



Integrated Country Strategy

North Macedonia

FOR PUBLIC RELEASE

Table of Contents

- 1. Chief of Mission Priorities 2
- 2. Mission Strategic Framework 6
- 3. Mission Goals and Objectives 8
- 4. Management Objectives..... 15

1. Chief of Mission Priorities

Since the country's independence from Yugoslavia in 1991, the United States has supported North Macedonia's goal to become a prosperous, stable, and inclusive multi-ethnic democracy. We see the country's future firmly embedded in the West and in Euro-Atlantic institutions, including NATO and the European Union, and we share this strategic vision with the vast majority of North Macedonia's leaders and citizens across all ethnic and political divides. North Macedonia is poised to join NATO imminently and has the potential to begin European Union (EU) accession processes shortly. We therefore are transitioning our thinking to view North Macedonia in the context of our newest ally, with which we seek to partner to promote regional security, democracy, rule of law, and economic prosperity. As allies, our relationship must inevitably transition, with the United States challenging and empowering North Macedonia to take responsibility for leading the reforms required for sustained stability and growth, while remaining resilient to malign influences that seek to pull the country in another direction.

Over the past 25 years, the country has faced significant challenges in reaching its aspirations of trans-Atlantic integration. These include: economic dislocation and war among neighboring countries in the 1990s; a 27-year dispute with Greece over its name, which blocked entry into NATO and the EU; an armed inter-ethnic conflict in 2001; and a political crisis that began in 2015—culminating in mass protests, and, eventually, elections—that was fueled by corruption, weak democratic governance, and poor adherence to the rule of law. The United States, along with our European allies, has helped North Macedonia's leaders and people respond to each crisis and maintain their strategic orientation. After assuming office in 2017, the new parliament passed legislation to address key democratic shortcomings, and citizens today are able to test these new measures and demand, without fear of government reprisal, greater accountability and transparency from their government and their representatives.

The United States, the EU, NATO, and our allies recognize this next period as critical to North Macedonia's future as a prosperous Western democracy. The signing of the Prespa Agreement with Greece in June 2018 to resolve the name dispute opened the door for North Macedonia to join NATO as the Alliance's 30th ally and paved the way for the commencement of EU accession talks, which will hopefully start in 2020. This historic agreement also has the potential to bolster security, stability, and prosperity across the entire Western Balkans region. While progress has been made, continued momentum will heavily depend on strengthening the economy and combatting the greatest single obstacle in North Macedonia's path: the scourge of corruption.

Another area of concern is the disconnect between the high public expectations of moving toward EU membership and the painful reality of the actual reforms needed for accession. This is particularly acute in terms of rule of law, and specifically the judicial system, which has struggled to resolve high-level corruption cases involving previous government officials, better yet manage new corruption allegations. While some indicators point to an improving level of commitment and capacity, the ongoing disconnect between expectations and the reality of

FOR PUBLIC RELEASE

required reforms exposes the lack of a culture of responsibility, a key factor in moving toward self-reliance. Considerable intervention, assurance, and reinvigoration is needed for North Macedonia to transition from donor recipient to strategic partner.

Given the other challenges facing the country in recent years—the political upheaval of the past five years, the name issue, and the struggle to rein in corruption, to name a few—we must not lose focus of the interethnic issues that brought the country to the brink of civil war less than two decades ago. While the immediate danger of conflict has ebbed, interethnic tensions remain a serious issue that cannot be taken for granted. There is ample evidence that foreign disinformation seeks to exploit these societal cleavages to disrupt and sow chaos, and as such, the U.S. government must continue to play a positive role in facilitating dialogue and understanding across these divisions. If North Macedonia can manage effectively, and even resolve, some of its interethnic challenges, it will continue to set an example for the region. On the other hand, neglecting these issues could precipitate renewed conflict that will jeopardize progress in other areas.

That stated, North Macedonia today is presented with a historic opportunity: to consolidate its democracy, strengthen its security and stability, and accelerate economic growth through existing and new partnerships. The United States recognizes that this next period is critical, and plans for all U.S. government agencies active in country to work in partnership with the government, private sector, civil society, and the citizenry to enable the country to reach its full potential.

