



Support to the Preparation of a National Strategy for Sustainable Development in
The Republic of Macedonia

Draft Final National Strategy for Sustainable Development February 2008

**Support to the Preparation of a
National Strategy for Sustainable Development
In the Republic of Macedonia**

A Sida-funded project in cooperation with the
Ministry of Environment and Physical Planning
The Republic of Macedonia

Draft Final
National Strategy for Sustainable Development for
the Republic of Macedonia
Part I/II
February 2008

***A Better Future through Change
- balanced use of our rich social, cultural and
natural heritage***

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This report has been prepared by the NSSD Project Team
(Comprising National Specialists, Local Staff, Project Management and International Specialists)

Scanagri Sweden AB - NIRAS A/S - Euroconsultants S.A.
in cooperation with the Ministry of Environment and Physical Planning of the Republic of Macedonia



Foreword

This is the final draft version of the proposal for a National Strategy for Sustainable Development for the Republic of Macedonia (NSSD).

The NSSD consists of two parts: **Part I (this report)**, which includes the overall strategic framework and **Part II (in a separate report)**, which includes the supporting strategic background.

Sustainable development implies that the needs of the present generation should be met without compromising the ability of future generations to meet their own needs. In other words, while planning our present-day existence, we should think about future generations and not deprive them of their resources.

The proposal for a National Strategy for Sustainable Development for the Republic of Macedonia is the ultimate and tangible outcome of a Sida funded Swedish co-operation project with the Ministry of Environment and Physical Planning of the Republic of Macedonia (the NSSD Project). The NSSD Project runs from mid-February 2006 to mid-February 2008.

Naturally the main aim of this co-operation project between the Government of Sweden and the Government of the Republic of Macedonia has been to ensure that the produced NSSD is as viable as possible. In this sense, emphasis is placed on focusing the context of the proposal as much as possible on the present situation of the Republic of Macedonia and fully reflects the country's development potentials. Consequently this draft proposal has been prepared by the NSSD Project Team based on a participatory and interactive strategic process **with National Specialists as the driving engine of the project and International Specialists in a support function.**

The final NSSD should ensure broad consent and a firm anchoring in all walks of life in the Republic of Macedonia. Therefore, it is decisively important that comprehensive and in-depth **sounding and hearing periods** are planned, programmed and implemented based on an interactive and participatory approach, which should involve as many stakeholders as possible such as citizens, public and private organisations, institutions, companies, and educational, research, and development institutions.

In the basic spirit of this joint co-operation project between the two Governments, there is open access to all the data, information and reports, which has been collected and prepared as part of the NSSD Project. Individuals and organisations are in this context encouraged to contact the NSSD Project Office either by mail or phone to get access to the material and/or discuss this proposal with the NSSD Team.

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Project Cover Sheet

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List of Abbreviations and Acronyms

AAR	Analysis and Assessment Report
CCSU	Cross-Cutting Support Unit
CDM	Cleaner Development Mechanisms
COC	Consolidated Conclusions
COF	Consolidated Findings
COR	Consolidated Recommendations
EU SDS	European Sustainable Development Strategy
EXS	Executive Summary
MoEPP	Ministry of Environment and Physical Planning
NSSD	National Strategy for Sustainable Development
PD	Project Director (Scanagri Sweden)
PINCR	Project Inception Report
PINTR	Project Interim Report
PIO	Project Implementation Office
PIP	Project Implementation Plan
PM	Project Management (Team Leader and Deputy Team Leader)
PSC	Project Steering Committee
PT	Project Team
RM	Republic of Macedonia
ROACH	Results – Oriented Approach to Capacity Change
SD	Sustainable Development
SDF	Sustainable Development Framework
SDFR	SD Framework Report
Sida	Swedish International Development Cooperation Agency
SWG	Sector Working Group
TL	Team Leader
TOC	Table of Contents
ToR	Terms of Reference



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1. Sustainable Development and the Republic of Macedonia

The World Commission on Environment and Development (known as the Brundtland Commission) defined sustainable development as: *“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”* It underpins the view of sustainable development of the Republic of Macedonia and sums up a number of thoughts and visions relevant to us all.

The definition continues: *“In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.”*

Sustainable development incorporates three interdependent and mutually reinforcing dimensions:

- The economic dimension (economic resources, development and growth).
- The environmental dimension (natural resources, protecting and exploiting nature sustainably, and preventing and combating pollution).
- The social dimension (social resources, solidarity, and combating poverty).

Sustainable development is an ongoing process that involves improving the integration of environmental, economic and social considerations. The Republic of Macedonia has to be a society where economic progress can go hand in hand with an improved environment. Necessary incentives and opportunities must exist that enable individuals to contribute with their own initiatives. The population should enjoy and contribute to a good framework for employment, living conditions, social conditions, and quality of life.

Sustainable development implies that society must face up to economic, environmental and social challenges simultaneously. Future generations should have at least as favourable opportunities for a good life as present generations, and a sound socially-balanced economic development must be ensured. This development must provide for greater individual freedom of action, must display respect for the limits of nature and the environment, and have no negative impacts on people’s health.

Sustainable development cannot be achieved in one country alone since we are all becoming increasingly interlinked. Therefore, global sustainable development envisions a world of economic progress, increased welfare, and better environmental protection. This development is for the benefit of all, including the less powerful and less developed parts of the world. It presupposes openness, democracy and respect for human rights. Sustainable development requires global cooperation and international solutions.



Exactly because of this, the Republic of Macedonia must not decrease its efforts on the home front. In the National Strategy for Sustainable Development, the Government presents what the Republic of Macedonia will do to ensure a society in balance. The strategy represents its response to the challenge presented at the 1992 Rio Conference, and contributes to meeting international obligations towards the promotion of sustainable development.

Sustainable development is an overall objective for European cooperation in the EU; cf. Article 2 in the Treaty on European Union, stipulating that, the objective of the Union is to “*promote economic and social progress and a high level of employment and to achieve balanced and sustainable development.*”



2. The NSSD process and its background

This final draft version of the National Strategy for Sustainable Development (NSSD) that you see before you is based on prior experiences and fulfilling obligations made by the Republic of Macedonia internationally – especially with regard to accession to the EU. The aim is to provide an effective framework through the NSSD, offering practical guidelines for the public and private sectors on how to plan and implement sustainable development and encourage an increase in domestic and foreign investments.

The strategic process is based on a participatory approach. The driving engine of the process is a selected group of highly accomplished national specialists, who each cover a sector or issues cutting across more sectors. They are the foundation stone of the entire process and they are at the centre of the changes achieved throughout the process.

The changes following the implementation of the NSSD will hopefully make the people of the Republic of Macedonia think and work in a sustainable way. This will require a more flexible approach to life and the development of society. The community should be seen as a responsible entity for development and this necessitates a transparent decision-making process that focuses on the quality of the processes for both management and participants. The sectors of society have to integrate their planning and the development should primarily be driven and financed by domestic sources.

To achieve all this, increased awareness of sustainable development is a must not just among the natural stakeholders of the strategic process but also among the people of Macedonia. The National Specialists and their working group members have strong networks, and have taken on the role of ambassadors, creating awareness alongside their other activities. They not only work in Core Working Groups but also with bigger and more widespread working groups covering many stakeholders in the Republic of Macedonia.

The basic fundament for the whole strategy development process is 11 cross-cutting sector analysis and assessment reports (AAR), which are available on request from the NSSD Project Office. They have been prepared by the National Specialists. For the sake of a more focused strategic orientation, the 11 Analysis and Assessment Reports – covering 4 Cross-cutting Support Units and 7 Sector Working Groups – have been merged into the following six main issue areas. They will constitute the strategic structure on which the NSSD is build:

1. Policy and Legal Framework (cross-cutting)
2. Environment (cross-cutting)
3. Energy (cross-cutting)
4. Rural Development (includes agriculture, forestry, and tourism)
5. Social Issues (includes employment, social care, health, and education)
6. SMiLES (including Small – and Medium-sized enterprises (SMEs), Infrastructure, Transport, and Industry)

