

# USAID/Macedonia Strategic Plan Summary 2011 - 2015



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## List of Acronyms

ADS	Automated Directives System
AO	Assistance Objective
CAS	Country Assistance Strategy
CSO	Civil Society Organization
CSP	Country Strategic Plan
DG	Democracy and Governance
DOJ	Department of Justice
E&E	Europe and Eurasia
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EE	Energy Efficiency
EG	Economic Growth
ESA	Employment Service Agency
EU	European Union
FDI	Foreign Direct Investment
GDA	Global Development Alliance
GDP	Gross Domestic Product
GOM	Government of Macedonia
GONGO	Government Supported Non-Governmental Organization
HICD	Human and Institutional Capacity Development
IFC	International Finance Corporation
IR	Intermediate Result
MOES	Ministry of Education and Science
MP	Member of Parliament
MSRP	Mission Strategic Resource Plan
MSP	Mission Strategic Plan
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OFA	Ohrid Framework Agreement
OSCE	Organization for Security and Cooperation in Europe
PMP	Performance Management Plan
RE	Renewable Energy
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USG	United States Government
VMRO-	Internal Macedonian Revolutionary Organization -
DPMNE	Democratic Party for Macedonian National Unity
WB	World Bank
ZELS	Association of Local Self Government Units

# Summary

## USAID/Macedonia Strategic Plan 2011 - 2015

### Overall Strategic Priorities and Approach

Since 1993, USAID has invested over \$500 million in Macedonia's development and other U.S. Government (USG) sources provided an additional \$500 million for combined for a total of \$1 billion in assistance. The USG has supported Macedonia's efforts to increase economic growth and stability, improve the quality of education, strengthen democratic practices and institutions in Macedonia, and support implementation of the Ohrid Framework Agreement

USAID is pleased to present its new Country Strategic Plan (CSP) for Macedonia, covering the period 2011-2015. As this likely represents USAID's final strategy period in Macedonia, we will continue to engage in areas of past investment, including democracy, education, and economic growth to help ensure sustainability of reforms and progress in these areas.

USAID/Macedonia's overarching goal for the 2011 - 2015 strategy is:

**“Macedonia--- a democratic, educated, prosperous state that responds to the needs of all citizens.”**

In support of this goal, USAID has set three primary objectives:

- Greater Checks and Balances in Democratic Processes
- A Basic Education System that Better Prepares Youth for the Modern Economy and a Stable Democracy
- Increased Job-Creating Private Sector Growth in Targeted Sectors

In addition to fortifying areas of past support, USAID will make several important shifts to address Macedonia's most pressing needs. These include: (1) strengthening linkages between the education and economic growth to address the gap between labor supply and demand, (2) supporting the Government of Macedonia's (GOM's) interethnic education efforts, (3) focusing on implementation (versus drafting of new laws) of business legislation, and (4) expanding energy efficiency initiatives. Greater emphasis will be put on building the human and institutional capacity development of both government and private-sector institutions and on increasing sustainability of development impacts and potential legacy partners through enhanced use of host-country systems and local institutions and organizations.

Macedonia – a Democratic, Educated, Prosperous State that Responds to the Needs of all Citizens

Assistance Objective 1

**Greater Checks and Balances in Democratic Processes**

- Selected Intermediate Results
- **Greater Equilibrium among the Three Branches of Government at the National Level**
  - **Citizens Hold Government Accountable**

Assistance Objective 2

**An Education System that Better Prepares Youth for the Modern Economy and a Stable Democracy**

- Selected Intermediate Results
- **Expanded Workforce Skills**
  - **Enhanced Ethnic Integration in the Education Sector**

Assistance Objective 3

**Increased Job Creating Private Sector Growth in Targeted Sectors**

- Selected Intermediate Results
- **Improved Business Environment in Critical Areas (for investment)**
  - **Key Private Sector Capacities Strengthened**

## **Detailed Discussion of Assistance Objectives**

### **Assistance Objective #1: “GREATER CHECKS AND BALANCES IN DEMOCRATIC PROCESSES”**

Our Democracy and Governance (DG) program will focus on the most fundamental impediments to a functioning democracy in Macedonia. We will take a two-pronged approach to supporting greater equilibrium in democratic processes:

#### ***1. Greater Equilibrium among the Three Branches of Government at the National Level:***

USAID will focus on strengthening the independence, effectiveness, transparency and professionalism of the judicial system and improved Parliamentary oversight. Our primary goal is to increase public confidence in the rule of law and provide the necessary checks and balances to the executive.

**Judiciary Support:** USAID will work to enhance the capacity of the Judiciary to contribute to greater checks and balances in democratic processes by:

- balancing the power of the executive branch,
- serving as a check on abuses of power and protecting citizens,
- ensuring equitable treatment and respect of the human rights and freedoms of all citizens in Macedonia’s multi-ethnic society, and
- contributing to the fight against corruption.

USAID will support Macedonia’s judiciary to: strengthen its financial, administrative and professional independence so judges can decide cases based on law; resolve legal disputes in a more timely, consistent and legally correct manner; and improve the quality of court services provided to citizens. We will work to create broad-based demand and support for improved independence, effectiveness, transparency and accountability of the judiciary. USAID will also focus on improving court efficiency in adjudicating commercial disputes.

