



Integrated Country Strategy

North Macedonia

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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 the EU, 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 received the green light to begin EU accession talks in 2020; however, neighboring Bulgaria has blocked the accession process from moving forward over differing interpretations of identity and history. In 2020, North Macedonia joined NATO, making North Macedonia our newest ally and partner in the promotion of 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 Euro-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 interethnic conflict in 2001; and a political crisis fueled by corruption, weak democratic governance, and poor adherence to the rule of law that began in 2015 and culminated in mass protests and, eventually, elections and a change of government. 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 formation of the new government in 2017, parliament passed legislation to address key democratic shortcomings, and today citizens can 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 resolved the name dispute and opened the door for North Macedonia to join NATO as the Alliance's 30th ally and paved the way for the EU accession green light. This historic agreement bolstered security, stability, and prosperity across the entire Western Balkan 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.

An area of concern is the disconnect between 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, and 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

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reality of required reforms exposes the lack of a culture of accountability, a key factor in moving toward the country solving its own development challenges. Considerable intervention, assurance, and reinvigoration is needed for North Macedonia to transition from assistance recipient to strategic partner. Additionally, alongside EU member states, continued U.S. diplomatic engagement to encourage Bulgaria and North Macedonia to resolve their disputes bilaterally, outside the EU accession process, will remain critical. A prolonged delay in the formal launch of accession negotiations undermines the EU's regional credibility, saps public faith in the country's EU future, and may slow domestic reform momentum.

We also must not lose focus on 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 ignored. There is ample evidence that foreign disinformation seeks to exploit these societal rifts to disrupt and sow chaos, and as such, the U.S. government should continue to play a positive role in facilitating dialogue and understanding across these divisions. Externally, in the way we conduct diplomacy, and internally within the Mission, we will model commitment to inclusivity and diversity. If North Macedonia can effectively manage, and even resolve, some of its interethnic challenges, it will continue to set a positive example for the region. On the other hand, neglecting these issues could precipitate renewed conflict that could jeopardize progress in other areas.

North Macedonia mounted a prompt and thorough response to COVID-19 throughout 2020. This included testing, contact tracing, establishing treatment facilities, providing key information to the public daily, and setting guidelines and restrictions regarding personal movements and social distancing to reduce the spread of the virus. Multiple rounds of economic stimulus measures also addressed the pandemic's impact on the economy and society. Mission Skopje supported national measures to mitigate the impact of COVID-19, including respecting limitations on travel, maximizing telework, expanding the use of virtual platforms for meetings and engagements, and employing diplomatic and assistance means to augment national response efforts. We programmed supplemental funding and redirected assistance to provide \$6.7 million to government, private sector, and civil society partners. While successful in helping contain the pandemic, these measures were unable to fully alleviate the immediate and expected medium- to long-term suffering caused by COVID-19.

North Macedonia today is presented with a historic opportunity to keep up the momentum of recent years: to bolster its democracy, strengthen its security and stability, and accelerate sustainable economic growth through existing and new partnerships. The coronavirus pandemic stretched the country's healthcare capacity and strained the national budget. North Macedonia remains focused on overcoming the many challenges associated with COVID-19, especially the need to accelerate economic recovery in 2021. The United States recognizes these challenges and opportunities and is committed to work in partnership with the government, private sector, civil society, and the citizenry to enable the country to reach its full potential. Informing this important work is the understanding that we must deliver for the American people. This includes honoring their values by advocating for more resilient democratic institutions, protecting their safety by ensuring North Macedonia is a NATO ally

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capable of confronting transnational challenges and contributing to our collective security, and advancing their opportunities by enabling North Macedonia to be a stronger economic partner.

To that end, Mission Skopje will seize this opportunity by focusing on three areas:

- supporting North Macedonia to embrace 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, sustainable, 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 the country's 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, and her conviction in June 2020. Although the country's Public Prosecutor's Office (PPO) continues to advance former SPO cases, the fate of these investigations remains uncertain, particularly as the coronavirus pandemic further delayed several high-profile cases.