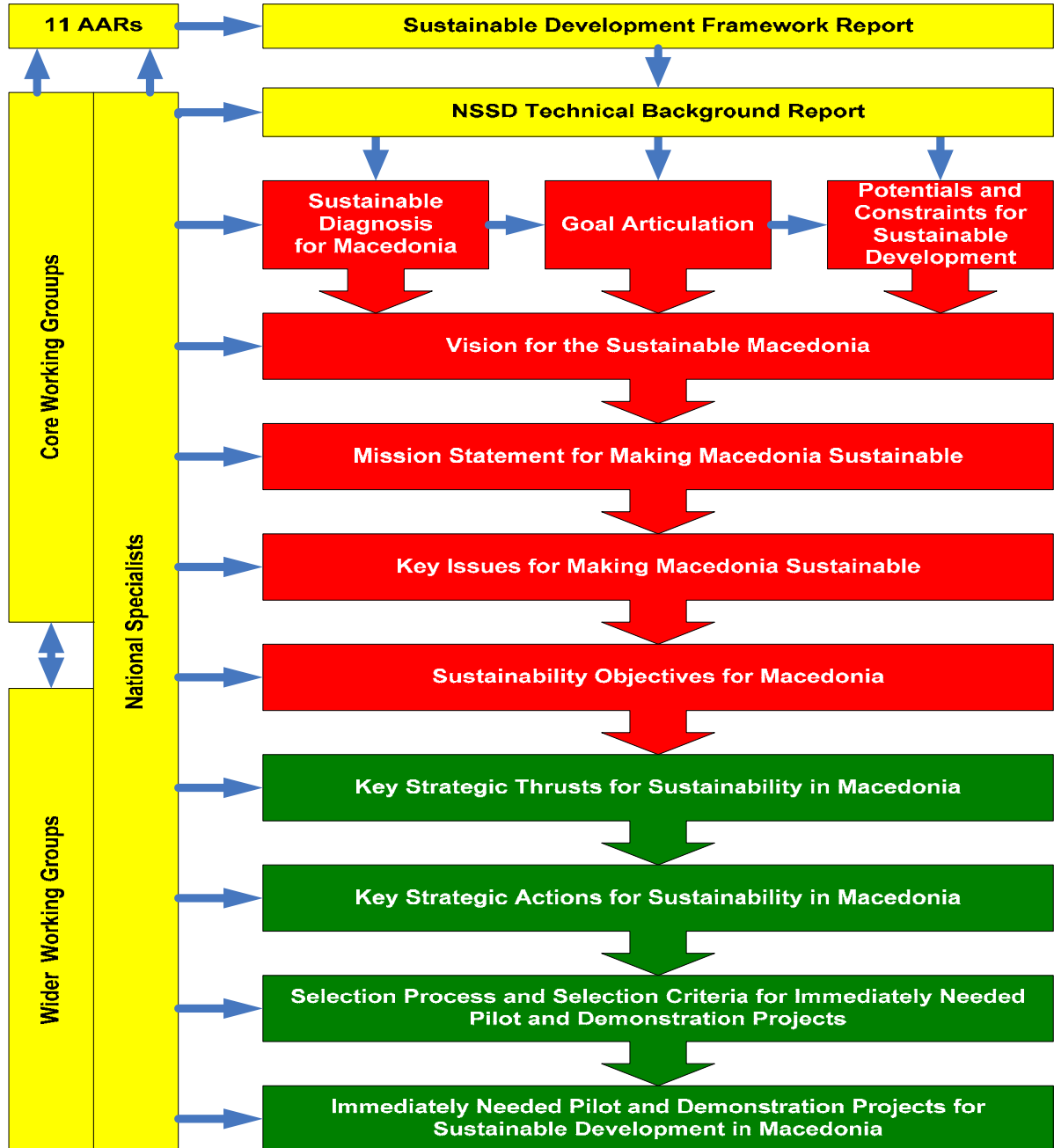


The 11 Analysis and Assessment Reports have been consolidated into a *Sustainable Development Framework Report*, which includes the following main parts, and which is available on request from the NSSD Project Office:

- The *Knowledge Platform* especially in terms of the consolidated findings and the consolidated conclusions from the 11 Analysis and Assessment Reports structured in accordance with the above six main issue areas.
- The *Enabling Environment* addressing the need for trust in the future, political willingness and capacity, legal and regulatory instruments, and an investment climate.
- The *Implementation Capacity* addressing the technical and professional capacity, the institutional and organisational capacity, and the investment and funding capacity.

The 11 *Analysis and Assessment Reports* and the *Sustainable Development Framework Report* have been consolidated into the *NSSD, Part II Strategic background and analysis*. This is the professional point-of-departure for the strategy outlined in this document.

The strategic process leading up to the NSSD is outlined in the chart overleaf, which clearly demonstrates the role of the National Specialists and their Core Working Groups and Wider Working Groups, **as the professional nucleus and driving engine of the Project.**



The NSSD Project Structured Strategic Process



3. Sustainability diagnosis for the Republic of Macedonia

3.1. EU membership is necessary

The overarching and crucial precondition for making the Republic of Macedonia sustainable is EU membership. This precondition permeates this proposal for a National Strategy for Sustainable Development. It is based on the firm belief that EU membership will strongly support sustainable development in the Republic of Macedonia, and it will be severely difficult without it. On the same note, implementing the NSSD will bring Macedonia closer to EU Membership.

The Republic of Macedonia became EU Candidate Country in December 2005 and as of September 2007 the accession process could be consolidated by the following documents:

- **8 November 2006:** *COMMISSION STAFF WORKING DOCUMENT. The Republic of Macedonia 2006 Progress Report.* The progress report and its recommendations have been addressed comprehensively and thoroughly in the *Sustainable Development Framework Report*.
- **January to March 2007:** *Quarterly report to the European Parliament January to March 2007.* In relation to the Republic of Macedonia, the report gives overview and highlights of relevance to sustainable development.
- **14 of June 2007:** *Fourth meeting of the Stabilisation and Association Committee between the EU and the Republic of Macedonia.*
- **17 July 2007:** *Javier SOLANA, EU High Representative for the CFSP, met Prime Minister Nikola GRUEVSKI of the Republic of Macedonia.*
- **6 November 2007:** *COMMISSION STAFF WORKING DOCUMENT. The Republic of Macedonia 2007 Progress Report. 6 November 2007. SEC (2007) 1432.* This is the most recent progress report, where some key issues in relation to Sustainable Development (SD) are highlighted in the following.
 - ... Overall, reforms are gradually being implemented in the area of **public administration**. However, there have been limited results, in particular due to lack of a strong commitment to meet the announced objective of a more transparent, professional and depoliticised public administration and better organised public services. Public administration remains weak and inefficient ...
 - ... Overall, the business environment for **SMEs** appears to have improved ...
 - ... In the field of **agriculture and rural development**, there has been progress in the area of policy development. Administrative capacities are moderately developed. Alignment with the Acquis is still at an early stage ...
 - ... The Republic of Macedonia has made progress in the alignment with the **transport policy**. The administrative capacity in all transport sectors remains weak. Regulatory bodies and safety authorities have yet to become operational in the fields of air and rail transport.



- ... Good progress has been made in parts of the **energy sector**, in particular in regard to the internal energy market and renewable energy legislation. However, implementation is lagging behind. The administrative capacity to enforce energy efficiency and radiation protection regulations is not sufficient and the level of independence of the energy regulators remains inadequate. Overall, the country is not sufficiently prepared.
- ... Progress can be reported in the field of **statistical infrastructure**
- ... While some progress has been made, the development of strategies, the political ownership and administrative capacity continue to be poor in the field of **social policy and employment**. Capacity to implement policy is therefore limited.
- ... There has been good but uneven progress in the field of **enterprise and industrial policy**.
- ... Progress can be reported in the area of **regional policy and coordination of structural instruments**. Substantial efforts are still needed to establish the necessary institutional and administrative capacity at central and local levels to meet the regulatory and operational requirements stemming from a cohesion policy.
- ... Progress has been made in the area of the **judiciary**, in fighting corruption and in fundamental rights. The authorities have demonstrated a stronger resolve to fight corruption, which has started to show results. However, improving the independence and the efficiency of the judiciary remains a major challenge and corruption is a deep-seated problem. In all three areas, further implementation of existing legislation is required. Persistent lack of budgetary resources limits administrative capacity ...
- ... Little progress can be reported in the area of **scientific research**, development of technology and development of a culture of technology. ... There was no substantial change in comparison to the programmes of previous years. Budgetary constraints and weak institutional capacity continue to impede the development of research. The level of private investment in scientific activities is low ...
- ... The Republic of Macedonia made good progress in this area by adopting policy measures which provide for substantial reform at all levels of the **educational system**. However, the resources to implement the policy reforms are not sufficient. The country should continue its preparations with an outlook toward future participation in the community programmes Lifelong Learning and Youth in Action....
- ... The capacity of the Ministry and municipalities to implement **industrial pollution control and risk-management measures** is still inadequate.
- ... In regards to the **administrative capacity**, the Ministry for the Environment and Physical Planning has been restructured and now comprises 7 departments and 3 regulatory bodies. Its capacity needs to be strengthened. ... The number of State environmental inspectors is insufficient to ensure proper enforcement of environmental laws. The Administrative capacity is weak, particularly at the municipal level, where there is a lack of training.
- ... Steady progress has been made on developing the **legislative framework in the field of the environment**, but implementation of the legislation remains limited, especially in areas that require major investment. A substantial amount of legislation is yet to be enacted. Administrative capacity and financial resources remain inadequate, especially at the local level. Very significant efforts are needed, including substantial investment and strengthened administrative capacity for the implementation and enforcement of the legislation.
- ... Progress has been made in this area, regarding both legislative alignment and building the institutional capacity for **consumer protection and healthcare**. Institutional capacity for implementing community-oriented public healthcare and consumer protection is appropriate. More human and financial resources are needed to allow full implementation of legislation, strategies and action plans. Overall, preparations in this chapter are moderately advanced.
- ... There has been some progress in the area of **external relations**. The institutional capacity is not yet sufficient to enable the country to participate fully in the EU policies in this area. In most areas, preparations in this area are on track.