**Parliamentary Support:** USAID will enhance the capacity of the Parliament to:

- balance the power of the executive branch,
- conduct oversight of other government institutions,
- exercise its right to draft legislation,
- better understand and respond to the needs of constituents, and
- engage the public in debate and actively seek their input into legislation.

USAID also plans to help Parliament to prepare clear, enforceable legislation which has input from diverse sources. Our efforts will seek to bring greater balance between executive and legislative branch-driven initiatives. To increase citizen input, USAID will also encourage and support town hall-style meetings to improve constituency relations.

#### ***2. Citizens Hold Government Accountable:***

USAID will help citizens increase effective oversight of their government by making civil society more effective, and by promoting independent and legitimate media.

**Civil Society Support:** Civil society is an indispensable element in the democratic equation. USAID will work with Civil Society, strengthening their ability to provide greater checks and balances in the democratic process by:

- improving the ability of NGOs to monitor government,
- helping NGOs to represent the interest of citizens in the policy process, and
- increasing civic activism by providing a peaceful channel for citizens to actively participate in the political and civic affairs of the country.

We will help harness and consolidate civic initiatives to promote activism that is purposeful, organized, and results-oriented. Our assistance will engender an “oppose and propose” approach, targeting CSOs which seek to improve checks and balances in democratic processes.

**Support to the Media:** An independent and legitimate media, free from the reach of vested interests, can be a powerful force in balancing power. USAID will support media associations to help protect the individual journalists or reporters and to better represent the interests of the sector. Media also needs to be mobilized around issues and push for responsible reporting, especially concerning good practices such as fact checking. We will support media efforts to report on major social and development issues, such as the subject of checks and balances within government. Our assistance will foster increased commitment to ethics and responsible reporting, and will cover major topics such as corruption and government progress toward EU integration. A more professionalized journalist corps will enhance the legitimacy of the media in Macedonia.

### **Anticipated Results**

- The judiciary will be able to exercise a more effective role as a check on the power of the Executive branch; judges will decide cases in a timely and legally consistent manner, and citizens’ trust and confidence in the judiciary will increase.
- Parliament will be more responsive to policy input from civil society organizations and citizens; it will draft more legislation (95 percent is currently drafted in the executive branch); and it will conduct oversight of other branches of government.
- CSOs and media will play a more engaged and purposeful role in advocating change in government.
- Select CSOs, including media, will successfully promote democratic reform in the four areas of DG focus, as well as other USAID sector programs. Citizens will more actively participate in making the decisions that affect their lives, through participation in civic affairs.

## **Assistance Objective #2: “An Education System that Better Prepares Youth for the Modern Economy and a Stable Democracy”**

In the area of education, USAID will strengthen the Macedonian educational system’s capacity to provide essential skills for youth that lay the foundation for future employability, while reinforcing the appreciation for diversity that underpins a stable democracy in a multi-ethnic society. In order to better prepare youth for the modern economy and a stable democracy, USAID will focus on the following:

***Expanded Workforce Skills:*** Vocational education and training must be demand-driven and responsive to employer requirements. To reduce the gap between skills workers have and current market needs, potential employers must be engaged in workforce development. USAID will directly address the relevance of education for youth in Macedonia by:

- establishing and strengthening the vital connection between labor market needs and skills being developed through the educational system, and
- establishing centers with schools, universities, the private sector and the GOM’s employment agency that will help people learn about jobs as well as some skills that will help them get jobs.

***Enhanced Ethnic Integration in the Education Sector:*** Macedonia’s stability as a democratic multi-ethnic state, as well as the needs of a small open economy, require engagement and participation from all groups in society and the full achievement of the country’s human capital potential. An inclusive and integrated educational system will address the needs of Macedonia’s diverse population. USAID aims to reduce the inequality of learning outcomes for different ethnic groups and to address the lack of inter-ethnic interaction throughout the education system by:

- continuing its successful efforts to improve educational access and quality for the Roma population, and
- assisting the GOM with the implementation its new Strategy Toward Ethnic Integration.

### **B. Anticipated Results**

- Macedonia’s education system will produce better-educated graduates who possess work skills needed by the country’s employers.
- Community participation in the education sector will increase.
- More members of ethnic minorities will be educated and capable of entering the workforce.
- Increased inter-ethnic exposure in schools will contribute to greater inter-ethnic stability.

### **Assistance Objective #3: “INCREASED JOB-CREATING PRIVATE SECTOR GROWTH IN TARGETED SECTORS”**

USAID has a two-pronged approach to increasing private sector growth:

#### ***1. Improved Business Environment in Critical Areas for Investment:***

The GOM has instituted modern legal and regulatory frameworks, but USAID will provide assistance to facilitate their implementation by improving the efficiency and capacity of relevant government institutions. The primary focus will be on institutions and processes that facilitate increased economic activity such as foreign and domestic investment, export promotion, efficient public procurement, and improved implementation of economic development policies and programs.