The overarching priority of this Embassy, therefore, must be to keep North Macedonia on this positive trajectory regardless of the political winds that might blow. To that end, Mission Skopje will seize this opportunity by focusing on three areas:

- supporting North Macedonia in embracing inclusive democracy, citizen-responsive government, and rule of law;
- continuing to aid North Macedonia's efforts to fully integrate into Euro-Atlantic institutions; and
- enabling North Macedonia to build a stronger, more diversified economy.

Strengthened democracy and rule of law: We will help North Macedonia strengthen its commitment to democracy, adherence to the rule of law, and respect for equality and individual liberties—the fundamental values of Western alliances and institutions. North Macedonia's 2015-2017 political crisis revealed significant deterioration of rule of law, transparency, media independence, and other elements of democratic governance, which eroded citizens' trust in its public institutions. One of the critical institutions empowered to investigate and prosecute high-level corruption following the political crisis, the Special Prosecutor's Office (SPO), experienced a significant setback with the arrest of its leader on corruption charges in August 2019. Although the country's Public Prosecutor's Office (PPO) intends to complete the SPO's cases, the fate of these investigations remains uncertain. The

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

FOR PUBLIC RELEASE

outgoing SDSM-led government, which was elected in 2017 has been, at times, limited by a lack of required consensus in parliament to pass critical laws to resolve these and other conflicts related to the rule of law. Citizens' desire for justice and accountability remains high. In addition, the public administration remains hobbled by cronyism and politicization, which discourages professionalism among public servants by distributing positions based on political rather than professional qualifications. It will take many years to overcome entrenched norms and translate new laws or regulations into daily practice. With parliamentary elections approaching in April 2020, U.S. assistance, in coordination with that of other donors, will focus on strengthening rule of law institutions, partnering with various stakeholders to counter corruption, encouraging the passage of essential laws, inspiring civic participation in accountable and transparent government, and promoting media independence. At the same time, we will continue to help build cohesion among North Macedonia's youth, most of whom still live predominantly in communities divided along ethnic lines and with low levels of trust.

Euro-Atlantic integration: For North Macedonia to succeed, it must continue its progress towards full integration into Euro-Atlantic institutions, by cementing its role as a NATO ally and by eventually joining the European Union. Together with our partners, we will work with North Macedonia as our NATO ally to enhance its capabilities and to help facilitate the launch of its EU accession negotiations. In the short to medium term, this will require sustained diplomatic engagement to ensure full implementation of the Prespa Agreement. We will continue to work with North Macedonia's defense institutions so that the country can become a stronger ally and partner. This includes implementing its 2018 Strategic Defense Review, committing to budget increases that meet NATO's two-percent target, and sustaining contributions to Alliance missions such as Resolute Support. Likewise, we will boost North Macedonia's capacity to combat terrorism and radicalization to violence, transnational organized crime, cyber vulnerabilities, and secure its borders while fostering cooperation with its neighbors. North Macedonia remains a significant target of malign Russian 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 Russia to sow uncertainty, exploit divergent political agendas and stoke potential inter-ethnic tensions. Beijing is increasing its presence in the country and its relationships with North Macedonia more broadly through investment as well as cultural engagement such as language classes and visitor programs. While several of Beijing's projects, which focus primarily on physical infrastructure, have proven successful, the majority have failed due to corruption and questionable business practices. Like Moscow, Beijing 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. Beijing is also finding opportunities to expand its technology footprint in schools, universities, and in critical infrastructure such as transportation and security-sector surveillance systems.

Increased Prosperity: North Macedonia will require increased economic growth to raise living standards, become a more attractive partner for U.S. businesses, sustain its bid for EU

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

FOR PUBLIC RELEASE

membership, and most importantly, keep its talented young people from emigrating. In recent years, North Macedonia enjoyed respectable growth rates, though often fueled by growing public spending and debt. A stable currency, low inflation, and favorable borrowing rates signaled strong macro-economic fundamentals, while favorable incentives and regulations attracted foreign investors, including several U.S. companies, into free-trade zones. Business outside these zones remained hampered by burdensome regulations, punitive inspections, inadequate infrastructure, and ambition-sapping cronyism. Falling unemployment rates have masked a shortage of skills needed by business, bloated public sector hiring, and caused large-scale emigration of young talent to other European countries. The most negative economic effects of the political crisis were felt in 2017, as domestic and foreign investment stalled and GDP growth shrank to zero. The economy is recovering slowly, seeing increased investment and respectable GDP growth in the past two years. Mission Skopje will work with partners to foster economic growth through programs improving the business climate and regulatory transparency, increasing competitiveness of small businesses, diversifying the energy sector, and fostering entrepreneurship. In conjunction with the American Chamber of Commerce, we will also work with U.S. businesses to open markets, support their bids on public tenders, enforce intellectual property rights, and advocate for sound, transparent policymaking.