As can be seen from above, the EU accession process is progressing with some constraints. In relation to the issues of high importance for sustainable development the two parties have put focus on the three top issues, which have also been identified through the



NSSD Project: (i) political stability; (ii) judiciary reform; and (iii) administrative capacity. However, there is still a long way to go for the Republic of Macedonia, and the NSSD should be supportive in this process.

A consolidated diagnosis of sustainability is presented in the following sections. The diagnosis is distributed on the six main issue areas mentioned previously. It is based on a consolidation of the findings, conclusions, and recommendations from the *Sustainable Development Framework Report* and the *NSSD, Part II Strategic background and analysis*.

3.2. Policy and legal framework – *the backbone of any strategy development*

The consolidated conclusions within Policy and Legal Framework can be summarised as follows:

- There is a need for development of an **integrated SD policy-making approach**, and substantial efforts need to be focused on development of an integrated policy approach that will provide enforcement of the policy.
- The lack of integrated policy approach towards SD is caused by inappropriate budget planning, **low capacity for policy-making** and no investment for capacity building. Furthermore, there are undeveloped mechanisms for policy implementation and no institutional set-up for SD promotion and implementation.
- **Lack of awareness about SD**, insufficient co-operation among the policy-makers from different sectors, as well as top-down approach of policy-making causes difficulties to incorporate the SD dimension in the sector policies. Capacity building is essential in this respect, focusing on policy and legislation at the same time.
- The existing strategic policy documents do **not sufficiently include the SD dimension**. This is clearly evident within the economic and social pillars. Enforcement of the SD Policy should imply revision of the existing strategies from the SD perspective and also inclusion of the SD component in any further elaboration of the strategic documents at national level.
- In relation to the alignment with the EU regulations in respect to SD, **the situation is especially critical in the economic and social pillars**. The basic environmental legal framework is in place, although its implementation is not supported with the necessary secondary legislation and institutional set-up.
- **The basic institutional set-up and legislation exist in many sectors**, but the operational potential of the institutions is rather limited, especially in respect to human resources and finances. The main problem with the legislation is its implementation, even



in cases when the harmonisation of the legislation with the EU has been done and technical assistance has been provided towards capacity building of the implementing institutions.

3.3. Environment – *administrative and enforcement capacity is needed*

The consolidated conclusions within Environment can be summarised as follows:

- Environment should be identified as a cross-cutting priority issue within the Government.
- **The capacity of the Ministry for Environment and Physical Planning should be strengthened** starting from the report from the EAR funded project: *Functional Analysis and Institutional Development Plan, July 2004*.
- Develop a comprehensive set of SD monitoring indicators, and establish a comprehensive spatial-based monitoring and information system.
- Strongly support, promote and implement alternative systems for preventing and improving environmental deterioration.
- **Significantly increase the implementation of passed laws**, support and force the central and local (municipalities) capacity for implementation of the laws and increase the administration efficiency;
- **Increase environmental public awareness** in relation to SD and the economic and social benefits of acting environmentally responsible in day to day life.
- **Intensify focus on environmentally friendly** alternative energy resources, ecotourism development and healthy food production. Further utilise the environmental strengths and opportunities of the Republic of Macedonia to promote regional cooperation and management.

3.4. Energy - *structural changes are needed in terms of energy sources and pricing*

The consolidated conclusions within Energy can be summarised as follows:

- A long term **National Energy Sector Development Strategy** should be adopted.
- A Study for Utilization of the **Potential Renewable Energy Sources** should be prepared.



- The concept of **market price** for energy should be introduced.
- The **energy sources** should be changed so as to incorporate greater use of natural gas and renewable energy for generating heat and electricity.
- **Structural changes in the industry** should be encouraged to favour less energy intensive industries.
- **The energy efficiency** on both supply side and demand side should be improved through targeted programs, education, training and raising awareness.
- As many as possible **Clean Development Mechanism (CDM)** projects should be hosted and a national pipeline of sustainable energy projects that are eligible for Programmatic CDM should be developed.

3.5. Rural development – *comprehensive strategic work and plans are needed*

The consolidated conclusions within Rural Development can be summarised as follows:

- General Law on **Agriculture** and Rural Development based on the SD concepts and principles is highly needed alongside a follow-up strategic plan for agriculture and rural development.
- **Strengthening of the administrative capacity** within the agricultural sector is needed especially concerning management of common market organisations and rural development activities.
- Basic instruments for managing the **Common Agricultural Policy** should especially be set up together with an EU-compliant paying agency, an Integrated Administration and Control System (IACS), and a Farm Register (FR).
- The Integrated Administration and Control System (IACS) and the Land Parcel Identification System (LPIS) need proper organisation.
- Provide sustainable conditions for improvement of the socio-economic environment in the rural communities to avoid migration and reduce poverty.
- Despite its potential and importance for Macedonia, **Forestry** is in a dire state and is not playing the role it should for the country's development. However, a *Strategy for Sustainable Forestry Development* has been adopted by the Government in June 2006.



- A National Strategy for **Tourism** for the period 2008-2012 is in the phase of preparation. It should be adopted in February, 2008. Having in mind the current situation in the tourism sector in Macedonia it should include identification and design of target oriented tourist programmes that will serve as a competitive tool on international tourist markets. It should combine the available tourist potentials of the country in an optimal manner.
- Appropriate human resources for tourism, improved transport, infrastructure and better functioning of the sector in terms of involvement, cooperation and coordination of stakeholders is especially needed for tourism.

3.6. Social issues – *unemployment is the key issue*

The consolidated conclusions within Social Issues can be summarised as follows:

- **Unemployment** is a multi-dimensional problem in the Republic of Macedonia due to its high rate and persistent character. Labour market reforms should be in compliance with the basic principles set in the *European Sustainable Development Strategy (EU SDS)* and the *Lisbon Strategy* because of the EU perspective for the country. The education system should be reformed to increase the quality of educational outcomes, providing a labour force that will match the labour market demand.
- There is need for additional financial and other recourses for **primary and secondary education**. Public spending on education was increased with the 2007 budget by 16.2%. This positive trend should continue in order to reach a similar level of educational spending relative to GDP within the EU countries. However, it is essential that the efficiency of spending in terms of outcomes is increased.
- Implementation of the **laws and strategies on education** should continue. The implementation will require both strong political will and sufficient administrative capacity. The accession process requires actions in areas such as: participation in community programmes, education of children of migrant workers, and development of quality education. The shortcomings identified in the European Commission Progress Reports, as well as the priorities of the European Partnership, should be addressed with urgency.
- There is need to remodel the policy for **higher education**, with a focus on SD dimension. In this respect, coordination with other economic and social policies is necessary in order to provide consistent policies aiming at higher economic growth and sustainable development. Improvement of legal framework for higher education is already in progress. In this regard, the key institutions, the ministry, the council and the universities should speed up the implementation of the Bologna Process.
- The Government has taken important steps to reform the **health and consumer protection sector**. Effective implementation of the National Health Strategy and the Program for Consumer Protection will result in improved service delivered on sustainable



basis. The Government should take measures to improve and promote public health, especially with respect to equitable access to health services for all, and ensure compliance with the EC Communication on Public Health Emergencies at EU Level. Additional resources are needed for capital investments that would improve the technology and capital stock used in the health sector. Modern technology in the health sector can greatly improve the accessibility and quality of health services. **There is a need to streamline the management of responsibilities currently fragmented between different ministries and bodies.**

3.7. Small–and medium-sized enterprises (SMEs), infrastructure and industry (SMILES) – as *the solid industrial basis*

The consolidated conclusions within SMILES can be summarised as follows:

- In relation to **infrastructure and transport**, the Government should continue to accomplish the national programme, implement the new law for integrated water management, and provide financial support for the public transport enterprises. There is apparently a lack of political will for accomplishing this task. A transport strategy should be implemented. Besides development of European corridors, the Government should focus on developing an internal transport network in the Republic of Macedonia. The Government should prepare an investment strategy for improving and constructing an environmental and communal infrastructure (water supply systems, sewage systems, wastewater treatment plants, and integrated municipal solid waste management).
- **Industrial sectors** with special focus on export should be supported. Focus should be put on new cross-cutting industrial sectors such as agribusiness. The future role of the metal industry should be comprehensively assessed in relation to SD. In line with this, focus should be put on developing technology that supports SD.
- **SMEs** legal framework and business climate should be improved. In that respect, efforts should focus on fast and simple approval procedures. The current state policy on investments is almost solely focused on attracting Foreign Direct Investment (FDI), while the domestic potential is neglected. Therefore, stimulation of domestic investment will provide good effects; also because it usually makes a country additionally attractive for FDI. Highest SME potentials are in the following sectors: tourism, industry (textile, machine, automobile, energy, and transport), agriculture (primary production and bio-fuels), and food production (conservation, vine, cheese, tobacco, ancient recipes –food, herbal etc.), and crafts (art-craft, wood-carving, cultural services). In this context it is necessary to foster and support entrepreneurship; using the benefits of the information and communications technology; exploit modern technological development and R&D; ensure cost-effective use of energy and other raw materials; and enhance human capital and realising its potential.