**Support for Public-Private Dialogue:** USAID will support GOM efforts to improve the capacity of government institutions to engage with and respond to private sector requests, and incorporate private sector input into the policy-making process. At the same time, we will assist private sector associations to constructively participate in dialogue with the government.

**Energy Sector Support:** To increase understanding and awareness of the energy reform process and the role of energy efficiency (EE) and renewable energy (RE) in meeting Energy Community targets, USAID will work on:

- Creating an improved legal, regulatory, and policy framework for development of the energy sector;
- Residential and commercial EE interventions to reduce energy consumption and costs;
- development of a specialized workforce in the area of EE;
- supporting innovation and development of new EE and RE technologies;
- facilitation of investment in EE;
- expansion and/or creation of manufacturers/vendors of EE equipment; and
- development of services around these interventions.

#### ***2. Key Private Sector Capacities Strengthened:***

Macedonia’s private companies are the engine driving economic growth and job creation, but they still need substantial assistance to compete on global markets and provide employment for the country’s workforce.

**Increase Export Capacity:** To increase Macedonian exports, USAID will provide assistance to facilitate integration into international supply chains or establish a presence on regional and global markets. We will help companies to improve the quality of their products and services through introduction of industry standards, quality certifications and investment in new technologies. We will encourage product portfolio diversification through continuous investments in research, development and innovation. The introduction of innovative production processes, adoption of modern technologies, and

implementation of energy efficiency measures will result in productivity enhancements and reductions in production costs.

**Create Job Opportunities:** To expand and generate employment, we will help companies increase their capacity to access diversified, external sources of finance to support their expansions and upgrades. Finally, company growth cannot be achieved without solid leadership, professional management, modern business practices and skilled staff. USAID assistance in these areas will concentrate on labor-intensive industries with potential for job creation and export where Macedonia would have a competitive advantage, such as agribusiness and agriculture, light manufacturing, information and communication technology, renewable and alternative sources of energy, and service industries. Beneficiaries will range from small start-up companies to agribusinesses and established industry leaders, with special attention to those generating employment in less developed and rural areas. To ensure cost-effectiveness and sustainability, the Mission will deliver assistance through local business support organizations whenever possible. This will require significant capacity building of business service providers (e.g., business consultants, financial advisors and training providers) so they can provide high quality services even after the project ends.

**Support to Micro and Small Enterprises:** Given the high rates of unemployment in Macedonia, USAID will emphasize job creation by reviving support to micro and small enterprises, and building on the pre-existing network of micro-finance institutions. To increase their numbers and success rates, USAID will work with existing support organizations, such as incubators, to improve the quality and quantity of their services. Special attention will be given to supporting women entrepreneurs. In addition, USAID will assist the GOM Employment Service Agency (ESA) to improve the efficacy of its labor market measures in order to provide marketable skills to the unemployed, increase employment and self-employment, and facilitate new start-ups.

#### **A. Anticipated Results**

- Domestic and foreign investment will expand;
- Exports from targeted competitive, value-added industries will rise;
- Employment in targeted sectors will grow;
- Overall economic growth of Macedonia (GDP per capita) will increase;
- The GOM will implement selected laws, policies, action plans and programs that will contribute toward improved business environment for investment;
- Public-private dialogue mechanisms will raise and resolve more issues;
- Business support organizations will offer new services;
- Macedonia will comply with the Energy Community Treaty;
- Electricity tariffs will reflect costs; and
- Energy efficiency and renewable energy interventions will increase employment, investment, and new technology, and will reduce energy demand.

#### **Cross-Cutting Themes**

The following cross-cutting themes will be integrated into all USAID programs and activities designs for this strategy:

- **Gender**– While women are represented equally in micro-business development, they are relatively underrepresented in leadership positions of medium to larger businesses and even management positions in government. Women face more obstacles to active employment in rural areas and in ethnic communities. Likewise, programs that work to improve Macedonia’s judiciary, civil society, municipal governance, and education will apply gender-equity principles and disaggregation of data.
- **Vulnerable groups’ integration** – U.S. commitment to Macedonia as a multi-ethnic state and Macedonia’s own commitment to multi-ethnicity as articulated in the Ohrid Framework Agreement (OFA) and new Interethnic Education Policy will be supported in education, democracy/governance, and private sector growth programs, which will proactively ensure the inclusion of marginalized groups.
- **Regional integration** – civil society groups, private enterprises, and elements within the education sector will be encouraged to form regional alliances and coalitions based on interests, issues, and needs. Macedonia, with its limited size and small population, must foster regional partnerships to promote effective regional exchanges and trade, and stronger integration in South East Europe.
- **Human and institutional capacity development** – much of the emphasis throughout this Strategy period will focus on building the capacity of institutions and processes by which governments (local and national) and private sector organizations will use and benefit from efficient, transparent systems, to achieve irreversibility of reforms.
- **Energy efficiency** – USAID will address this theme through development of innovative technology and private sector jobs, assistance to local governments, construction permitting, school renovations and “green clubs,” among other interventions.
- **Anti-corruption** – through its promotion of transparent, electronic systems in procurement, judicial case management, and community involvement in civil society and education, USAID will attempt to support the GOM’s goal to reduce opportunities for corruption.