implementation of the previous cooperation programme, several important lessons were learnt: (i) Cooperation with state institutions brings change from the inside of the institutions and is very important for sustainable results. However, aid modalities need to be carefully designed given the challenges to working directly with state institutions. Insufficient institutional capacities have resulted in significant delays; (ii) Pooled funding as a mechanism brings more political leverage and concrete results; and (iii) New policies and

laws created with Swiss support show that insisting on policy dialogue as a mode of engagement continues to be essential to achieving systemic change.

## Employment and economic development

During 2017–20, the employment and economic development portfolio was consolidated. To address a very high unemployment rate, Swiss cooperation was extended to include vocational skills development (VSD) and labour market integration for vulnerable groups. In addition, Switzerland emphasised macro-economic stability and focused on private sector development and growth of small and medium-size enterprises (SMEs). Highlights include

- 5,390 persons were newly employed, out of which 55% youth, 42% women and 8% other groups left behind;
- new labour market integration approaches for youth, Roma and persons with disabilities were introduced;
- a Youth Guarantee<sup>9</sup> was introduced to ensure that young people under the age of 25 receive a good quality offer of employment, continued education or internship within four months of becoming unemployed; and
- beneficiary SMEs generated CHF17.3m additional sales through access to new markets.

Some important lessons were learnt: (i) Relevance and impact of economic policies can be enhanced by stronger participation of the business sector in their development; (ii) Digitalisation offers new avenues for increasing SME productivity and international competitiveness, especially in traditional companies; (iii) A shift from employment to decent employment is needed to enable dignified lives; (iv) Parents and youth are insufficiently open to and aware of non-academic career opportunities.

<sup>7</sup> In 2017, the amount dedicated to Balanced Regional Development was EUR13.8m; in 2020 it increased to EUR27.8m.

<sup>8</sup> In 2017, 43% of citizens trusted CSOs compared to 52% in 2018 (source: research conducted on behalf of the "Anti-Corruption Platform" of CSOs in North Macedonia).

<sup>9</sup> Youth Guarantee is a youth employment measure introduced in the EU member states. North Macedonia was the first non-EU country to introduce this measure.

## Environment and infrastructure

During 2017–20, Swiss cooperation in this area was diversified to include new initiatives in solid waste management and climate change. Highlights include

- Municipal budgets for the environment and climate change increased to an average of 3% in the 17 observed municipalities;
- a regional waste management plan for the Polog region was prepared and an inter-municipal utility established;
- the Osogovo Mountain in the Bregalnica region was declared a protected area, which increased the national territory under protection to a total of 11%;
- 56,000 citizens gained access to wastewater treatment services; and
- flood risks were mapped in the two most affected areas (Polog, Strumica), covering 12% of national territory.

*Some important lessons were learnt:* (i) In order to sustain the benefits of new water supply and wastewater infrastructure, equal importance must be accorded to the strengthening of individual and institutional capacities of public utilities and municipalities; (ii) Associations of public utilities and municipalities are gaining momentum for delivering quality capacity development products for public utility and municipal staff and for sharing best practices; and (iii) Projects/programmes with multi-level activities (state/municipalities/citizens) produce more tangible results and are better positioned to mitigate external risk factors.

*Landscape of protected area of Osogovo mountain. Photo: Macedonian Ecological Society – MES*



## 4. Implications for the Swiss Portfolio 2021–24

North Macedonia's prioritisation of EU accession and NATO membership call for further political, economic and environmental reforms and for more transparent, accountable and participatory political and economic governance. Against this backdrop no major changes to the Swiss cooperation with North Macedonia are recommended. Some adjustments within the existing areas of work will ensure alignment with Switzerland's Strategy for International Cooperation 2021–24 and contextual developments. These adjustments were confirmed through national consultations with government representatives and political actors.

Engagement in policy dialogue and policy implementation in the area of **governance and rule of law** remains extremely relevant to creating a stable pluralistic political and social environment capable of changing clientelist relations and building a common vision for a future within Europe. Dialogue and cooperation with the government and main political actors to establish a more representative and more inclusive electoral model will gain importance. Switzerland as a neutral European and non-EU country is well positioned to support such highly sensitive objectives in a participatory manner and irrespective of shifting power relations. Therefore, ongoing Swiss programmes at national and sub-national levels will be supplemented by measures to fight corruption and to support the emergence of a new generation of (young) political actors, including female leaders. At the same time Swiss development cooperation will continue to support efforts to legitimise state institutions through further division of executive and legislative powers; to enhance cooperation between CSOs and the government; and to ensure citizen participation in decision-making processes.

**Employment and economic development** remain relevant, but lessons learned and contextual changes suggest a stronger emphasis on digitalisation of the economy; addressing the grey economy; increasing international competitiveness and regional economic linkages; involving the private sector in economic policymaking; shifting the focus towards decent jobs; and expanding labour-market relevant VET to include social and personal competencies and digital skills. The development of private sector engagement (PSE) projects by directly partnering with private businesses will be further explored. In addition, initial experience of partnerships with the Macedonian diaspora in Switzerland will be used to explore

new ways for direct collaboration within projects.

Principally against the background of unmet EU *acquis* requirements, weak policy frameworks, limited skills and capacities, and low (although improving) levels of environmental knowledge among the public, dialogue and cooperation in the area of **environment and sustainable public utility services** remain important for protecting the natural capital, reducing disaster risks, tackling climate change and improving living conditions. To accelerate the creation of enabling framework conditions for sustainable and resilient infrastructure and services, Switzerland will accentuate environmental policy support, knowledge generation, capacity development and technical assistance as well as public awareness-raising. Swiss grants for "hard" infrastructure investments, potentially taking the form of blended finance with IFIs and the private sector, will aim at improving operational performance of public utilities and introducing new and innovative technologies.

In line with Switzerland's Strategy for International Cooperation 2021–24, the cooperation programme will make increased use of digitalisation to achieve development results - e.g., to ensure more transparent democratic institutions and governance processes, reduce bureaucratic hurdles, prevent corruption, introduce new business models, generate and use data and information, and to raise awareness. All Swiss projects/programmes will be analysed for their potential to introduce and unlock the potential of digital technologies.

The uncertainty of the long-term economic and social consequences of the COVID-19 pandemic requires all actors, including Switzerland, to maintain a high level of flexibility in order to adjust if and when necessary.<sup>10</sup> This is particularly relevant to ensuring that the recovery from lost growth, jobs and incomes is sustainable and equitable.

<sup>10</sup> See scenarios and programme adaptations in annexes 1 and 2.





Organic hazelnut production exporting to European markets. Photo: Nelkoski company

## 5. Strategic Orientation and Swiss Priorities 2021–24

The overall goal of Swiss cooperation is to **support North Macedonia to build a socially inclusive democracy and market economy, while ensuring sound natural resources governance and resilience to climate change.** Swiss cooperation focuses on areas where national priorities and Switzerland's Strategy for International Cooperation 2021–24 align, and where Switzerland adds value.