3.8. Comprehensive sustainability diagnosis for the Republic of Macedonia

The following gives a comprehensive sustainability diagnosis for the Republic of Macedonia. The diagnosis is based on the *Sustainable Development Framework Report* and the *NSSD Part II: Strategic background and analysis* summarized in the consolidated findings, conclusions, and recommendations above.

A basic precondition for changing a country and a society in the direction of sustainable development is without a doubt that the politicians, public and private decision makers, and the wider public is aware of, understands and accepts the concepts and principles of sustainable development. Looking at the Republic of Macedonia, there seems to be limited awareness, understanding and acceptance of the concepts and principles of sustainable development in the wider public and amongst local and regional politicians and decision-makers with a few significant exceptions. As for national politicians and national public and private decision-makers, a growing awareness can be traced and this interest has been stimulated by the NSSD Project to some extent. However, the overall will to take the necessary steps towards a sustainable society is not yet significantly present amongst national politicians and national public and private decision-makers.

As stressed previously, **EU accession** is regarded as the overarching precondition for making the Republic of Macedonia sustainable. As for the importance of the EU accession, there is strong awareness and commitment amongst national politicians and national public and private policy makers, and to some extent amongst local and regional politicians and public and private decision-makers. It is also very important that the wider public understands and is strongly committed to EU accession.

In terms of sustainable development, the Republic of Macedonia basically benefits from being a **developing economy** as resources have not yet been overexploited. Furthermore, there is only severe pollution stemming from point sources related to industrial and agricultural production. Consequently the rich natural and cultural resources of the Republic of Macedonia are fairly unspoiled at present. In the context of sustainable development this means that only point-wise and not severe remediation and clean-up activities are needed, and the strategies consequently should concentrate on change and prevention.

In summary the comprehensive sustainable development diagnosis for the Republic of Macedonia can be outlined as follows:

- Limited awareness, understanding and commitment to sustainable development.
- Fairly widespread commitment to EU accession on the state level.



- Favourable point of departure with rich and fairly unspoiled natural and cultural resources.
- High and widespread unemployment.
- Health sector in need for significant improvement and strategic direction.
- Educational sector in need for significant improvement and strategic direction.
- Energy, agriculture and forestry sector in need of strategic redirection.
- Tourism sector, with high potential, but in need of structured strategic work and planning.
- Water, wastewater and solid waste systems in need of significant improvement.
- Significant upgrading of railroad network is needed.
- Road planning and construction in need of strategic focus.
- Industrial development including especially the important SMEs in need of strategic redirection and focus.
- Comprehensive and in-depth organisational development and institutional strengthening needed for all walks of public life including policy making, preparation of legal and regulatory framework, strategic planning, administration, monitoring and enforcement.



4. Goals, directions and guiding principles for making the Republic of Macedonia Sustainable

In the following section, the goals, directions, and guiding principles for making the Republic of Macedonia have been identified and formulated based on the previous sustainability diagnosis and identification of key challenges in the *NSSD Part II, Strategic background and analysis*.

Sustainable development is a precondition for the development of the Republic of Macedonia. However, as stressed several times, the overarching goal and direction for making the Republic of Macedonia sustainable is EU accession as soon as possible.

Furthermore, **the goals and directions should start from the rich and fairly unspoiled natural and cultural resources of the Republic of Macedonia.**

Following this, the goal should address mutually supportive and sustainable integration of the tourist, agricultural and industrial sectors with a sustainable supportive function from the energy sector and the infrastructure and transport sector. The environmental sector will be cross-cutting supportive of the said integration. It is important to remember that sustainable development is a continuous process, which requires permanent adjustments, monitoring and improvements.

With the aim of making the NSSD as viable as possible, it builds on the following three mutual supporting guiding principles, which are illustrated in the chart overleaf. :

- **Guiding Principle No. 1:** The Government should function in an **innovative supporting and guiding role** in relation to the Municipalities and the private sector, which has the operational role in relation to making the Republic of Macedonia Sustainable.
- **Guiding Principle No. 2: E-government** should be introduced covering national as well as regional and local government in order to ensure transparency and efficiency, and as a strong tool in relation to faster and more effective processing of sustainable development projects from the public as well as from the private sector.
- **Guiding Principle No. 3:** Focus in the short term should be on projects and activities, which **target the well educated work force**, in order to avoid further brain drain, and to possibly attract Macedonians abroad who are highly skilled, well educated and highly prospective. Furthermore, these projects and activities, with a high level of knowledge and innovation, should be the locomotive pulling the more traditional development venues described in detail in the *NSSD Part II: Strategic background and analysis*. Development of e-government could be one of the first boosters of these guiding principles, with a domestic as well as regional commercial potential.



The National Strategy for Sustainable Development for the Republic of Macedonia

Guiding Principle No. 1

The Government sets the direction and supports the process, with the Municipalities and the private sector as the operational units

Guiding Principle No. 2

E-government is introduced at national, regional and local level in order to ensure transparency and efficiency

Guiding Principle No. 3

First focus group are the well educated Macedonians at home as well as abroad

The Viability Assessment of Making the Republic of Macedonia Sustainable

The Three Guiding Principles for the National Strategy for Sustainable Development for the Republic of Macedonia



5. Objectives and strategic thrusts for making the Republic of Macedonia Sustainable

With reference to the previous chapters the main **constraints** for making the Republic of Macedonia sustainable can be summarised as follows:

1. Limited understanding, awareness, and commitment to the concepts and principles of sustainable development.
2. Not fully developed sustainable development (SD) supporting policy framework.
3. Not fully developed SD supporting legal and regulatory framework.
4. Weak capacity for the cross-cutting and integrated working approach that SD implies.
5. Weak capacity in public organisations and institutions for SD based strategic work, planning, administration (including processing of SD based applications and projects), and enforcement.
6. Not ready available domestic and foreign funds and investments for SD projects and activities and a weak banking sector in terms of processing SD based projects.
7. Weak engineering and construction capacity for implementing SD based projects.

In the following chart, a proposal for the overall strategy is given. It is evident, that the overall objectives focus on EU accession. For operational purposes, objectives and strategies will be formulated using the headings Specific, Measurable, Accurate, Realistic, and Time-bound, the so-called *SMART Way*.

The proposal for the overall strategy, as given in the chart overleaf, comprises of two main parts:

- **Long-term, Intermediate and Short-term objectives**, which timely address the important issue of EU accession as well as making the Republic of Macedonia sustainable.
- **Seven Strategic Thrusts**, which based on the Three Guiding Principles in the previous chapters, in three prioritised and time bound levels address what to focus on in order to make the Republic of Macedonia sustainable. They should cover the three main pillars: economic sustainability, social sustainability and environmental sustainability.