In addressing these three priority areas, Mission Skopje will partner with the government, civil society, businesses, and like-minded stakeholders to mitigate risks such as: the failure to fulfill Prespa Agreement obligations; external malign influences from Russia and China; cyber vulnerabilities; threats posed by weak institutions and potential democratic backsliding; a culture of nepotism and corruption; and sluggish economic growth. We do so from an advantageous position. A declaration of strategic partnership, signed in 2008, provides a solid basis for bilateral relations. Public trust in the United States remains high. Our large diplomatic presence, secure facilities, flexible assistance programs, and experienced staff give us significant opportunities in multiple sectors and across North Macedonia's society. Shared objectives and close working relationships with European allies boost our impact. We intend to build on these strengths and invest resources and political capital in the relationship. In so doing, we will enhance U.S. security and prosperity by strengthening our Western, values-based international alliances.

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018
Reviewed and Updated: 04/02/2020

2. Mission Strategic Framework

Mission Goal 1: A resilient, stable, multi-ethnic North Macedonia embraces democratic governance and rule of law, and is able to withstand malign influences.

Mission Objective 1.1: North Macedonia strengthens its capacity to effectively fight corruption.

Mission Objective 1.2: North Macedonia develops a more robust citizen-responsive government with strong democratic institutions.

Mission Objective 1.3: North Macedonia's youth play an active role in society.

Mission Goal 2: North Macedonia, fully integrated into a strong and free Europe, acts as a steadfast partner of the U.S. and its neighbors on transnational and regional issues.

Mission Objective 2.1: North Macedonia acts as a reliable partner on U.S. foreign policy objectives.

Mission Objective 2.2: North Macedonia partners with the United States and other countries to investigate and combat terrorism and prevent the spread of violent extremism.

Mission Objective 2.3: North Macedonia reinforces its abilities to provide for its own security, including cybersecurity, to contribute to the security of its NATO allies, and to participate actively in U.S.-led and multilateral operations.

Mission Objective 2.4: North Macedonia increases its effectiveness in combatting transnational crime and securing its borders.

Mission Goal 3: North Macedonia builds a strong and diversified economy, becoming a more self-reliant country and a more valuable economic partner in the region and with the West, including the United States.

Mission Objective 3.1: An improved business climate and strengthened economic policies promote private sector growth and entrepreneurship, attract foreign investors, and create jobs.

Mission Objective 3.2: North Macedonia strengthens and diversifies its energy sector.

Mission Objective 3.3: Expanded commercial engagement increases the total value of U.S. products and services exported to North Macedonia.

FOR PUBLIC RELEASE

Management Objective 1: The capacity of the management platform aligns with mission objectives and growth.

Management Objective 2: Increased staff capabilities improve productivity and job satisfaction.

Management Objective 3: Improved life, safety, and environmental factors reduce risks for mission staff.

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018
Reviewed and Updated: 04/02/2020

3. Mission Goals and Objectives

Mission Goal 1: A resilient, stable, multi-ethnic North Macedonia embraces democratic governance and rule of law and is able to withstand malign influences.

Description and Linkages: North Macedonia experienced democratic backsliding under the previous, VMRO-DPMNE-led government and drew consistent public criticism from the United States, NATO, and the EU. In 2017, the then newly elected SDSM-led government publicly committed to implementing reforms to enhance democratic governance, the rule of law and a free media, with some success. The Prespa Agreement with Greece, signed in June 2018, removed a significant obstacle to North Macedonia's membership in NATO and the start of accession talks with the EU. In January 2019, Parliament took a significant step to implement the agreement when it adopted the constitutional amendments necessary to change the country's name to the Republic of North Macedonia. In May 2019, the European Commission again recommended the European Council open accession negotiations with North Macedonia based on the progress achieved on reforms.