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 politics rather than professional qualifications. It will take many years to overcome entrenched norms and translate new laws or regulations into daily practice. U.S. assistance, in coordination with that of other donors, will focus on strengthening rule of law institutions, partnering with all relevant stakeholders to counter corruption, encouraging the passage and implementation 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, eventually joining the EU, and supporting international norms. Together with our partners, we will work with North Macedonia as our NATO ally to enhance its capabilities and to help facilitate the formal launch of EU accession negotiations. In the short- to medium-term, this will require sustained diplomatic engagement to ensure full implementation of the 2018 Prespa Agreement with Greece and the 2017 Treaty of Friendship, Good-Neighborliness, and

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Cooperation with Bulgaria. North Macedonia has worked hard to implement the necessary reforms required to move forward in the long and challenging EU accession process. Bulgaria's blockade of North Macedonia's EU negotiating framework risks destabilizing the normally close relations between these NATO allies.

Accordingly, we will encourage both sides to keep negotiating bilaterally, and advocate that North Macedonia's accession process move forward. 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 the country's 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 prevent radicalization to violence, fight transnational organized crime, and address cyber vulnerabilities, as well as secure its borders, while fostering cooperation with its neighbors.

North Macedonia remains a significant target of malign Russian political influence as well as growing economic pressure from Beijing, as it joined 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 Moscow to sow uncertainty, exploit divergent political agendas, and stoke potential interethnic tensions. Beijing is increasing its presence in the country and its relationships with North Macedonia more broadly through investments as well as cultural engagements 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. Beijing's negative response to recent 5G security efforts in the region illustrates how its long-term plans have been hampered by the United States and its allies' efforts to counter this influence. The global COVID-19 pandemic has added openings in the healthcare sector to this list as well.

Increased Prosperity: North Macedonia will require increased economic growth to recover from the coronavirus pandemic, raise living standards, become a more attractive partner for U.S. businesses, sustain its bid for EU membership, and most importantly, keep its talented young people from emigrating. The country must do more to mitigate environmental degradation and pollution, which negatively impact human health and economic growth, while also fulfilling its international obligations to combat climate change. The strain put on both the healthcare system and the economy by the COVID-19 pandemic highlights the importance of prioritizing health security to advance economic prosperity.

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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 businesses, bloated public sector hiring, and 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 1.1 percent. The economy was recovering slowly, seeing increased investment and respectable GDP growth in 2018 and 2019. The coronavirus pandemic upended this trend, with 2020's forecasted GDP at -4.9 percent.

The government and National Bank project solid recovery in 2021 with GDP growing at about four percent, and the economy returning to pre-crisis levels in 2022. Advancing several regional energy projects in 2021 would bring both economic and political benefits and help cement North Macedonia's future as a regional energy gateway. Mission Skopje will work with partners to overcome the pandemic's economic impacts and foster economic growth through programs improving access to credit, the business climate, and regulatory transparency; increasing competitiveness of small- and medium-sized businesses; diversifying the energy sector through enhanced regional integration; and promoting 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 organizations from all parts of society, businesses, and like-minded stakeholders to mitigate risks such as: a prolonged delay in formally beginning EU accession negotiations; external malign influences from Moscow and Beijing; cyber vulnerabilities; threats posed by weak institutions and potential democratic backsliding; a culture of nepotism and corruption; and pandemic-inspired 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.

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2. Mission Strategic Framework

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

Mission Objective 1.1: North Macedonia strengthens its capacity to effectively fight corruption. (Incorporates USAID CDCS DO3)

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. (Incorporates USAID CDCS DO2)

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.

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 and NATO-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, sustainable, 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. (Incorporates USAID CDCS DO1)

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

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

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

Management Objective 2: Post enhances workforce performance by recruiting, developing, and retaining an agile and productive workforce and by fostering an organizational Mission culture that embraces and models innovation, accountability, and diversity.

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

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3. Mission Goals and Objectives

Mission Goal 1: A resilient, stable, multi-ethnic North Macedonia embraces democratic governance and rule of law and can 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 March 2020, the European Commission again recommended, and the European Council agreed, to open accession negotiations with North Macedonia, based on reform progress achieved. Despite this, 2020 ended without the EU holding the first intergovernmental conference to officially launch the accession process, over Bulgaria's objections. SDSM secured a narrow victory in the July 2020 parliamentary elections, returning for a second mandate and pledging to focus on confronting the coronavirus pandemic, reigniting economic growth, and strengthening rule of law and anti-corruption measures.