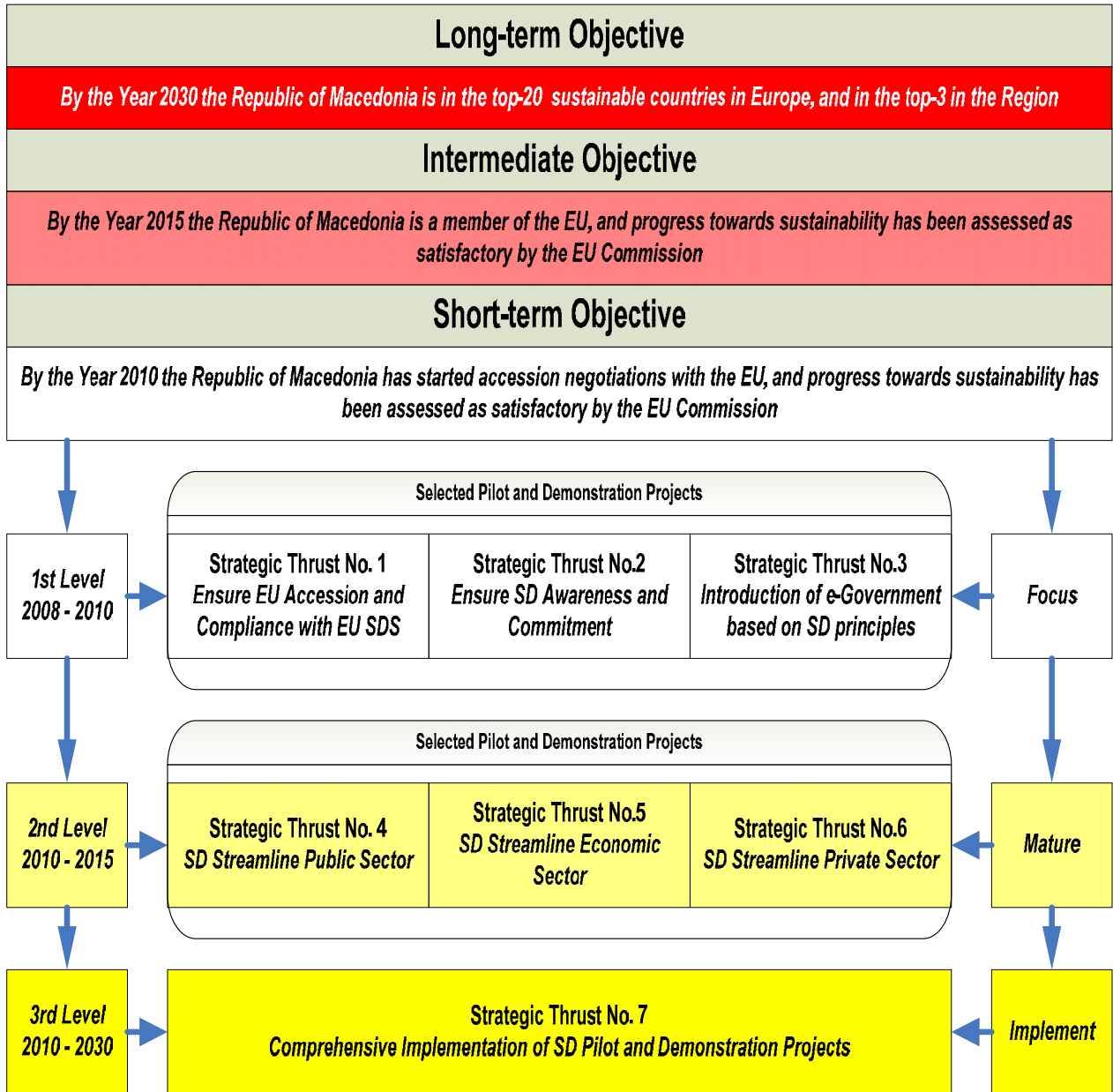
The 1st Level from 2008 to 2010, with the heading **Focus**, should be the booster and starter of the SD development process by focusing on the important EU accession, the importance of ensuring understanding and commitment, and last but not least e-government as the starting key instrument for ensuring transparency and efficiency, and thus support the processing of SD



projects and activities. Alongside this focus, a selected number of pilot and demonstration projects should be implemented.

The 2nd Level from 2010 to 2015, with the heading ***Mature***, addresses the important issue of maturing the public, economic and private sector for SD. This has already been identified as one of the key constraints for SD in the Republic of Macedonia. Consequently, this SD streamlining of the said sectors is a basic precondition for making the Republic of Macedonia sustainable through projects and activities. Pilot and demonstration projects are selected and implemented at this level too.

The 3rd Level from 2015 to 2030, with the heading ***Implement***, addresses a more comprehensive selection and implementation of pilot and demonstration projects based on lessons learned from the implementation of pilot and demonstration projects in the 1st and 2nd Level. This should be one of the major implementation and guidance tools of the Government in relation to the municipalities and the private sector. The latter ones having the main role and responsibilities in relation to the operational part of making the Republic of Macedonia sustainable.



National Strategy for Sustainable Development in the Republic of Macedonia



Based on the previous findings and conclusions **Seven Strategic Thrusts** are proposed, which should take advantage of the potentials in the country and overcome the constraints to achieve the overall objectives, based on the Three Guiding Principles. The main idea behind the Seven Strategic Thrusts is, as previously mentioned, to prepare and mature the Republic of Macedonia for sustainable development as a basic precondition for actually implementing SD actions and projects.

In this context the Seven Strategic Thrusts address:

1. The important issue of ensuring EU accession.
2. Raising awareness and commitment to sustainable development covering all walks of life in the Republic of Macedonia.
3. Introduction of E-government as the key SD implementation tools and as the key booster of the commercial process.
4. Streamlining the public sector through organisational development and institutional strengthening based on the concepts and principles of SD including cross-cutting and integrated strategic and participatory work. This is also to ensure that SD activities and projects can be processed and approved expeditiously.
5. Streamlining the banking, funding and financial infrastructure in the same context, so that investment and running costs are readily available for SD projects and activities.
6. Streamlining the private sector so that the private sector is developing based on SD principles, and that engineering, construction and other supporting private companies have the capacity to plan, design and implement/construct projects and activities based on the principles of SD.
7. Identifying a number of demonstration and pilot projects early on during implementation of the NSSD. These should be used as practical demonstration of costs and benefits of SD based development. They will function as integrated and good examples in the awareness and commitment raising activities. Furthermore, they will provide guidance and inspiration in relation to the municipalities and the private sector, which will have the main role and functioning in relation to the operational part of making the Republic of Macedonia sustainable.



6. Strategic Actions for Making the Republic of Macedonia Sustainable

In the following section the main strategic actions needed to reach each of the Seven Strategic Thrusts are elaborated.

1st Level 2008 – 2010: *Focus*

Strategic Thrust No. 1: *Ensure EU Accession and Compliance with EU SDS*

- *Strategic Action No. 1.1:* With point of departure in the general status of the EU alignment and accession process, prepare a comprehensive and cross-cutting assessment in relation to SD.
- *Strategic Action No. 1.2:* Based on this, identify the most important gaps for SD especially concerning the critical path for EU accession. Discuss this with high level EU executives in terms of EU accession.
- *Strategic Action No. 1.3:* Based on this, prepare and have the Government and the Parliament approve and endorse, a time bound and resource allocated proposal for a SD Specific Road Map for EU Accession.
- *Strategic Action No. 1.4:* Have this SD Specific Road Map for EU Accession endorsed by EU.
- *Strategic Action No. 1.5:* Find a suitable organisational framework, and implement the SD Specific Road Map for EU Accession including a number of selected pilot and demonstration projects with high impact, demonstration and replication value.

Strategic Thrust No. 2: *Ensure SD Awareness and Commitment*

- *Strategic Action No. 2.1:* Prepare a comprehensive assessment of SD awareness and SD commitment covering all walks of life in the Republic of Macedonia including national, regional and local politicians and decision makers, top executives in the banking sector, top executives in the private sector, top executives in the educational sector, NGOs and the wider public of the Republic of Macedonia.
- *Strategic Action No. 2.2:* Based on this, prepare a comprehensive, time bound and resource allocated plan for raising SD awareness and commitment.
- *Strategic Action No. 2.3:* Find a suitable organisational framework, and implement the SD Awareness and Commitment Raising Programme including a number of selected pilot and demonstration projects with high impact, demonstration and replication value.

Strategic Thrust No. 3: *Introduction of e-Government based on SD Principles*

- *Strategic Action No. 3.1:* Review the *National Strategy and Action Plan for Information Society Development* from April 2005 and *Internet and Computer Usage Survey in the Republic of Macedonia* from April 2007.
- *Strategic Action No. 3.2:* Prepare a comprehensive assessment of CIT (Communication and Information Technology) capacity and qualifications covering the public as well as the private sector, and covering domestic resources as well as Macedonian resources



abroad, and covering consulting companies as well as research and development organisations and institutions, and universities.

- *Strategic Action No. 3.3:* Set up a cross-cutting rapid-working task force covering the above resources and with the aim of detailing and making operational this Strategic Thrust. In this connection the rapid-working task force should have a dual focus. Firstly, how to make operational e-Government in the Republic of Macedonia. Secondly, and equally important how to benefit commercially from this as a partnership between the public and the private sector in the Republic of Macedonia. In connection with both of these dual aims a special cutting edge focus, which could give the public as well as the private sector of the Republic of Macedonia a competitive advantage that could be commercialised, could help develop advanced CIT-based decision-support systems for public as well as private decision-makers in relation to programming and managing sustainable development. Program and implement a number of selected pilot and demonstration projects with high impact, demonstration and replication value.

2nd Level 2010 – 2015: Mature

Strategic Thrusts No. 4: SD Streamline Public Sector

- *Strategic Action No. 4.1:* Based on already available analysis, prepare a comprehensive organisational and institutional SD capacity assessment covering all horizontal and vertical levels of the public sector. In order for this to be done within a limited timeline and with limited public resources, this assessment should be based on the concepts and principles of self-assessment.
- *Strategic Action No. 4.2:* Based on this, identify the most important gaps and especially the critical path in terms of the necessary organisational development and institutional strengthening. Have this discussed and endorsed within the Government and with the Parliament.
- *Strategic Action No. 4.3:* Based on this, prepare, and have the Government and the Parliament approve and endorse, a time-bound and resource-allocated proposal for a comprehensive SD Public Sector Organisational Development and Institutional Strengthening Programme. As it is fairly likely that EU will fund a part of such a programme as an integrated part of the accession process, the possibilities for this should be investigated as early as possible in the above process.
- *Strategic Action No. 4.4:* Set up a cross-cutting implementation organisation and implement the SD Public Sector Organisational Development and Institutional Strengthening Programme including a number of selected pilot and demonstration projects with high impact, demonstration and replication value.