Assembly of the Republic of North Macedonia. Photo: Ljupco Ilievski

### 5.1 Democratic governance

#### Swiss Portfolio Outcome 1

*Improved rule of law leads to efficient and transparent democratic governance and respect for human rights*

- › Outcome 1.1: State institutions exercise transparent and efficient decision-making and practise inclusive, gender-responsive public finance management
- › Outcome 1.2: Increased participation of citizens from all social groups in public affairs and election processes enables an ongoing political dialogue among citizens, civil society organisations and public institutions

This portfolio outcome aims to empower civil society and increase the democratic capacities of executive and legislative institutions at central and local levels. Consequently, state institutions will become more accountable, transparent and open to cooperation with citizens and civil society, which will help them to manage public affairs more efficiently. In turn, citizen trust in the state and the legitimacy of the institutions should increase.

Democratic governance projects will continue working along two pathways in line with a human rights-based approach. Through policy dialogue with state institutions on governance, decentralisation and rule of law both at the local and national level and by building the democratic capacities of executive and legislative institutions, decision-making and public finance management will become more transparent, inclusive and efficient. Public institutions will be less prone to engage in corrupt behaviour. Along this pathway, Switzerland will continue working with Parliament, municipalities and the central government. Along the second pathway, Switzerland will support civil society and embrace political parties as institutions that create political leaders. By building the capacities of civil society organizations and political parties, and through community forums, citizens will be encouraged and enabled to participate in public affairs and election processes.



## 5.2 Sustainable economic development

### Swiss Portfolio Outcome 2

*Sustainable growth of private businesses provides more, decent and inclusive employment opportunities*

- › Outcome 2.1: Growth of private businesses, especially of small and medium-sized enterprises, is accelerated through improved economic framework conditions and increased productivity and competitiveness
- › Outcome 2.2: More unemployed and underemployed benefit from decent employment, especially youth, women and groups left behind

Strengthening dialogue among government and private sector actors contributes to improved framework conditions and an enabling environment for business development, which will lead to private sector growth and job creation. Coupled with the introduction of innovative technologies (including digital and eco-friendly technologies), cutting-edge management and production practices, and with a better-skilled labour force, the productivity and competitiveness of the private sector will increase. The development of a solid entrepreneurship ecosystem and enhanced involvement of the private sector through PSE initiatives will further contribute to better access to new markets and to higher revenue value chains. Together with measures to reduce the informal economy, Swiss interventions will directly contribute to the creation of more formal and decent jobs.<sup>11</sup>

At the same time, VSD, including social and personal competences and innovative labour market integration measures, especially for youth, women and other groups left behind, will strengthen the human capital and increase decent employment, thus contributing to improved living conditions.

<sup>11</sup> In the context of North Macedonia, decent employment is perceived as gainful employment with conducive working conditions.



Equal employment opportunities for Roma youth accessing labour markets. Photo: Goran Cvetkovic

## 5.3 Environment and sustainable public utility services

### Swiss Portfolio Outcome 3

*Improved inclusive public utility services, enhanced resilience to natural hazards and sustainable management of natural resources*

- › Outcome 3.1: Citizens benefit from sustainable and climate-smart public utility services
- › Outcome 3.2: Local and national stakeholders conserve, manage and sustainably use natural resources and ecosystems, and support communities exposed to natural hazards to become more resilient

Strengthening the capacities of municipalities and their public utilities, supported by technical assistance, digital transformation and catalytic investments in climate-resilient and low-carbon infrastructure and equipment, will contribute to the provision of environmentally friendly, efficient and reliable public utility services for all citizens.

Relevant national and local authorities and stakeholders will be supported to manage and use North Macedonia's natural resources in an evidence-based and sustainable manner and to conserve the country's natural capital for future generations.

Under the Sendai Framework for Disaster Risk Reduction (SF-DRR) and EU Floods Directive, communities and in particular vulnerable populations exposed to natural hazards will be able to build resilience to weather and climate-induced natural hazards. The loss of lives, homes and livelihoods as well as damage to important communal assets will be prevented through a better understanding of disaster risks, risk-reducing measures, and improved risk management and response capacities of local and central-level authorities.

Sustainable and inclusive public utility services, improved natural resources management and enhanced community resilience to natural hazards will reduce disparities, increase the attractiveness and competitiveness of urban and rural areas, and contribute to steady economic growth and enhanced quality of life.



Kocani Waste Water Treatment Plant. Photo: Ljubinka Ajtovska



## 5.4 Transversal topics

### Gender

Gender equality will be systematically integrated in analyses and in the design, implementation and monitoring of all Swiss projects/programmes in North Macedonia. Dedicated measures to empower women will be put in place to strengthen their roles and increase their presence in governance, politics and the economy. Gender-disaggregated indicators, targets and data play a key role in measuring and closing gender gaps.

### Governance

Switzerland will uphold its commitment to governance as a transversal theme across the entire Swiss portfolio. Besides its sectoral governance programmes, it will mainstream the key principles of participation, transparency and accountability. In addition, CSO and private sector partners will be encouraged and supported to improve their own good governance policies and actions.



Vocational skills development of unemployed youth. Photo: Nikola Dimitrov

## 5.5 Other priority themes

### Social inclusion

The Swiss Cooperation Programme is inclusive and based on human rights. It aims to reduce vulnerabilities and to promote good inter-ethnic relations. In addition to programmes dedicated to leaving no one behind (LNOB), all projects/programmes will be designed according to the do-no-harm approach. In the context of North Macedonia and the Swiss cooperation, the groups considered as left behind include people living in rural areas, and especially small-scale farmers; women, and especially women from ethnic minorities and from rural areas; youth and especially youth not in education, employment or training (NEET); the Roma community; and people living with disabilities.

### Digitalisation

Increased use of digitalisation is an important determinant of the Swiss cooperation. The introduction of digital technologies, the availability of sound digital data and the development of digital skills have the potential to significantly improve institutional transparency and access to services; to develop smart policies and sustainable, human rights-based services; and to contribute to increased productivity and economic growth. Partnerships with the private sector, civil society and the public administration will be critical to ensure effectiveness, relevance and protection of the new digital instruments.

### Climate, environment and disaster risk reduction integration

Risks emanating from climate change, environmental degradation and natural hazards significantly influence the resilience of systems and communities. Switzerland systematically assesses whether projects/programmes are impacted by these risks and considers mitigation and adaptation measures in the design of its activities<sup>12</sup>.



Promoting gender responsive policies and budgeting. Photo: Mirjana Nedeva

# 6. Cooperation Programme Management and Implementation

## Modes of engagement

Switzerland facilitates knowledge-sharing and engages in evidence-based dialogue at the central, regional and municipal levels. It provides technical expertise to support enabling policy and regulatory frameworks. It builds the capacities of state institutions, CSOs and the private sector, and supports public information, education and communication.

## Aid modalities

Switzerland does not work alone. The Swiss Cooperation Programme is largely implemented through mandates and contributions to Macedonian, Swiss and international civil society and multilateral organisations, private sector entities and consultancies. In light of the reforms and capacity improvements supported as part of the euro-atlantic integration, the use of country systems is expected to become more and more effective. Though, depending on the specific sector capacities, needs and constraints, the use of country systems may remain subject to certain limitations. Switzerland will not provide sector budget support.