Having inherited a bureaucracy hobbled by debt, cronyism and lack of expertise, the challenges inherited by the new government were considerable. Despite many positive developments, much work remains to be done. Particularly with regard to implementation. The August 2019 arrest of the head of the SPO for alleged involvement in a racketeering scheme has renewed concerns about rule of law and high-level corruption and has been a source of significant disappointment for citizens who had placed significant faith in that institution. Absent additional reforms, North Macedonia remains vulnerable to interethnic tension and outside malign influence. U.S. leadership has encouraged the progress North Macedonia has made in reestablishing democratic norms, strengthening institutions, and increasing accountability in governance. It is imperative that the United States remain engaged in these efforts.

Always underlying these other broad themes is the interethnic composition of the country, which has served as a flashpoint at times in the country's history. While much progress has been made to address the issues, which resulted in a conflict 19 years ago, the divisions between the ethnic groups still require attention and engagement to turn the country's diversity from a vulnerability into a strength.

Promoting good governance, democratic values and transparency is an all-of-mission goal that not only involves programs and initiatives but is also exemplified by the image Mission Skopje presents to the people of North Macedonia on a daily basis. The Embassy demonstrates its regard for efforts to be inclusive by having (and being recognized for having) a highly diverse staff, and it demonstrates respect for differences and promotion of transparency by working to model value-based business practices. Furthermore, the Embassy itself is designed to exemplify these values, through its architecture, its artwork, and its space.

FOR PUBLIC RELEASE

This goal supports the EUR Joint Regional Strategy Framework Goal 4: Preserve Western Democratic Principles, EUR Joint Regional Strategy Framework Goal 3: Preserve Western Democratic Principles, and the State-USAID Joint Strategic Goal 3: Promote American Leadership through Balanced Engagement.

Mission Objective 1.1: North Macedonia strengthens its capacity to effectively fight corruption.

Justification: While North Macedonia has improved bilateral relations with neighboring countries to unblock its Euro-Atlantic integration, endemic corruption is eroding the credibility of public institutions, political processes, and rule of law, as well as hindering economic growth and social cohesion. It provides openings for malign influence from Moscow and Beijing as well as their proxies in the region. Corruption is enabling malign investments that entrench corrupt practices and deter domestic and foreign investment and economic growth; it is also creating openings for malign Russia-sponsored campaigns to undermine confidence in democratic and free-market systems as well as integration into Western organizations such as NATO and the EU.

Weak rule of law institutions lack capacity to deliver required reforms. Helping North Macedonia develop an effective and transparent justice sector will reduce corruption and impunity and restore citizens' trust in these institutions. The mission will advise, assist, and deliver projects to augment the apolitical application of laws with functional checks and balances, to strengthen and build an effective criminal justice system, and to fight against public corruption. Failure to build a strong justice sector and anti-corruption institutions will increase North Macedonia's susceptibility to malign influences while decreasing citizens' support for pro-Western governments that support their Euro-Atlantic aspirations. Additionally, the mission will support institutions and stakeholders outside the judiciary with a role in fighting corruption as well as citizen action against corruption. There is a critical need to strengthen the integrity of policies, transparency, and accountability of public institutions, including controls for public procurement, concessions, public/private partnerships, and the execution of public contracts. Equally important are checks on government via businesses and citizens who must have zero tolerance for corruption—including everyday corruption—and for sub-standard services. Citizens can play an active personal role in the fight against corruption at all levels.

Mission Objective 1.2: North Macedonia develops a more robust citizen-responsive government with strong democratic institutions.

Justification: After an extended period of democratic backsliding under the previous VMRO-DPMNE-led government, North Macedonia has an opportunity to strengthen its democratic institutions and make them more resilient. Mission Skopje will encourage and assist North Macedonia to be accountable and put citizens at the center of government. Our efforts will help the country institutionalize transparent government practices, increase citizen

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

FOR PUBLIC RELEASE

involvement and oversight of government, and promote a professional, thorough, and independent media that can serve as a true watchdog. By partnering with North Macedonia's democratic institutions, we will work to fully anchor North Macedonia to Euro-Atlantic values and institutions and make the country less vulnerable to inter-ethnic tension, corruption, and outside malign influence. Should a new, less reform-minded government take power following the April 2020 elections, Mission Skopje's programming will focus on preventing backsliding in the areas where progress has been made over the past three years.

Mission Objective 1.3: North Macedonia's youth play an active role in society.