Strategic Thrusts No. 5: SD Streamline Financial Infrastructure Sector

- *Strategic Action No. 5.1:* Based on already available analysis, prepare a comprehensive assessment of the willingness and capacity of the financial infrastructure sector for funding and financing SD based investment costs and running costs. This assessment should cover public as well as private funding and financing sources, domestic as well as international.
- *Strategic Action No. 5.2:* Cost recovery within certain public services such as water provision, wastewater handling and treatment, and solid waste disposal is a basic pre-



condition for the EU. Therefore, a comprehensive Affordability and Willingness to Pay Assessment should be prepared. It should be segmented geographically as well as income and turnover wise, and cover private enterprises as well as the public at large. This should be supplemented with Socio – Economic Analysis when deemed necessary.

- *Strategic Action No. 5.3:* Based on the above two assessments, identify the most important gaps and especially the critical path in terms of capacitating the economic sector for SD projects and activities. Have this discussed and endorsed within the Government and with the Parliament.
- *Strategic Action No. 5.4:* Based on this, prepare a time-bound and resource allocated Plan of Action for Capacitating the Financial Infrastructure Sector for SD Projects and Activities in close co-operation with all the key players within the economic sector. Have the Government, the Parliament and all executive entities within relevant private sectors approve and endorse this plan of action. As it is fairly likely that EU will fund a part of such a plan of action as an integrated part of the accession process, the possibilities for this should be investigated as early as possible in the above process.
- *Strategic Action No. 5.5:* Set up a cross-cutting implementation organisation and implement the Plan of Action for Capacitating the Financial Infrastructure Sector for SD Projects and Activities including a number of selected pilot and demonstration projects with high impact, demonstration and replication value. In this context it is important to distribute and jointly agree about the executive power and implementation responsibilities, and the funding responsibilities, between the public sector and the private sector.

Strategic Thrusts No. 6: *SD Streamline Private Sector*

- *Strategic Action No. 6.1:* Based on already available analysis, prepare a comprehensive assessment of the SD capacity of the private sector in close co-operation with high level private sector representatives covering all SD relevant private sector institutions and organisations.
- *Strategic Action No. 6.2:* Again, in close co-operation with the private sector, identify the most important gaps and especially the critical path in terms of the necessary SD capacitating of the private sector. Have this discussed and endorsed within the Government and with the Parliament and in relevant executive boards within the private sector.
- *Strategic Action No. 6.3:* Based on this, prepare a time-bound and resource-allocated Plan of Action for Capacitating the Private Sector for SD Projects and Activities in close co-operation with all the key players within the private sector. Have the Government and the Parliament, and all relevant private sectors executive entities approve and endorse this plan of action. As it is fairly likely that the EU will fund a part of such a plan of action as an integrated part of the accession process, the possibilities for this should be investigated as early as possible in the above process.
- *Strategic Action No. 6.4:* Set up a cross-cutting implementation organisation and implement the Plan of Action for Capacitating the Private Sector for SD Projects and Activities including a number of selected pilot and demonstration projects with high impact, demonstration and replication value. In this context it is important to distribute



and jointly agree about the executive power and implementation responsibilities and the funding responsibilities, between the public sector and the private sector.

3rd Level 2010 – 2030: Implement

Strategic Thrusts No. 7: Implement SD Pilot and Demonstration Projects

- *Strategic Action No. 7.1:* Set up the selection criteria and the selection model for selecting SD demonstration and pilot projects feasible in a Macedonian context. Selection criteria should:
 - Cover the three pillars, environmental impact, socio-economic impact and economic impact.
 - Encompass the time framework in the sense that projects, which are easy to implement and have a quick SD effect, could be given first priority.
 - Prioritise projects, which are widely replicable in the Republic of Macedonia, have wider public and political support, and are thus easy to implement.

The selection criteria and the selection model should be discussed and agreed upon in an open source process with as many as possible of the SD key stakeholders in the Republic of Macedonia. This process should be started already at the 1st Level and preliminary selection criteria and selections models should be tested through 1st and 2nd Level.

- *Strategic Action No. 7.2:* Identify as many potential demonstration and pilot projects as possible in an open source process, where all walks of life in the Republic of Macedonia participate. Prepare these projects to a pre-feasibility level and publish them in an easy accessible and readable publication, and on the Internet. A number of potential SD demonstration and pilot projects have already been identified through the NSSD Project.
- *Strategic Action No. 7.3:* Put these potential demonstration and pilot processes through the selection process and rank them accordingly.
- *Strategic Action No. 7.4:* Discuss and agree about the ranking with as many SD key stakeholders in the Republic of Macedonia as possible in an open source process, and identify and commit champions for each of the agreed projects.
- *Strategic Action No. 7.5:* Prepare the final selected demonstration and pilot projects to a feasibility level including organisational set-up and financing of investment as well as running costs.
- *Strategic Action No. 7.6:* Set-up an overall executive and monitoring organisation for the selected demonstration and pilot projects, and implement the projects.
- *Strategic Action No. 7.7:* At completion, assess the SD impact of the projects and continue the already implemented projects and/or identify new demonstration and pilot projects based on this.



7. Organisational and implementation framework for making the Republic of Macedonia Sustainable

As has been stressed several times, proper sustainable development addressing the three pillars of the economy, the society and the environment, is based on a cross-cutting, integrated, participatory and holistic strategic approach. Consequently, it is not conducive for making SD operational to allocate programming and management responsibility in one single Ministry or in one single organisation.

Therefore the first step in making the Republic of Macedonia sustainable is to set up the already planned **National Council for Sustainable Development (NCSD)** with a resourceful, competent, and efficient Secretariat, which in time could develop into a proper Agency for Sustainable Development. The NCSD should be set up as early as possible in 2008, so it is able to interact with and benefit from the knowledge and resources of the NSSD Project. This secretariat should be provided with governmental executive power, and in line with this it is proposed that the NCSD should be chaired by the Prime Minister, and should include all relevant ministries. In accordance with *Guiding Principle No. 1* it should also include executive representatives from the municipalities as well as from the private sector. Furthermore, it is recommended that other key SD stakeholders including civil society should have representatives in the NCSD.

The **Agency for Sustainable Development** could be established through merging and further development of existing agencies as the Agency for Spatial Planning, the Agency for Promotion of Entrepreneurship, the Agency for Energy Efficiency, the Agency for Sport and Youth and other agencies addressing and dealing with sustainable development.

In the short run the secretariat function of the NCSD could be placed in the planned Secretariat for Informatics Society, which then should be renamed the **Secretariat for Informatics and Sustainable Development Society**.

As ICT is a key tool in making the Republic of Macedonia sustainable it is proposed that the **National ICT Council**, proposed in the *National Strategy and Action Plan for Information Society Development*, **should be merged with the NCSD**.

The first task of the NCSD should be to carefully review this final draft NSSD and thus make directions for its revision, detailing, finalisation and implementation. In this connection it is important to underline the dynamic concept behind this NSSD, which entails that it should be continuously assessed and respond to changes, through the preparation of **annual national strategic working plans** by the NCSD with point of departure in this NSSD.

In order to **monitor** the implementation of the NSSD, and consequently the progress in ensuring sustainable development for the Republic of Macedonia, a set of indicators are needed. In Annex No. 1 a set of SD Indicators are given that address the EU Indicators as well as the country specific indicators.



8. Incremental costs and financing for implementing the overall sustainable development strategy for the Republic of Macedonia sustainable

With reference to the seven strategic thrust, and the 31 strategic actions, the following include a first overall preliminary estimation of the incremental costs related to implementing the overall strategic framework given in this 1st generation NSSD.