Mainly international organisations have implemented Swiss projects in the past because of weak management and implementation capacities of many domestic NGOs. Going forward, cooperation with and involvement of local providers of technical expertise and capacity building is the preferred modality in that it provides a platform for strengthening local capacities. Partnerships between Switzerland's and North Macedonia's academia will be further fostered.

Traditional aid modalities will be supplemented by innovative ways of cooperating. In particular, a continued emphasis on private sector engagement is crucial. By improving framework conditions, Switzerland will seek further opportunities for private companies to contribute to decision-making processes and to co-initiate, co-fund and co-implement development activities.

## Development partner coordination

Partnerships are critical for delivering results under the present cooperation programme. Compared to the rest of the Western Balkans, the number of development partners is much smaller in North Macedonia. Switzerland will lead and participate in development partner coordination efforts. Information exchange and coordination are facilitated through established mechanisms under the umbrella of the EU accession agenda – e.g., in gender equality, decentralisation and regional development. Informal exchanges also help to coordinate approaches and to reinforce messages. Opportunities for co-funding and pooled contributions will be explored.<sup>13</sup> Swiss projects and programmes are implemented in close cooperation and coordination with other development partners.

## Synergies

Diverse entry points exist for creating synergies within Swiss portfolio outcome areas and working across sectors to achieve systemic change and greater impact. SDC and SECO will continue exploring linkages where both institutions have a financial stake, especially among projects and programmes to promote economic growth and decent employment and in the area of environment and public utility services. Regional advisors in governance, employment and income and infrastructure and environment will facilitate a regional perspective and knowledge exchange among Swiss embassies and cooperation offices in the Western Balkans and SDC and SECO regional programmes.

## Geographic coverage

North Macedonia is a comparatively small country. In principle, the Swiss Cooperation Programme 2021–24 will cover all its territory, and activities will be set at the national level. However, the need to foster inclusion and a balanced regional

<sup>13</sup> E.g. pooled contributions to DCAF (Geneva Centre for Security Sector Governance) for reforming the intelligence sector.



development takes priority. In economic development, a focus on certain sectors (e.g., ICT) may naturally lead to some geographic concentration. The two least-developed of the so called planning regions of North Macedonia remain focus areas for environmental (infrastructure) support.

## Finances

The country programme budget for the period 2021–24 is approximately CHF 65m (Annex 5).

Skopje. Photo: Robert Bahn, unsplash





## 7. Cooperation Programme Steering

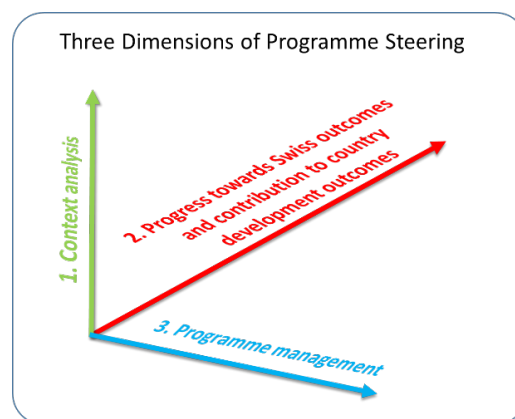
The Swiss Embassy located in Skopje is in charge of implementing, monitoring and steering the Swiss Cooperation Programme. A comprehensive monitoring system contributes to professional documentation and communication, including annual reporting on the efficiency and effectiveness of Swiss development cooperation. It demonstrates transparency and accountability and allows for timely and evidence-based adjustments.

Monitoring applies a gender and social inclusion lens and observes three dimensions (Figure): (i) the country context including scenario monitoring; (ii) Swiss portfolio outcomes; and (iii) programme management.

The first dimension, the country context, is monitored through an independent external Context Watch and SDC's Monitoring System for Development-relevant Changes (MERV). MERV tracks economic, social, environmental and political developments in North Macedonia and how it affects Swiss cooperation.

Monitoring along the results framework (Annex 3) assesses progress towards Swiss outcomes and contributions to selected country development outcomes, to the objectives of the Swiss strategy for International Cooperation 2021–2024 and the 2030 Agenda for Sustainable Development.

Programme management monitoring focuses on the efficiency and effectiveness of the Swiss Embassy in implementing the cooperation programmes. For this purpose, operational plans with objectives and indicators are developed and reviewed annually.



# Annex 1: Context Scenarios

Best Scenario: "The fast forward"	Most-likely Scenario: "The slow moving"	Worst Scenario: "The setback"
<b>Political Environment</b>		
The COVID-19 crisis is overcome thanks to improved political environment. Speedy negotiations with the EU accelerate the reform process. Fight against corruption is high on the political agenda. Civil society is increasingly active.	The COVID-19 crisis has a limited effect on the political environment. Start of negotiations with the EU in 2020, but slow reform process. Limited anti-corruption activities undertaken. Citizen participation undervalued.	The COVID-19 crisis heightens tensions between the political parties. Inter-ethnic tensions as a result of unclear EU perspective. Corruption overwhelmingly present. Civil society engagement and citizen participation stalling.
<b>Institutions</b>		
Independence of the judiciary ensured. Parliamentary oversight of government increased. De-politicisation of the administration.	Government control of the judiciary and legislative reduced. Structural reforms undertaken, but the executive still has excessive power. Increased independence of oversight institutions from the ruling parties.	Further government control of legislative and judiciary. Corruption and exclusion prevail. No tangible reforms in public administration.
<b>Economy</b>		
After the COVID-19 crisis economic growth picks up in 2021. Reforms to tackle unemployment. Obstacles in doing business removed. Further integration into European market.	The economy (GDP) reaches pre-COVID-19 level and continues to grow. Unemployment slowly declines, reaching pre-COVID 19 level by 2022, but remains high. State-influenced economy, but with economic reforms. Brain-drain continues, but is limited.	Economic downturn, increased unemployment and unsustainable public debt due to COVID-19. Pervasive corruption and growing irregularities. Increased brain-drain and migration to EU countries.
<b>Social and cultural environment</b>		
Promotion of inter-ethnic and political depolarisation that affects social cohesion. Values of diversity and inclusion. Freedom of expression and fully independent media.	Process of depolarisation slowly moving forward. Inclusive decision-making continues at a slow pace. Freedom of expression enabled, but still polarised media.	Ethnic differences are instrumentalised by the state. Exclusion or marginalisation of some groups. Government-controlled media and marginalised CSOs.
<b>Security</b>		
Collaboration with neighbouring states to divert security threats. Control over the intelligence community. Decreasing fragility thanks to well progressing EU negotiations and political stability.	Intelligence community checked, democratised and integrated within NATO structures. Possible regional destabilisation, but without direct involvement. EU negotiations move slowly.	Security in the region worsens. A date for EU negotiations is not set, affecting regional stability. Radicalisation of different ethnic and religious groups.
<b>Environment</b>		
Progress in aligning policies and legislation with EU acquis. Environmental indicators show a closing gap with EU levels. Environmental infrastructure spending increases.	Slow progress in further aligning policies and legislation with EU acquis. Environmental indicators remain significantly below EU levels. Environmental infrastructure spending slows down due to the COVID-19 crisis.	Further alignment of policies and legislation with EU acquis stalls. Environmental indicators show a widening gap with EU levels. Environmental infrastructure spending declines significantly due to the COVID-19 crisis.