Justification: Youth are critical to the stability and economic viability of North Macedonia, yet they face a number of challenges that are fueling their disenchantment and migration, 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. A U.S.-funded 2019 Youth Assessment found that over half of youth in the country intend to migrate in the next two years. This reality is an imperative for working with youth aged 16 to 34 years. If the country wants to stop the hemorrhage of young people emigrating to find better economic and social opportunities, and to entice those who have left to return, it must invest in them. The private sector can play a critical role by providing economic opportunities with competitive pay and conditions, creating innovative career pathways in partnership with educational institutions, and leveraging youths' creativity to realize increased dividends. The public sector has an equally important role to play, by stimulating youth engagement, developing policies and initiatives, ensuring that laws stimulate job creation (by, for instance, providing for internships and employment of students and part-time workers), and offering tax and housing incentives. The public sector education system also plays a critical role in stimulating opportunities that lead to careers and strong life skills. The youth themselves can contribute responsively to their own development. By advancing leadership and other Western values we will enable young men and women to serve as change agents for self-reliance and resilience to malign influence.

Mission Goal 2: North Macedonia, fully integrated into a strong and free Europe, acts as a steadfast partner of the United States and its neighbors on transnational and regional issues.

Description and Linkages: For the entirety of our 27-year bilateral relationship with North Macedonia, our goal has been to anchor North Macedonia in Euro-Atlantic institutions, to enable it to act as a capable partner in addressing regional and global issues. The 25-year dispute with Greece over the name of the country had blocked North Macedonia's progress towards membership in NATO and the EU. In 2018 both countries adopted the historic Prespa Agreement, resolving the dispute and paving the way for North Macedonia's entry into NATO. Today, North Macedonia has a unique opportunity, but progress remains fragile and U.S. engagement and support are critical if this positive trajectory is to continue.

North Macedonia has been a steadfast contributor to international operations since 2002, sending more than 3,000 soldiers to Operation Iraqi Freedom, Operation Enduring

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

FOR PUBLIC RELEASE

Freedom/ISAF and the Resolute Support mission. The country also cooperates with U.S. counterterrorism efforts and is a committed partner in the Global Coalition to Counter the Islamic State of Iraq and the Levant. However, it remains vulnerable to the spread of violent extremism, cyber-attack, and malign external influence. U.S. assistance helps neutralize current and emerging threats and supports the professionalization and interoperability of North Macedonia's armed forces.

This goal supports: EUR Joint Regional Strategy Framework Goal 1: Strengthen the Western Alliance; EUR Joint Regional Strategy Framework Goal 3: Secure and Stabilize the Eastern and Southern Frontiers; State-USAID Joint Strategic Goal 1: Protect America's Security at Home and Abroad; and State-USAID Joint Strategic Goal 3: Promote American Leadership through Balanced Engagement.

Mission Objective 2.1: North Macedonia acts as a reliable partner on U.S. foreign policy objectives.

Justification: North Macedonia is a strategic partner of the United States. For more than a quarter of a century, we have worked together in support of North Macedonia's aspirations of joining the NATO and EU—an aspiration supported by three-quarters of the country's citizens. We share a common vision for the stability and prosperity of the region, and North Macedonia's support for universal values and U.S. policy goals in international fora strengthens U.S. efforts to foster transnational security, economic growth, and leadership. Through diplomatic engagement, we will continue to strengthen the U.S.-North Macedonia partnership and seek to jointly promote our shared values and goals. Such engagement will counter those malign actors who publicly oppose North Macedonia's NATO membership and its alignment with Western democratic principles.

Mission Objective 2.2: North Macedonia partners with the United States and other countries to investigate and combat terrorism and prevent the spread of violent extremism.

Justification: Rising violent extremism and the draw of groups like ISIS affected North Macedonia significantly beginning in 2014. North Macedonia's authorities estimated 156 citizens traveled to Syria and Iraq. Despite the government's commitment to investigating and prosecuting extremism and terrorism, and thwarting the spread of violent extremism, institutions in North Macedonia lack the capacity to fully address the country's extremism problem. Through diplomatic and programmatic engagement, the United States will enhance North Macedonia's capacity to address current and emerging threats to regional and global security.