1. Strategic Action No. 1.1: 200,000 € in consultancy fee and ½ Man Year of Government Staff
2. Strategic Action No. 1.2: 50,000 € in consultancy fee and ½ Man Year of Government Staff
3. Strategic Action No. 1.3: 3 Man Months of Government Staff
4. Strategic Action No. 1.4: 1 Man Month of Government Staff
5. Strategic Action No. 1.5: 5 Man Years of Government Staff

6. Strategic Action No. 2.1: 100,000 € in consultancy fee and ½ Man Year of Government Staff
7. Strategic Action No. 2.2: 30,000 € in consultancy fee and ½ Man Year of Government Staff
8. Strategic Action No. 2.3: 1 Man Year of Government Staff, and 500,000 € in direct costs

9. Strategic Action No. 3.1: 10,000 € in consultancy fee and 2 Man Months of Government Staff
10. Strategic Action No. 3.2: 100,000 € in consultancy fee and ½ Man Year of Government Staff
11. Strategic Action No. 3.3: 200,000 € in consultancy fee, 2 Man Years of Government Staff and 4 million € in direct costs

12. Strategic Action No. 4.1: 100,000 € in consultancy fee and 4 Man Years of Government Staff
13. Strategic Action No. 4.2: 20,000 € in consultancy fee and 1 Man Year of Government Staff
14. Strategic Action No. 4.3: 3 Man Months of Government Staff
15. Strategic Action No. 4.4: 300,000 € in consultancy fee and 5 Man Years of Government Staff

16. Strategic Action No. 5.1: 200,000 € in consultancy fee, 2 Man Years of Government Staff, and 2 Man Years of economic sector staff
17. Strategic Action No. 5.2: 300,000 € in consultancy fee and 3 Man Years of Government Staff
18. Strategic Action No. 5.3: 50,000 € in consultancy fee, ½ Man Year of Government Staff and ½ Man Year economic sector staff
19. Strategic Action No. 5.4: 50,000 € in consultancy fee, ½ Man Year of Government Staff and ½ Man Year economic sector staff
20. Strategic Action No. 5.5: 100,000 € in consultancy fee, ½ Man Year of Government Staff, ½ Man Year economic sector staff, and 500,000 € in direct costs

21. Strategic Action No. 6.1: 200,000 € in consultancy fee, 1 Man Year of Government Staff and 1 Man Year private sector staff
22. Strategic Action No. 6.2: 50,000 € in consultancy fee, ½ Man Year of Government Staff and ½ Man Year private sector staff
23. Strategic Action No. 6.3: 50,000 € in consultancy fee, 1 Man Month of Government Staff and 1 Man Month private sector staff
24. Strategic Action No. 6.4: 100,000 € in consultancy fee, ½ Man Year of Government Staff, and ½ Man Year private sector staff, and 500,000 € in direct costs

25. Strategic Action No. 7.1: 100,000 € in consultancy fee and 1 Man Year of Government Staff



26. Strategic Action No. 7.2: 300,000 € in consultancy fee, 1 Man Year of Government Staff, 1 Man Year of Municipal Staff, 1 Man Year private sector staff, 1 Man Year economic sector staff, and 1 Man Year other key SD Stakeholders
27. Strategic Action No. 7.3: 100,000 € in consultancy fee, ½ Man Year of Government Staff, ½ Man Year of Municipal Staff, ½ Man Year private sector staff, ½ Man Year economic sector staff, and ½ Man Year other key SD Stakeholders
28. Strategic Action No. 7.4: 50,000 € in consultancy fee, ½ Man Year of Government Staff, ½ Man Year of Municipal Staff, ½ Man Year private sector staff, ½ Man Year economic sector staff, and ½ Man Year other key SD Stakeholders
29. Strategic Action No. 7.5: 500,000 € in consultancy fee, ½ Man Year of Government Staff, ½ Man Year of Municipal Staff, ½ Man Year private sector staff, ½ Man Year economic sector staff, and ½ Man Year other key SD Stakeholders
30. Strategic Action No. 7.6: 50,000 € in consultancy fee, 1 Man Year of Government Staff, 1 Man Year of Municipal Staff, 1 Man Year private sector staff, 1 Man Year economic sector staff, 1 Man Year other key SD Stakeholders, and 20 million € in direct costs
31. Strategic Action No. 7.7: 100,000 € in consultancy fee, 2 Man Year of Government Staff, 2 Man Year of Municipal Staff, 2 Man Year private sector staff, 2 Man Year economic sector staff, 2 Man Year other key SD Stakeholders, and 10 million € in direct costs

As can be seen from above, the overall incremental costs for implementing the NSSD are preliminary assessed and distributed on the different resources needed:

- Consultancy Fee: 3.41 million €
- Direct Costs: 35.5 million €
- Government Staff Resources: 436 Man Months
- Municipal Resources: 66 Man Months
- Economic Sector Resources: 108 Man Months
- Private Sector Resources: 91 Man Months
- Other Key SD Stakeholder Resources: 66 Man Months

In addition it is recommended that 10 million € is set aside for Immediately Needed Pilot and Demonstration Projects in 1st and 2nd Level, and 30 million € in 3rd Level.

As for **financing consultancy fee and direct costs** it is recommended that EU be approached in relation to accession funds, Sida be approached in relation to costs in connection with the direct follow up of this project, and sponsors and private companies are approached in relation to funding the pilot and demonstration projects.



9. Immediately needed pilot and demonstration projects for boosting sustainable development in the Republic of Macedonia

With reference to Chapter 8, pilot and demonstration projects are envisioned in the overall strategy as one of the strongest instruments in moving the Republic of Macedonia towards sustainability.

With point of departure in Part II of the NSSD, which describes the supporting strategic framework, **a number of immediately needed pilot and demonstration projects, have been identified and prioritised as given in Annex No. 2.** These proposed projects in the proposed priority, aim at functioning as a powerful booster of the process through their demonstration, impact and replication value.

Part II of the NSSD encompasses **a long list of valid projects** addressing the strategic framework with point of departure in the sustainability diagnosis and the key challenges assessment. In accordance with the strategic framework concept supported by this 1st generation NSSD, the said list and the list in Annex No. 2 are only preliminary lists which should be reviewed and amended as part of the public participation project, and based on the selection criteria defined through this strategy. In short, as part of the upcoming process, **projects could be taken out or added to both lists.**

In this connection **ownership and commitment** from a given group - being civil society, private sector, political, educational, research and development - to a project idea is a very strong selection criterion. Naturally the availability of funds for projects will also be a very strong selection criterion.

Consequently, and with reference to the above, **the identification and agreement about selection criteria and selection calculation is a very important first step before funding any pilot or demonstration project.**



Support to the Preparation of a National Strategy for Sustainable Development in
The Republic of Macedonia

Draft Final National Strategy for Sustainable Development February 2008

Annex No.1

Annex No. 1

Key Indicators for Sustainable Development In the Republic of Macedonia



No	Ref.	Indicator	Origin
Policy and Legal Framework (cross-cutting)			
P&LF			
1	P&LF 1	Transposition of Community Law, by policy area	EU SDS: 9. Good Governance III
2	P&LF 2	Administrative cost imposed by legislation	EU SDS: 9. Good Governance II
3	P&LF 3	E-government on-line availability	EU SDS: 9. Good Governance III
4	P&LF 4	E-government usage by individuals	EU SDS: 9. Good Governance III
5	P&LF 5	Implementation of NSSD	Additionally proposed
6	P&LF 6	Number of established institutions for SD policy-making and implementation	Additionally proposed
7	P&LF 7	Number of prepared strategic documents with SD dimension (in different sectors -economic, environmental, social)	Additionally proposed
8	P&LF 8	Number of trained people for SD in the relevant institutions	Additionally proposed
9	P&LF 9	Number of infringement cases brought in front of the Court, by policy area	Additionally proposed (based on EU SDS 9.II.2)
10	P&LF 10	Level of citizens' confidence in RM Institutions.	Additionally proposed (based on EU SDS 9. Good Governance I)
Environment (cross cutting)			
ENV			
11	ENV 1	Total greenhouse gas emissions;	EU SDS 5.I.1
12	ENV 2	Biodiversity index	EU SDS 7.I.1
13	ENV 3	Fish catches outside safe biological limits	EU SDS 7.I.2
14	ENV 4	Implementation of a national program for environmental monitoring	Additionally proposed
15	ENV 5	Effectiveness of environmental reporting mechanism	Additionally proposed
16	ENV 6	Government budget allocation for environment	Additionally proposed
17	ENV 7	National environmental investment expenditure	Additionally proposed
18	ENV 8	Total land covered by Eco Remediation systems	Additionally proposed
19	ENV 9	Implementation of Polluter-Pay principle.	Additionally proposed
Energy (cross-cutting)			
EN			
20	EN 1	Gross inland energy consumption, by fuel	EU SDS: 5. I
21	EN 2	Energy intensity of the economy	EU SDS: 5. Energy. II
22	EN 3	Final energy consumption, by sector	EU SDS: 5. Energy. II
23	EN 4	Gross electricity generation, by fuel used in power-stations	EU SDS: 5. Energy. II
24	EN 5	Share of electricity generated from renewable energy sources in gross electricity consumption	EU SDS: 5. Energy. III
25	EN 6	Share of main energy sources in total electricity generation from renewable	EU SDS: 5. Energy. III
26	EN 7	Combined heat and power generation	EU SDS: 5. Energy. III
27	EN 8	Energy intensity of industry	EU SDS: 5. Energy. III
28	EN 9	Share of biofuels in total fuel consumption of transport	EU SDS: 5. Energy. III
29	EN 10	CO2 intensity of energy consumption	EU SDS: 5. Climate Change. III
30	EN 11	Energy consumption of transport, by mode	EU SDS: 8. Transport growth. III
31	EN 12	Share of energy generated from renewable energy	Additionally proposed