## Annex 2: Programme Adaptations

	Best Scenario: "The fast forward"	Most-likely Scenario: "The slow moving"	Worst Scenario: "The setback"
Overall Swiss Cooperation Programme	<ul style="list-style-type: none"> <li>• Further develop active support for policy changes in the portfolio areas.</li> <li>• Plan interventions based on a higher contribution by the partners, especially the government.</li> </ul>	<b>Overall goal of the Swiss Co-operation Programme:</b> To support North Macedonia in its reforms to build a socially-inclusive democracy and market economy, while ensuring sound natural resources governance and resilience to climate change.	<ul style="list-style-type: none"> <li>• Increase focus on cooperation with civil society and the private sector as potential.</li> <li>• Conduct more frequent consultations with partners to adapt interventions to the changing context.</li> </ul>
Democratic governance	<ul style="list-style-type: none"> <li>• Strengthen constituency relations between MPs and citizens</li> <li>• Strengthen national and local government institutions to build resilience to COVID-19 and other shocks.</li> <li>• Enhance institutional capacities in service delivery on all levels.</li> </ul>	<b>Swiss portfolio outcome 1:</b> <i>Improved rule of law leads to efficient and transparent democratic governance and respect for human rights.</i> Outcome 1.1: State institutions exercise transparent and efficient decision-making and practise inclusive, gender-responsive public budget management Outcome 1.2: Increased participation of citizens from all social groups in public affairs and election processes enables an ongoing political dialogue among citizens, CSOs and state institutions	<ul style="list-style-type: none"> <li>• Actively promote human rights.</li> <li>• Support crisis coordination within international community and government.</li> <li>• Increase support for CSOs to promote activities fostering social cohesion and democracy.</li> <li>• Consider targeted support for media and other potential change agents.</li> </ul>
Sustainable economic development	<ul style="list-style-type: none"> <li>• Private sector takes a leading role in economic reforms, including through PSE.</li> <li>• Support institutions and the private sector to build resilience to COVID-19 and other external shocks.</li> <li>• Emphasise digitalisation of the economy to improve competitiveness.</li> <li>• Strong focus on creating decent jobs.</li> </ul>	<b>Swiss portfolio outcome 2:</b> <i>Sustainable growth of private businesses provides more, decent and inclusive employment opportunities</i> <ul style="list-style-type: none"> <li>• Outcome 2.1: Growth of private businesses, especially of SMEs, is accelerated through improved economic framework conditions and increased productivity and competitiveness.</li> <li>• Outcome 2.2: More unemployed and underemployed benefit from decent employment, especially youth, women and groups left behind.</li> </ul>	<ul style="list-style-type: none"> <li>• Concentrate support for job creation and retention in most-promising value chains.</li> <li>• Actively support struggling private sector to identify new opportunities to create jobs and develop supply chains.</li> </ul>
Environment and sustainable public utility services	<ul style="list-style-type: none"> <li>• Intensify collaboration with national government institutions to support the implementation of the EU environmental acquis.</li> <li>• Further enhance public infrastructure service delivery.</li> <li>• Support national and local institutions to move towards a green economy, fostering economic benefits for the population in selected areas and increasing their resilience to climate change and natural disasters.</li> </ul>	<b>Swiss portfolio outcome 3:</b> <i>Improved inclusive public utility services, enhanced resilience to natural hazards and sustainable management of natural resources</i> <ul style="list-style-type: none"> <li>• Outcome 3.1: Citizens benefit from sustainable and climate-smart public utility services.</li> <li>• Outcome 3.2: Local and national stakeholders conserve, manage and sustainably use natural resources and ecosystems, and support communities exposed to natural hazards to become more resilient.</li> </ul>	<ul style="list-style-type: none"> <li>• Shift to even stronger support at local level, avoid working with national government institutions.</li> <li>• Foster alliances between environmental CSOs to achieve critical mass for political dialogue with national level impact.</li> <li>• Assess pressure on the environment from the impact of COVID-19 and develop mitigation measures.</li> </ul>

# Annex 3: Results Framework

Democratic Governance		
<b>Swiss Portfolio Outcome 1:</b> Improved rule of law leads to efficient and transparent democratic governance, and respect for human rights		
Contributing to: <b>IC Strategy Sub-objective 9:</b> <i>Strengthening and promoting human rights and gender equality</i> <b>IC Strategy Sub-objective 10:</b> <i>Promoting good governance and the rule of law and strengthening of civil society</i>		
(1) Swiss outcomes	(2) Contribution of Swiss portfolio	(3) Country development outcomes
<b>Outcome 1.1:</b> State institutions exercise transparent and efficient decision-making and practise inclusive, gender-responsive public finance management. Indicators: <ul style="list-style-type: none"> <li>Number of open data sets defined, collected, published and regularly maintained. Baseline (2019): 0<sup>14</sup> Target (2024): At least 10</li> <li>Proportion of people satisfied with their parliament. (GOV TRI 1) Baseline (2020): 2.6 (on a scale of 5)<sup>15</sup> Target (2024): 3 (on a scale of 5)</li> <li>Number of supported governments with gender-responsive budget management. (GEN TRI 5) Baseline (2020): 0<sup>16</sup> Target (2024): 1 (Government of North Macedonia)</li> </ul>	Through policy dialogue on governance, decentralisation and rule of law and by building the democratic capacities of executive and legislative institutions, decision-making and public budget management become more transparent, inclusive and efficient. Public institutions are less prone to engage in corrupt behaviour. <b>Assumptions:</b> <ul style="list-style-type: none"> <li>European Commission Guidelines on Urgent Reform Priorities are followed;</li> <li>The EU negotiation process starts and progresses;</li> <li>The implementation of the Law on Anticorruption and Conflict of Interest is implemented;</li> <li>Law on Parliament for Greater Independence of Parliament is being implemented;</li> <li>The Law on Budget contains gender responsive budgeting provisions.</li> </ul> <b>Risks:</b> <ul style="list-style-type: none"> <li>Decreased interest in change in the state institutions;</li> <li>The government doesn't follow through on the commitments of the previous government(s);</li> <li>The Parliament leadership and management is less interested in organisational reforms and digitalisation of processes.</li> </ul>	<b>Outcome Statement 1.1:</b> More transparent and accountable governance and responsible use of public resources. (Source: Country Performance Assessment Framework) <b>Indicators:</b> <ul style="list-style-type: none"> <li>Worldwide governance indicator on voice and accountability (Source: World Bank 2018) Baseline (2018): 45.32% Target (tbd)<sup>17</sup>: &gt;45.32%</li> <li>Citizen perception of the overall work of local authorities. (Source: Context Watch 2019) Baseline (2019): 2.85 Target (tbd): &gt;2.85</li> <li>Proportion of people who tend to trust the government. (Source: Balkan Barometer 2019) Baseline (2019): 23% Target (tbd): &gt;23%</li> </ul>

<sup>14</sup> Open Government Data (OGD) is a philosophy - and increasingly a set of policies - that promotes transparency, accountability and value creation by making government data available to all.

<sup>15</sup> The Parliament Support Project conducts an annual public survey on the topic (OECD definition).