FOR PUBLIC RELEASE

FOR PUBLIC RELEASE

Mission Objective 2.3: North Macedonia reinforces its abilities to provide for its own security, including cybersecurity, to contribute to the security of its NATO allies, and to participate actively in U.S.-led and multilateral operations.

Justification: North Macedonia is a strategic partner that has consistently met NATO reform goals and contributed to multi-national operations in Afghanistan, Iraq, and Bosnia and Herzegovina. North Macedonia and its armed forces are committed to NATO membership, and its Ministry of Defense (MoD) and Army have implemented significant reforms with the assistance of U.S. funds. The U.S. will support further progress in North Macedonia's defense capabilities. Our efforts will complement the work of the government and result in increased capacities to train with and fight alongside or in lieu of U.S. forces in NATO or the UN, or in coalition operations. Failure to meet this objective would negatively impact North Macedonia's stability and prosperity, risk broader regional stability, and hobble North Macedonia's ability to assist the United States in defending Europe and other NATO objectives.

Mission Objective 2.4: North Macedonia increases its effectiveness in combatting transnational crime and securing its borders.

Justification: North Macedonia is beginning to work more effectively with other countries to combat transnational crime and secure its borders. However, criminal organizations continue to exploit the permissive environments of this region, and North Macedonia serves as the crossroads of many transnational criminal organizations. The government is attempting to reduce corruption within its law enforcement ranks and is promoting stronger rule of law. Mission Skopje will continue to support positive progress through trainings, mentoring, and targeted equipment donations. If left unchecked, transnational crime has the ability to weaken North Macedonia's institutions, leaving the country vulnerable to poor governance, stagnation and instability. North Macedonia also remains a potential transit country for flows of illegal migration due to conflicts to its south.

Mission Goal 3: North Macedonia builds a strong and diversified economy, becoming a more self-reliant country and a more valuable economic partner to the United States.

Description and Linkages: Located at the crossroads of the north-south and east-west transportation corridors of the Balkans, North Macedonia is an attractive location for U.S. businesses operating in Southeast Europe. However, the protracted domestic political crisis from 2015 to 2017 took its toll on North Macedonia's economy and cybersecurity for critical infrastructure is lacking. Furthermore, the country has considerable competition from within the region, including two neighboring EU countries. While the country has made significant strides in stabilizing the economy since then, the key to accelerated economic growth is through improved private sector competitiveness. Recent economic reforms have improved the country's standing in global economic rankings but have not yielded significant improvements in terms of economic growth, job creation and higher income levels. Entrepreneurship and workforce skills are not keeping pace with the evolving market, which further inhibits growth.

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

FOR PUBLIC RELEASE

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. The outgoing SDSM-led government's ambitious economic reform program favored innovative businesses that would ostensibly create jobs and show positive revenue growth. Currently, North Macedonia's gas is 100-percent supplied by Gazprom, though this represents a small percentage of North Macedonia's energy needs. With funding from the EBRD, the government is looking to expand gas distribution to 10 cities from the existing pipeline with Bulgaria. Other plans to increase and diversify North Macedonia's gas supply are still in the planning stages. For example, due to the improved relations with Greece since the signing of the Prespa Agreement, North Macedonia is actively pursuing new gas supply opportunities originating from and co-financed by Greece. 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 requirements for EU accession and full integration into EU value chains. In 2019, North Macedonia joined with Albania and Serbia to discuss creating a Western Balkan Initiative, or "mini-Schengen" to further facilitate regional trade, though aspirations could expand beyond this. Productivity must increase to capitalize on these opportunities, particularly through increased investment in technology, ethical business practices, innovation, and human resources. As more international funding becomes available to support the government's policies, efficient utilization and proper management will be crucial, especially on large infrastructure projects. U.S. advocacy and assistance will be important to that effort. This goal supports the EUR Joint Regional Strategy Framework Goal 2: Strengthen and Balance the Trans-Atlantic Trade and Investment Relationship and the State-USAID Joint Strategic Goal 2: Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation.

Mission Objective 3.1: An improved business climate and strengthened economic policies promote private sector growth and entrepreneurship, attract foreign investors, and create jobs.