Having inherited a bureaucracy hobbled by debt, cronyism, and lack of expertise, the challenges inherited by the SDSM government have been considerable. Despite many positive developments, much work remains to be done, particularly regarding reform implementation. The August 2019 arrest of the head of the SPO for alleged involvement in a racketeering scheme 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. Although the country's PPO is charged with completing the SPO's cases, the fate of these investigations remains uncertain as the PPO had filed only three indictments in SPO-initiated investigations as of January 2021. Absent additional reforms, North Macedonia remains vulnerable to outside malign influence that leverages corruption as an entry point. U.S. leadership has encouraged the progress North Macedonia has made in reestablishing democratic norms, strengthening institutions, and increasing accountability in governance. Our engagement remains critical to further implementation.

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 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, transparency, accountability, and diversity and inclusion is an all-of-mission goal that not only involves programs and initiatives but is

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also exemplified by the image Mission Skopje presents to the people of North Macedonia on a daily basis. The Embassy demonstrates its regard for diversity and inclusion by having (and being recognized for having) a highly diverse staff, and its respect for differences and promotion of accountability 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.

This goal supports the State EUR/USAID E&E Joint Regional Strategy Framework Goals 3: Secure and Stabilize the Eastern and Southern Frontiers and 4: Preserve Western Democratic Principles and the State-USAID Joint Strategic Plan Goals 1: Protect American's Security at Home and Abroad and 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 undertaken significant reforms and stands at the cusp of opening EU accession talks, endemic corruption remains the country's greatest vulnerability, 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 enables malign investments that entrench corrupt practices and deter domestic and foreign investment and economic growth; it also creates openings for malign Russian-sponsored campaigns to undermine confidence in democratic and free-market systems as well as integration into Western organizations such as the EU.

Mission Skopje will partner with North Macedonia to develop a more effective, accountable, and transparent justice sector to reduce corruption and impunity and restore citizens' trust in these institutions. Similarly, helping North Macedonia's government institutions implement laws and systems of transparency and accountability is essential to counter widespread corruption and regain the trust of its citizenry. The Mission will use diplomacy and assistance to augment the apolitical application of laws with functional checks and balances, effective criminal justice, and the fight against 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 the country's 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 and the accountability and transparency 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 private businesses and citizens who must also have zero tolerance for corruption—including everyday corruption—and for sub-standard services that result from corruption. Citizens must play a more active personal role in the fight against corruption at all levels.

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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 seized the 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 accountable government practices, increase citizen 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 interethnic tension, corruption, and outside malign influence.

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 several challenges that are fueling their disenchantment and out-migration, including a rising cost of living, limited job opportunities, significant environmental degradation, 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 intended to migrate within the next two years. Understanding 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 work 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 responsibly 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

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enable it to act as a capable partner in addressing regional and global issues. The 27-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. Unfortunately, 2020 ended without the formal launch of EU accession negotiations. Alongside EU member states, continued U.S. diplomatic engagement to encourage Bulgaria and North Macedonia to resolve their disputes bilaterally, outside the EU accession process, will remain critical. A prolonged delay in the formal launch of accession negotiations undermines the EU's regional credibility, saps public faith in the country's EU future, and may slow domestic reform momentum. U.S. engagement and support will ensure North Macedonia's positive trajectory continues.

North Macedonia has been a steadfast contributor to international operations since 2002, sending more than 3,000 soldiers to Operation Iraqi Freedom, Operation Enduring 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-attacks, 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. Moreover, as the coronavirus pandemic continues to impact the country's health security, North Macedonia can leverage its membership in Euro-Atlantic institutions to mobilize resources to address the pandemic, including NATO, the EU, USEUCOM, the OSCE, and the WHO.

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 NATO and the 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, health security, and leadership. Through diplomatic engagement, we will continue to strengthen the U.S.-North Macedonia partnership and 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.

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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 have affected North Macedonia significantly beginning in 2014. North Macedonia's authorities have estimated 143 adult 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 and support the reintegration and resocialization of foreign terrorist fighters and their family members into society. 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.

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 United States will support further development of North Macedonia's defense capabilities, especially to fulfill NATO Capability Target requirements. Our efforts will complement the government's work 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.

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 the 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 can 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, sustainable, and diversified economy, becoming a more self-reliant country and a more valuable economic partner to the United States.