<sup>16</sup> The Government of North Macedonia is working towards gender-responsive budgeting, but has not yet confirmed it in the Budget Law. Three ministries and 21 municipalities practise gender-responsive budgeting.

<sup>17</sup> The targets are yet to be established by the Government.



<p><b>Outcome 1.2:</b> Increased participation of citizens from all social groups in public affairs and election processes enables an ongoing political dialogue among citizens, CSOs and state institutions.</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Number of people participating in and influencing public service provision, decision-making and budgets in their localities. (GOV ARI 1) Baseline (2020): 4,940 (40% women) (community forum participants) Target (2024): 10,000 (45% women) (community forum participants)</li> <li>State decision-making processes include greater CSO participation and influence. Baseline (2019): Involvement of CSOs in decision-making process at 3 on a scale of 5<sup>18</sup> Target (2024): 3.5</li> <li>Number of political parties that consult citizens on policies through public outreach events. Baseline: 2 parties Target: At least 9 political parties</li> </ul>	<p>Better conditions for free, democratic and fair election processes are created, and improved electoral processes bring more trust and better citizen representation in institutions. Through capacity building of CSOs and political parties and through community forums, citizens are encouraged and able to participate in public affairs and elections processes.</p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>The political parties are committed to internal democratic changes and the Amended Law on Elections;</li> <li>Preconditions for citizen participation in public affairs and elections processes are created. Political parties are committed to internal democratic changes and Amended Law on Elections;</li> <li>Civil society is included in policymaking.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>The government doesn't implement the existing strategies.</li> <li>There is a decreased interest for change in the state institutions.</li> <li>Civil society is prone to political party bias and blends with the state official mainstream policies.</li> </ul>	<p><b>Outcome Statement 1.2:</b> Active citizens and CSOs instigate changes which result in bigger trust in the elected officials and institutions. (Source: Former Government Strategy for Cooperation with Civil Society)</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Number of election administration areas that show improvement based on international assessments. Baseline (2019): 10 election administration areas with identified challenges (2019) Target (2024): 5 election administration areas show improvement</li> <li>Indicator: New government strategy for cooperation with civil society is approved. Baseline (2020): 019 Target (2024): 1</li> </ul>
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#### (4) Lines of intervention (Swiss portfolio)

##### Theory of change:

If state institutions exercise transparent, accountable and efficient decision-making and practise inclusive, gender-responsive public finance management (PFM), there is an ongoing political dialogue and increased citizen participation in public affairs and in elections, then there is transparent and accountable governance, responsible use of public resources as well as increased trust in the elected officials and institutions, because democratic management and leadership capacities of the executive and legislative have been developed as well as citizens' capabilities for participation in decision and policymaking processes have been strengthened.

**Key interventions** include the following:

- Support for municipal councils to build mechanisms and practices for enabling citizens to influence public service provision, decision-making and budgets in their localities and at the same time to increase their autonomy in relation to executive power by assuming their oversight, representation and legislative role effectively, at all stages of the budget cycle.
- Support for electoral reforms ensure credible election processes that facilitate political participation and social inclusion by enabling voters to select their representatives and to hold them accountable.
- Provision of grant and mentoring support for CSOs to build and strengthen constituency relations and create alliances. Mechanisms for better cooperation with state institutions are established and enable CSO participation in public policymaking.
- Support for the Assembly of North Macedonia to become an effective, transparent and independent institution by supporting the Parliament's institutional development, its oversight and legislative capacities and its transparency and accountability towards citizens, including marginalised groups. The government's PFM and strategic planning processes are improved through gender-responsive budgeting processes to respond to the different needs of women and men.
- Support for building the capacity of members of intelligence services, as well as relevant oversight and control bodies to ensure that surveillance measures are conducted in accordance with international standards of accountability and respect for human rights.

#### (5) Resources, partnerships (Swiss Programme)

Financial resources: CHF 22.5m (SDC).

Human resources: The portfolio will be managed and supervised by 3 National Programme Officers, supervised by the Ambassador and in close cooperation with the Chief of Finance Administration.

The current main implementing partners are international organisations and local partner organisations such as UNDP, the International Foundation for Electoral Systems, National Democratic Institute for International Affairs, NIRAS and the Macedonian Center for International Cooperation.

The main national counterparts are the National Parliament, The Cabinet of the Prime Minister, Ministry of Local Self-governance, Ministry of Finance, Ministry of Interior, the Cabinet of the Deputy Prime Minister for Economic Affairs, the National Parliament, municipalities, mayors, municipal councils, Regional Centres and regional councils. Projects are coordinated with other development partners active in the same field: USAID, EU, UNDP, while there is co-funding and pooled-funding with the Netherlands, the UK and SIDA.

<sup>18</sup> Information from the Civica Mobilis Project baseline research.

<sup>19</sup> At the moment of writing this document the previous Strategy is expired.

Sustainable Economic Development		
<b>Swiss Portfolio Outcome 2:</b> Sustainable growth of private businesses provides more, decent and inclusive employment opportunities		
Contributing to:	<b>IC Strategy Sub-objective 1:</b> <i>Strengthening framework conditions for market access and creating economic opportunities</i>	
	<b>IC Strategy Sub-objective 2:</b> <i>Promoting innovative private sector initiatives to facilitate the creation of decent jobs</i>	
(1) Swiss outcomes	(2) Contribution of Swiss Programme	(3) Country development outcomes
<p><b>Outcome 2.1:</b> Growth of private businesses, especially of small and medium-sized enterprises, is accelerated through improved economic framework conditions and increased productivity and competitiveness</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Measures for improving the regulatory and institutional framework (SECO SI 1), including the VET system. (IED TRI 3) Baseline (2020): 13 (of which 2 contribute towards a more inclusive or more labour market-relevant VET system) Target (2024): 23 (of which 6 contribute towards a more inclusive or more labour market-relevant VET system)</li> <li>Number of producers or companies gaining access to new (international) markets or value chains. (SECO SI 15) Baseline (2020): 0 Target (2024): tbd</li> <li>Increase in sales per FTE20 in beneficiary companies (productivity). (tbd) Baseline (2020): 0 Target (2024): tbd</li> </ul>	<p>By engaging the private sector and other stakeholders in policymaking, framework conditions, including regarding VET, will improve. By supporting the introduction of innovative practices and technologies, and having better-skilled labour force, companies will increase their productivity. Thus, the private sector will be more competitive, experience accelerated growth, and contribute to increased economic growth and prosperity.</p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Further progress in the EU integration process;</li> <li>Government remains committed to improving economic framework conditions, including VET, and economic growth;</li> <li>Private sector is able and willing to invest in innovative practices;</li> <li>Private sector is taking a proactive role in policymaking;</li> <li>The economy rapidly recovers from the COVID-19 recession.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>External economic shock impacts heavily and negatively on economic growth;</li> <li>Prolonged period of political instability slows economic reform process.</li> </ul>	<p><b>Outcome statement 2.1:</b> Increased economic growth. (Source: Fiscal Strategy 2020–2022)</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>GDP Growth rate. (PAF, SDG 8.1) Baseline: (2019) 3.6%; (Q1 2020): 0.2% Target: 5% (2022) Source: Fiscal Strategy 2020–2022</li> <li>Proportion of informal employment in total employment (SDG 8.3) Baseline (2018): 18.6% Target (2022): 16.5% Source: Employment and Social Reform Programme 2022</li> <li>Ranking in the WEF Global Competitiveness Index (PAF) Baseline (2020): 82<sup>nd</sup> Target (2024): Improved ranking</li> </ul>