Justification: Stringent government regulations, lack of robust investment screening processes, underdeveloped financial markets, poor corporate governance, underdeveloped infrastructure, lack of a qualified workforce, and a very high rate of "brain-drain" hinder the private sector's development and growth in North Macedonia. The economy is poorly diversified, not very competitive, predominantly based on low value-added production processes, and highly influenced by political turmoil. Entrepreneurship and workforce skills are not keeping pace with the evolving market, which further inhibits growth. In response, the government adopted an ambitious economic reform program that focused on economic growth and job creation through increased financial support to both domestic and foreign companies, improved public private dialogue, and a more stable business environment. However, despite this program, corruption allegations and weak judicial institutions continued plaguing government institutions. The United States will support local actors and institutions to build prosperity in North Macedonia by strengthening the competitiveness of the country's micro-, small- and

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

FOR PUBLIC RELEASE

medium-sized enterprise (MSME) sector through enhanced support services, improved access to finance, and a more streamlined business environment.

Mission Objective 3.2: North Macedonia strengthens and diversifies its energy sector.

Justification: A key component of improved economic competitiveness is energy security. North Macedonia's domestic electricity generation covers only 70 percent of its needs, requiring import of the remaining 30 percent, while in the case of natural gas and oil products 100 percent is imported. Deteriorating energy infrastructure, inefficient energy use, and a lack of energy supply diversity continue to lower the security and reliability of the energy supply. Current efforts to create alternatives through renewable energy sources will be important to diversifying access to energy and reducing pollution, though North Macedonia is using only a small fraction of renewables in its energy mix despite the large potential of solar and wind. The government passed a new energy law in early 2018, adopting directives under the EU Energy Community's Third Energy Package. Full implementation of the new law will be crucial to reforming the energy sector. North Macedonia's government is committed to building a country-wide natural gas distribution network, as well as a new interconnection to alternative sources of natural gas. The United States will advance energy sector reforms that comply with the EU and Energy Community requirements. It will also facilitate investment in upgrades of existing and development of new generation capacities, primarily in increased utilization of renewable sources, as well as diversification of supply sources and better integration in the regional energy markets. U.S. support will make the energy sector more resilient to external shocks, including cybersecurity threats, and reduce its import and single supplier dependence.

Mission Objective 3.3: Expanded commercial engagement increases the total value of U.S. products and services exported to North Macedonia.

Justification: North Macedonia is an emerging market and has made progress on improving its economy over the past two decades. For instance, the World Bank ranked North Macedonia 17th in the world in 2020 in its "Ease of Doing Business" annual report. The country has an open economy that welcomes both foreign direct investment and trade and falls into the category of middle-income with a per capita income of \$6,058 in 2019, according to the World Bank. Total trade for North Macedonia in 2018 was \$16 billion, with the U.S. as its 14th largest trading partner with \$395 million (with U.S. exports of \$41 million).

FOR PUBLIC RELEASE

Originally Approved: 08/09/2018

Reviewed and Updated: 04/02/2020

4. Management Objectives

Management Objective 1: The capacity of the management platform aligns with mission objectives and growth.

Justification: Strategic planning of Mission Skopje personnel and space allocation has not kept pace with periods of rapid growth at the mission nor properly considered the continued operation of USAID, which was supposed to downsize before the staff moved into the New Embassy Compound in 2009. To operate at maximum efficiency, the management platform must be realigned to current mission characteristics in such a way that it strengthens expertise, team cohesion and resiliency as well as efficiency in workflow and collaboration.

Management Objective 2: Increased staff capabilities improve productivity and job satisfaction.

Justification: Mission Skopje benefits from an effective, productive, and highly competent staff. Due to the mission's excellent reputation as an employer and a constrained local labor environment, turnover is very low. Consistent with this, few opportunities for advancement are available for LE Staff. With 55 percent of LE Staff working 20 years or more at the Mission, motivating them and modernizing their skills and professional vision is a core development goal. Therefore, Post must improve its ability to create professional opportunities and rewards for strong performance.

Management Objective 3: Improved life, safety, and environmental factors reduce risks for mission staff.

Justification: North Macedonia has a history of civil unrest, ethnic violence, and conflict. Environmental hazards such as earthquakes, floods, and very high levels of air pollution pose high risks for danger and illness. Skopje's infrastructure is poor and its institutional capacity to handle crises is weak. As a result, Mission Skopje must maintain a high state of readiness in case of conflict or disaster. In a polluted environment, the embassy must be a community leader in greening initiatives which also create cost efficiencies for the USG.