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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, as the poorest of Yugoslavia's successor republics, the country struggled to reorient, diversify, and modernize its economy. 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 North Macedonia has made significant strides in stabilizing its economy, 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 economic growth, job creation, or higher income levels. Entrepreneurship and workforce skills are not keeping pace with the evolving market, which further inhibits growth. Furthermore, environmental degradation and pollution have hurt human health and economic growth while sparking political protests as citizens feel the government is not doing enough. North Macedonia, as a signatory to the Paris Accord, tasked itself with carbon reduction goals in the energy sector, but will need to double down on those plans to both fulfill its international commitments and address the significant environmental degradation the country faces.

State involvement 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 SDSM-led government's ambitious economic reform program launched in 2018 favored innovative businesses that would ostensibly create jobs and show positive revenue growth. COVID-19 has challenged these efforts, reversing the positive economic growth of recent years, with 2020's forecasted GDP falling to -4.9 percent. Authorities project a return to pre-crisis growth levels in 2022.

Currently, North Macedonia sources 100-percent of its gas supply from Gazprom, though this represents a small percentage of the country's energy needs. With funding from international financial institutes (IFIs) and the state budget, the government is looking to expand the gas distribution network throughout the country. At the same time, other projects to increase and diversify North Macedonia's gas supply through regional integration and cooperation are making tangible advancements. 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. Beyond natural gas, the government also plans to expand the country's renewable energy resources to include more solar, wind, and hydro supplies in the electricity mix. These new energy sources would reduce North Macedonia's reliance on low-quality coal resources, which make the country's electricity generation sector one of the most carbon intensive in the world.

Recognizing the value of regional markets, Western Balkan countries initiated a joint Multi-

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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. In 2020, North Macedonia and other Western Balkan countries signed Berlin Process Common Market and Green Agenda declarations, which aim to increase regional interconnectivity in different areas and to reduce carbon emissions across the region to zero by 2050. 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 State EUR/USAID E&E Joint Regional Strategy Framework Goal 2: Strengthen and Balance the Trans-Atlantic Trade and Investment Relationship and the State-USAID Joint Strategic Plan 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. 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, corruption allegations and weak implementation and enforcement of laws continued to plague economic growth. Similarly, while North Macedonia’s environmental legislation is fully aligned with EU directives, enforcement remains weak at all levels. While the Ministry of Environment is responsible for environmental policy and protection and the issuance of industrial environment permits, the ministry exercises little to no cooperation with other government agencies that possess enforcement authorities. Cognizant of these challenges, Mission Skopje also recognizes the global pandemic creates opportunities for partnerships with American businesses and academic institutions in healthcare fields to support local research and entrepreneurship in this sector. The United States will support local actors and institutions to build prosperity by strengthening competitiveness, improving access to finance and Western know-how, and streamlining

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the business environment.

Mission Objective 3.2: North Macedonia strengthens, cleans, 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. In the case of natural gas and oil products, 100 percent is imported. Deteriorating energy infrastructure, inefficient energy use, reliance on dirty and carbon-intensive coal, 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, hydro, and wind. The government passed a new energy law in mid-2018, as well as a new energy efficiency law in early 2020, adopting directives under the EU Energy Community's Third Energy Package. Full implementation of these new laws 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 new interconnectors with Greece and Bulgaria to tap into 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. On the issue of renewables and clean energy more broadly, civil society organizations have repeatedly called for a cleaner environment and have protested government inaction. U.S. support will make the energy sector more resilient to external shocks, including cybersecurity threats, and more sustainable while reducing 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 middle-income category with an annual per capita income of \$6,102 in 2020, according to the World Bank. Total trade for North Macedonia in 2019 was \$16.7 billion, with the U.S. as its 13th largest trading partner at \$360 million (with \$309 million of U.S. exports to North Macedonia and \$51 million of imports from North Macedonia).

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4. Management Objectives

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

Justification: Strategic planning for Mission Skopje personnel and space allocation has not kept pace with periods of rapid growth at the Mission or continued USAID operations, which had prior downsizing plans. 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: Post enhances workforce performance by recruiting, developing, and retaining an agile and productive local workforce, and fostering an organizational Mission culture that embraces and models innovation, accountability, and diversity.

Justification: Mission Skopje benefits from an effective, productive, and highly competent staff. Due to the Mission's excellent reputation as an employer in a constrained local labor environment, staff 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. The Mission must also cultivate acceptance and support among all staff for gender equality and full inclusion for colleagues of all religions, ethnicities, gender identities, and disabilities.

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.

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