<p><b>Outcome 2.2:</b> More unemployed and underemployed benefit from decent employment, especially youth, women and groups left behind</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Number of persons with new or better employment (disaggregated by gender and youth as well as vulnerable groups) (SDC IED ARI 2) Baseline (2020): 5,390 (55% youth, 42% women, 8% other vulnerable groups) Target (2024): 10,390 (55% youth, 45% women, 15% other vulnerable groups)</li> <li>Change in yearly net income (SDC IED TRI 1) Baseline (2020): CHF 4'080 (average net per individual) Target (2024): CHF 5'000</li> <li>Number of persons enrolled in new or better VSD (disaggregated by gender) (SDC IED ARI 1) Baseline (2020): 1,385 (69% youth, 52% women, 11% other vulnerable) Target (2024): 6,385 (65% youth, 50% women, 15% vulnerable)</li> <li>Number of companies or professional organisations contributing to relevant VSD (SDC IED TRI 2) Baseline (2020): 44 companies, 3 professional organisations Target (2024): 150 companies, 5 professional organisations</li> </ul>	<p>Through the development of social and personal competences of unemployed and underemployed, in particular among youth and groups left behind, the human capital will improve. Improved human capital will lead to more productive and better-paid employment and contribute to increased prosperity.</p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Government remains committed to policy reforms and measures to foster productive and decent employment;</li> <li>Government remains committed to the ongoing social reform, including reducing the grey economy and leaving no one behind;</li> <li>The private sector and government remain willing to engage in reforming the VET system;</li> <li>The economy rapidly recovers from the COVID-19 recession.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Labour migration increases;</li> <li>External economic shock impacts negatively on economic growth;</li> <li>Prolonged period of political instability slows economic reform process.</li> </ul>	<p><b>Outcome statement 2.2:</b> Increased employment. (Employment and Social Reform Programme 2022)</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Unemployment rate (general and youth) Baseline (2018): 17.3 % (general) and 37% (age 15–29) Target (2022): 14.5% (general) and 33.5% (age 15–29) Source: Employment and Social Reform Programme 2022</li> <li>At-the-risk poverty rate (after social transfers) (PAF, SDG 1.2.1.) Baseline (2018): 21.9% Target (2022): 16 Source: Employment and Social Reform Programme 2022</li> <li>Average salary Baseline (2020): MKD 26,422 (net) Target: MKD 30,000 Source: Government Programme 2017–2020</li> <li>% of secondary school students enrolled in VET (PAF) Baseline (2018): 37.45% Target (2027): 54%</li> <li>Employment rate of recent graduates (20-34) (male and female) (PAF, SDG 4.4) Baseline (2018): 49.1 Target (2027): 57%</li> </ul>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p>		
<p><b>Theory of change:</b></p> <p>If economic framework conditions and competitiveness of private businesses improve and more unemployed and underemployed, especially youth, women and groups left behind, benefit from skills development, then North Macedonia's economy and number of decent employment opportunities will grow in an inclusive and sustainable manner, because Swiss-supported interventions: 1) engaging the private sector in policymaking will contribute to better framework conditions; 2) introducing innovation will increase productivity and competitiveness of companies, accelerate their growth and increase labour demand; and 3) will satisfy labour demand through strengthened human capital resulting from the development of social and personal competences of unemployed and underemployed, in particular among youth and groups left behind.</p> <p><b>Key interventions</b> include the following:</p> <ul style="list-style-type: none"> <li>Strengthened dialogue between government and private sector, which contributes to effective economic policymaking and business enabling environment.</li> <li>Improvement in macroeconomic framework through support for public institutions dealing with PFM, tax administration and financial statistics.</li> <li>Facilitation of market system changes aiming to address market deficiencies and contribute to the creation of jobs in particular for women and youth in tourism, agribusiness and ICT.</li> <li>Support for companies to access domestic and international markets, and enhancing capacities for trade policies.</li> <li>Development of the entrepreneurship/start-up ecosystem.</li> <li>Development of approach to systemically address the grey economy.</li> <li>Identify entry points to support the digitalisation of the economy.</li> <li>Support for reforms to the formal and non-formal VET systems with involvement of the private sector, to increase access to gainful employment for youth and to smoothen school-to-work transition.</li> <li>Development of new approaches to labour market activation and integration for the youth, women, and groups left behind.</li> <li>Exploration of PSE opportunities to leverage additional resources, enhance knowledge transfer and pilot innovative approaches.</li> </ul>		
<p><b>(5) Resources, partnerships (Swiss Programme)</b></p>		
<ul style="list-style-type: none"> <li>Financial resources: CHF17.5m (SDC) and CHF2m (SECO)</li> <li>Human Resources: The portfolio will be managed by two National Programme Officers with support provided by the Deputy Director of Cooperation.</li> <li>The main implementing partners are: Helvetas, Swisscontact, Palladium Group, and multilateral organisations such as UNDP, the World Bank, International Finance Corporation (IFC), International Monetary Fund (IMF).</li> <li>The main national counterparts are: The Cabinet of the Deputy Prime Minister for Economic Affairs, Ministry of Labour and Social Policy, Ministry of Education and Science, Ministry of Finance, Ministry of Economy.</li> </ul>		

Environment and Sustainable Public Utility Services (SDC, SECO)		
<b>Swiss Portfolio Outcome 3:</b> Improved inclusive public utility services, enhanced resilience to natural hazards and sustainable management of natural resources		
Contributing to:	<b>IC Strategy Sub-objective 3:</b> Addressing climate change and its effects <b>IC Strategy Sub-objective 4:</b> Ensuring the sustainable management of natural resources <b>IC Strategy Sub-objective 6:</b> Preventing disasters and ensuring reconstruction and rehabilitation <b>IC Strategy Sub-objective 7:</b> Strengthening equitable access to quality basic services	
(1) Swiss Outcomes	(2) Contribution of the Swiss Programme	(3) Country Development Outcomes
<b>Outcome 3.1:</b> Citizens benefit from sustainable and climate-smart public utility services <b>Indicators:</b> <ul style="list-style-type: none"> <li>Number of persons with access to better public infrastructure services (SECO SI 8). Improved drinking water infrastructure Baseline (2020): 120,000<sup>21</sup> Target (2024): 166,000</li> <li>Benefiting from corporate development measures in public utilities Baseline (2020): 51,000<sup>22</sup> Target (2024): 250,000</li> <li>Improved solid waste management Baseline (2020): 0 Target (2024): 320,000</li> <li>Measures for improving institutional and professional capacity/skills (SECO SI 4)<sup>23</sup> Number of staff of public utilities and municipalities trained (disaggregated by gender) Baseline (2020): 67<sup>24</sup> (40% women) Target (2024): tbd</li> </ul>	<p>By building capacities of local governments and public utilities, by providing technical assistance and limited capital investments for improving operational performance, public utility services will become more sustainable. Lessons learnt during the COVID-19 crisis will be used to adapt interventions and address gaps in the planning and operational processes. Better public utility services will increase cities' attractiveness for investors and residents, foster sustainable economic growth and enhance the quality of life.</p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Project partners (authorities and entities at central and local levels) show high commitment and leadership to undertake reform processes;</li> <li>Project partners fulfil contractual obligations regarding provision of human and financial resources;</li> <li>Effective implementation of laws and national strategies on environment.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Insufficient human capacities in municipalities and public utilities;</li> <li>Political interference in appointment of management staff in public utilities;</li> <li>Limited borrowing capacities of municipalities to implement infrastructure projects;</li> <li>Lack of available financing mechanisms.</li> </ul>	<b>Outcome statement 3.1:</b> Provision of public services and protection of the environment by municipal service providers in conformity with EU environmental acquis. <b>Indicators:</b> <ul style="list-style-type: none"> <li>Number of samples with concentration of pollutant below the limit value. Baseline (2017): 94.4% Target (2027): ≥ 98.0% Source: IPA III Strategic Response North Macedonia</li> <li>Ratio generated/collected municipal solid waste Baseline (2017): 786,000t / 635,870t Target (2030): tbd Source: Action Plan on Solid Waste Management (under preparation)</li> <li>Number of adopted legislative acts that ensure sustainability of the public utilities Baseline (2020): 0 Target (2024): 3 Source: Association of Providers of Public Services in North Macedonia ADKOM</li> </ul>

<sup>21</sup> Berovo, Gostivar and Bregalnica regions.

<sup>22</sup> Gevgelija and Kocani.

<sup>23</sup> Baseline and target values will be defined within the newly planned project(s).

<sup>24</sup> Gevgelija, Kocani, Pehcevo, Delcevo and Berovo

<p><b>Outcome 3.2:</b> Local and national stakeholders conserve, manage and sustainably use natural resources and ecosystems, and support communities exposed to natural hazards to become more resilient</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Number of implemented measures from national strategies and action plans for nature conservation and biodiversity protection.<sup>25</sup> Baseline (2020): Contribution to 44 measures (out of 222 in total)/125 interventions implemented Target (2024): Contribution to 48 measures (out of 222 in total)/130 interventions implemented</li> <li>Number of persons benefiting from nationally or locally implemented DRR measures (data disaggregated by vulnerable groups) (SDC DRR ARI 1) Overall preparedness measures Baseline (2020): 75,000 (49.8% women, 35.4% youth; 11.3% elderly) Target (2024): 300,000 Measures for flood protection (rivers/torrents) Baseline (2020): 15,400 (49.8% women, 35.4% youth; 11.3% elderly) Target (2024): 211,852</li> <li>Number of interventions, measures or programmes that are based on comprehensive disaster risk assessments (SDC DRR TRI 1) Baseline (2020): Flood risk assessments with programmes of measures for 2 river basins Target (2024): Flood risk assessments with programmes of measures for 7 river basins</li> </ul>	<p>By strengthening capacities of authorities and stakeholders at local and national levels, by raising public awareness and fostering civil society engagement, natural capital will be better preserved, managed and used in a sustainable manner.</p> <p>Through building capacities of local and national authorities to comprehensively assess disaster risks, improve effectiveness of disaster mitigation and response actions, and through co-financing of priority risk reduction measures, the resilience of communities and in particular vulnerable groups exposed to natural hazards (floods and landslides) will be enhanced.</p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>The central and local-level authorities demonstrate strong commitment and ensure resources for implementation of the national strategies and action plans.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Local elections and change of authorities;</li> <li>Limited interest and insufficient budget of municipalities and national institutions for implementation of measures.</li> </ul>	<p><b>Outcome statement 3.2:</b> National and local authorities ensure sustainable management of ecosystems and natural resources and increased resilience of communities against natural hazards in conformity with EU acquis and the SFDRR.</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Number of implemented measures from national strategies and action plans for nature conservation and biodiversity protection. Baseline (2020): Contribution to 55 measures/178 interventions implemented Target (2024): Contribution to 62 measures/229 interventions implemented Source: National Strategy on Nature Conservation 2017–2027</li> <li>Expenditures for the protection of biodiversity and landscape. Baseline (2017): MKD151,194,000 Target (2027): MKD300,000,000 Source: IPA III Strategic Response North Macedonia</li> <li>Proportion of local governments that adopt and implement local disaster risk reduction strategies in line with national strategies and the SFDRR. Baseline (2020): 11% (9 out of 81 municipalities) Target (2024): 20% (16 out of 81 municipalities) Source: Sendai Framework online monitoring tool</li> </ul>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p>		
<p><b>Theory of change:</b></p> <p>If public utilities provide services in a sustainable, inclusive and climate-smart manner, local and national stakeholders conserve, manage and sustainably use natural resources and ecosystems, and support communities exposed to natural hazards to become more resilient, then citizens in North Macedonia will benefit from better municipal services, improved environmental conditions, and enhanced protection against natural hazards, which will contribute to improved quality of life and provide a stable basis for EU-accession and sustainable economic development, because skills and capacities of public utilities, municipalities and national authorities for rendering sustainable and climate-smart public utility services, for preserving, managing and using natural capital sustainably, and for enhancing resilience of communities exposed to natural hazards, have been improved.</p>		
<p><b>Key interventions include the following:</b></p> <ul style="list-style-type: none"> <li>Support for public utilities (capacity building, technical assistance, limited capital investments) to improve operational performance and ensure climate-smart (climate-resilient and low-carbon) water supply and sanitation services.</li> <li>Facilitating public utilities' access to financing of related priority capital investment measures (energy efficiency, renewable energy resources).</li> <li>Support for public utilities and local governments to improve quality and sustainability of water supply and sanitation services (Delcevo, Gostivar, Kocani).</li> <li>Support for public utilities and local governments (capacity building, technical assistance, limited capital investments) to increase coverage and improve effectiveness and sustainability of solid waste management services (Polog region).</li> <li>Contribution to the implementation of the EU flood directive and the translation of the SFDRR into meaningful action towards reducing risk and vulnerability and enhancing the resilience of communities affected by natural disasters (Polog region).</li> <li>Contribution to sustainable management of ecosystems and natural resources (special focus on the least developed Bregalnica region).</li> </ul>		

<sup>25</sup> As defined in the National Strategy on Nature Conservation, one measure may include several interventions.



#### **(5) Resources, partnerships (Swiss Programme)**

- Financial resources: CHF9m (SDC), CHF13m (SECO).
- Human Resources: This portfolio outcome will be managed by the Regional Advisor on Infrastructure and Environment and one National Programme Officer.
- Key counterparts are the Ministry of Environment and Physical Planning, municipalities, public utilities, associations of public utilities and municipalities, national agencies and CSOs.
- SECO instruments will be applied, especially in the water and solid waste sector, in disaster risk reduction, energy efficiency and renewable energy.
- Co-financing: Where appropriate, co-financing is provided by project partners. Opportunities for co-funding/blending of programmatic and policy support grants with IFI loans will be explored.<sup>26</sup>
- Aid modalities: The majority of interventions will be implemented in the form of mandates or contributions to implementing partner organisations, including domestic and international/Swiss private consultancies. Partnerships between Swiss and Macedonian academia will be further fostered.

#### **Management/performance results, including indicators (Swiss Programme)**

1. Switzerland plays a leading role in development partner coordination and directly engages local and national institutions to strengthen ownership and trust in supported interventions.

##### **Indicators:**

- If and when the project intervention requires, the Swiss Embassy signs a Memorandum of Understanding (MoU) with the state institutions, which defines the roles and responsibilities in implementation.
- Each project document includes a section on synergies with other Swiss projects and activities of other development partners. The Swiss Embassy leads and/or participates in development partner coordination processes.

2. Transversal topics are addressed in all projects and sex-disaggregated data is facilitated. Social inclusion and digitalisation are addressed in all projects.

##### **Indicators:**

- A gender analysis and relevant social inclusion analysis informs new projects and project phases, and adequate resources for gender equality and social inclusion mainstreaming are provided by partners.
- The Swiss Embassy ensures that projects provide sex-disaggregated data and if not available that the establishment of such data is facilitated.
- When new projects or project phases are designed, the potential for digitalisation is explored.
- Risks from climate change, environmental degradation and natural hazards are systematically assessed using the Climate, Environment and Disaster Risk Reduction Integration Guidance (CEDRIG) tool as well as thematic climate-mainstreaming guidelines.

3. Swiss projects have a clear exit strategy which allows for financial and operational sustainability of project results.

##### **Indicators:**

- Switzerland has a strong focus on capacity building of institutions and other stakeholders, so that their role in project implementation increases over time.
- The Swiss Embassy ensures that the exit strategy is addressed and operationalised latest during the second project phase.
- Financial contributions by beneficiaries are ensured whenever linked with better outcomes of a project and to enhance local ownership.
- Opportunities for PSE through co-initiating, co-steering and co-funding of interventions are explored.

<sup>26</sup> Future borrowing capacities of North Macedonia (for investments in environmental infrastructure) will potentially be affected in light of the expected rise of public debt to mitigate the socio-economic impact caused by the COVID-19 pandemic.

# Annex 4: Monitoring system

The Swiss Cooperation Programme North Macedonia 2021–2024 is subject to systematic monitoring, which serves the following main purposes:

- Steering based on evidence and adapting in order to keep effectiveness and relevance of the Swiss programme portfolio on track.
- Accountability for and reporting on results to different target groups, including the Swiss public and decision makers as well as the public, beneficiaries and governments in North Macedonia, and other interested parties.
- Learning by capitalising on lessons learnt within the programme and with external partners.

The monitoring system observes three dimensions: the country context, the Swiss results framework and programme management. Different monitoring instruments are used and adapted as needed, to monitor the three dimensions:

	Dimension	Monitoring Area	Instrument	Periodicity
1.	Country context	Political, social, economic and environmental development of North Macedonia and how it affects the Swiss portfolio	MERV Context Watch including Scenario Monitoring	Annually: September
2.	Swiss Results Framework	Progress in achieving expected Swiss outcomes, including the transversal themes, based on the results framework	Annual report	Annually: October
		Country development outcomes	Context Watch	Annually: August-September
		To assess the achievement of intended outcomes and outputs and identify short-term adaptations of the annual programme	Mid-year review .	Annually: June - July
3.	Programme management	Efficiency and effectiveness of the Swiss Embassy and compliance with management and aid principles	Operational planning	Annually: January
			Internal control system	Annually: September

# Annex 5: Financial Planning

## Swiss Cooperation Programme for Country/Region: North Macedonia

Duration of Cooperation Programme: Jan 2021 until Dec 2024

	SDC				SECO		
Financial Year:	2021	2022	2023	2024	2021–24	Total 2021–24	in %
Break down of budget allocation according to Portfolio Outcomes:							
Portfolio Outcome 1							
<b>Democratic Governance</b>	6'150'000	5'100'000	5'600'000	5'650'000	-	22'500'000	35%
Portfolio Outcome 2							
<b>Sustainable Economic Development</b>	4'000'000	4'450'000	4'550'000	4'500'000	2'000'000	19'500'000	30%
Portfolio Outcome 3							
<b>Environment and Sustainable Public Utility Services</b>	2'200'000	2'800'000	2'000'000	2'000'000	13'000'000	22'000'000	34%
Other outcomes							
<b>Small Actions</b>	150'000	150'000	150'000	150'000	-	600'000	1%
<b>Total budget allocation (to Intl. Cooperation-Office)</b>	12'500'000	12'500'000	12'300'000	12'300'000	15'000'000	64'600'000	100%

General overview of indicative budget allocation by Swiss Federal Offices (for information purpose only):

<b>Budget allocated to IC-Office</b>	12'500'000	12'500'000	12'300'000	12'300'000	15'000'000	64'600'000
thereof: <i>SDC-Eastern Cooperation</i>	12'500'000	12'500'000	12'300'000	12'300'000		49'600'000
<i>SECO-Economic Cooperation</i>					15'000'000	15'000'000
<i>SDC-Institutional Partnerships</i>	154'000	154'000	149'000	145'000		602'000
<b>Total budget allocation by federal offices</b>	12'654'000	12'654'000	12'449'000	12'445'000	15'000'000	65'202'000

North Macedonia also benefits from regional and global initiatives financed by Swiss Cooperation. When these measures are not earmarked to a specific country, they are not included in the financial projections for this programme.

The final allocation of funds will depend on the identification of suitable interventions, the absorption capacity as well as the efficiency and effectiveness of the cooperation with the relevant partners in the country. Accordingly, the information on planned budget for the four-year period is indicative. This information serves merely as a basis for the forward spending plans that are reviewed each year by the Swiss Parliament.



# Annex 6: Abbreviations and Acronyms

ARIs	Aggregated reference indicators
CBO	Community Based Organization
CEDRIG	Climate, Environment and Disaster Risk Reduction Integration Guidance
CHF	Swiss franc
COVID-19	Coronavirus disease of 2019
CSO	Civil society organisation
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
DRR	Disaster Risk Reduction
FDI	Foreign direct investment
FTE	Full-time equivalent
GDP	Gross domestic product
IC Strategy	Switzerland's Strategy for International Cooperation 2021–24
ICT	Information and communications technology
IED	Inclusive Economic Development
IFIs	International financial institutions
IPA	Instrument for Pre-Accession Assistance
LNOB	Leaving no one behind
MERV	Monitoring system for development-related changes
MPs	Members of Parliament
NATO	North Atlantic Treaty Organization
NEET	Not in education, employment or training
NGO	Non-governmental organisation
ODA	Official development assistance
OECD-DAC	Organisation for Economic Co-operation and Development Assistance Committee
PAF	Country Performance Assessment Framework
PFM	Public finance management
PSE	Private Sector Engagement
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SECO	State Secretariat for Economic Affairs
SFDRR	Sendai Framework for Disaster Risk Reduction
SI	SECO standard indicator
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and medium-sized enterprises
TRIs	Thematic reference indicators
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VET	Vocational education and training
VSD	Vocational skills development

# Annex 7: Map of North Macedonia



<https://geology.com/world/macedonia-satellite-image.shtml>

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