		sources in gross inland energy consumption	
32	EN 13	Investments in RES projects	Additionally proposed
Rural Development (includes Agriculture, Forestry, Tourism)			
RD-A, RD-F, RD-Tour			
33	RD-A 1	Investment as % of GDP, by institutional sector	EU SDS:1.II.1
34	RD-A 2	Net inwards migration by main age groups	EU SDS:3.III.3
35	RD-A 3	Domestic Material Consumption and GDP at constant prices	EU SDS: 6.I.1a
35	RD-A 4	Share of area under EU agro-environmental support in total utilized agricultural area	EU SDS: 6.II.5
36	RD-A 5	Livestock density index	EU SDS: 6.II.6
38	RD-F 1	Contribution of forestry sector to GDP	IPEISFM ¹ : C 6: Maintenance of other socio-economic functions and conditions. 6.2
39	RD-F 2	Forest area and forest quality	Additionally proposed
40	RD-F 3	Forest sector workforce	IPEISFM: C 6: Maintenance of other socio-economic functions and conditions. 6.5
41	RD-F 4	Non-wood goods	IPEISFM: C 3: Maintenance and Encouragement of Productive Functions of Forests (Wood and Non-Wood). 3.3
42	RD-Tour 1	Tourism contribution to GDP	Additionally proposed
43	RD-Tour 2	Coordinated activities among tourism stakeholders	Additionally proposed
44	RD-Tour 3	International tourist arrivals by means of transport	Additionally proposed
45	RD-Tour 4	Enterprises with an environmental management systems	EU SDS: 6.II.7a
46	RD-Tour 5	Level of investments in tourism by regions	Additionally proposed
Social Issues (includes Employment, Education, Research & Development, Public Health, Demography)			
SI-Empl, SI-Edu, SI-R&D, SI-PH, SI-Dem			
47	SI-Empl 1	Number of trained persons in relation to employment policies and to social dialogue	Additionally proposed
48	SI-Empl 2	Total employment rate	EU SDS 1.III.14
49	SI-Empl 3	Total long-term (and very long-term) unemployment rate	EU SDS 2.II.2 & 2.III.6
50	SI-Empl 4	Regional breakdown of employment rate	Additionally proposed
51	SI-Empl 5	Unemployment rate	EU SDS 1.IV.13
52	SI-Edu 1	Persons with low educational attainment	EU SDS 2.III.2
53	SI-Edu 2	Share of municipal spending on education in total education expenditure	Additionally proposed
54	SI-Edu 3	Public expenditure on education as a % of GDP	EU SDS 1.III.12
55	SI-Edu 4	Nr of common projects between Universities and private sector under preparation and implementation	Additionally proposed
56	SI-R&D 1	Total Research & Development expenditure as a % of GDP; EU SDS 1.III.11	EU SDS 1.I.3
57	SI-PH 1	Cancer incidence rate	EU SDS 4.II.3
	SI-PH 2	Healthy life years	EU SDS 4.I.1
58	SI-PH 3	Percent smokers	EU SDS 4.II.3
59	SI-PH 4	At risk of poverty rate, by gender, age, level of education attained, and by household type	ES SDS 2.III.1
60	SI-PH 5	Serious accidents at work	EU SDS 4.II.6

¹ Improved Pan-European Indicators for Sustainable Forest Management, as adopted by the MCPFE Expert Level Meeting 7-8 October 2002, Vienna, Austria



61	SI-Dem 1	Total fertility rate	EU SDS: 3
62	SI-Dem 2	Life expectancy at age 65	EU SDS: 3
63	SI-Dem 3	Inwards migration	EU SDS: 3
64	SI-Dem 4	Old-age dependency ratio	EU SDS: 3
65	SI-Dem 5	Population density	Additionally proposed
SMiLES (including Transport and Infrastructure, and SMEs and Industry)			
SMiLES-T&I, SMiLES			
66	SMiLES-T&I 1	Investments in transport infrastructure	Additionally proposed
67	SMiLES-T&I 2	Km of constructed parts of corridors and part of transport network;	Additionally proposed
68	SMiLES-T&I 3	Modal split of freight transport	EU SDS: 8, S. Transport III
69	SMiLES-T&I 4	Modal split of passenger transport	EU SDS: 8, S. Transport III
70	SMiLES-T&I 5	People killed in road accidents	EU SDS: 8, S. Transport III
71	SMiLES-T&I 6	Population connected to wastewater treatment systems	EU SDS: 7, Natural Resource. II
72	SMiLES-T&I 7	Groundwater abstraction as % of available groundwater resources;	EU SDS: 7, Natural Resource. II
73	SMiLES-T&I 8	Population connected to the public water supply network;	Additionally proposed
74	SMiLES-T&I 9	Water losses during transportation to the final consumers	Additionally proposed
75	SMiLES-T&I 10	Percentage of the irrigated area	Additionally proposed
76	SMiLES-T&I 11	Total area covered with standardized solid waste management	Additionally proposed
77	SMiLES 1	EVA (Economic Value Added) in SMiLES' by sector;	Additionally proposed
78	SMiLES 2	SMiLES' Share in GDP at national level and at regional level;	Additionally proposed
79	SMiLES 3	Official Development Assistance (ODA) as % of Gross National Income	EU SDS 10.I.1
80	SMiLES 4	Life-long learning	EU SDS 1.III.9
81	SMiLES 5	Total employment growth in SMiLES: by gender, education attained, age	Additionally proposed
82	SMiLES 6	Share of consumption of products with an EU or national eco-label;	EU SDS 6.III.7
83	SMiLES 7	SMiLES investment in R&D	Additionally proposed
84	SMiLES 8	Labour productivity per hour worked	EU SDS 1.II.2



Support to the Preparation of a National Strategy for Sustainable Development in
The Republic of Macedonia

Draft Final National Strategy for Sustainable Development February 2008
Annex No.2

Annex No. 2

Report on Pilot & Demonstration Projects Component C



Report on Pilot & Demonstration Projects

No.	Title	Brief Description	Strategic Thrust's						Target Group			
			2008 – 2010 (2011)			2010 – 2015			Score	Government	Municipal	Private Sector
			1: Ensure EU Accession, compliance – EU SDS	2: Ensure SD Awareness and Commitm.	3: E-Government, SD Principles	4: SD Streamline Public Sector	5: SD Streamline Economic Sector	6: SD Streamline Private Sector				
11.	Sustainable Water Management Strategy for R. Macedonia	Integrated approach to water management, assessment of consumption, reduce consumption, strategic direction for sustainable water management	•	•		•				•	•	
12.	Municipal water and waste water management	Demonstration project in best practise municipality		•		•					•	
13.	Macedonian Water Balance Project	Establish data base for water supply infrastructure for every municipality of R. Macedonia	•		•	•				•	•	
14.	Local Agenda 21 in Skopje and two municipalities	Demonstration Project on Local Agenda 21		•		•					•	
15.	SD Dimension at University	Pilot projects introducing SD at university community and at student courses		•		•		•				•
16.	Geothermal Heating	Pilot project on Geothermal Heating		•		•					•	•
17.	Installation of 500 Domestic Solar Water Heaters	Increase utilisation of renewable energy – demonstrate the benefits from utilization of solar energy	•	•			•				•	
18.	Street lighting project	Pilot project in one municipality. Demonstrate the benefits from efficient use of electricity		•		•					•	
19.	Building envelope upgrade programme for residential buildings	Reduce energy consumption for heating and cooling in the residential sector	•	•		•		•			•	•
20.	Feasibility Study for rail urban transport in the city centre of Skopje	Determine the engineering, institutional, financial, economic and environmental feasibility of the proposed project			•	•		•			•	•
21.	Feasibility study for urban rail transport to the	Determine the engineering, institutional, financial, economic and environmental feasibility of the proposed project			•	•	•	•			•	•



Report on Pilot & Demonstration Projects

No.	Title	Brief Description	Strategic Thrust's						Target Group			
			2008 – 2010 (2011)			2010 – 2015			Score	Government	Municipal	Private Sector
			1: Ensure EU Accession, compliance – EU SDS	2: Ensure SD Awareness and Commitm.	3: E-Government, SD Principles	4: SD Streamline Public Sector	5: SD Streamline Economic Sector	6: SD Streamline Private Sector				
	“Alexander the Great” Airport from Skopje											
22.	Pilot E-government Municipality	A pilot project in one municipality introducing e-government in a sector-side approach as a demonstration project			•	•	•	•			•	•
23.	Pilot E-government Industry	A pilot project in a specific branch of industry with a sector-wide approach to how e-government can reduce the transactions cost of the industry and raise effectiveness		•	•		•	•				•
24.	Balkan E-government Export Programme	A design of an export programme of Macedonian e-government tools. The project is based on the assumption, that Macedonia will become the leading e-government nation on the Balkans in a few years.		•	•			•				•
25.	Macedonian Donor Conference	SD Investment Projects	•	•			•			•	•	•
26.	Macedonian Soft Credits for SD	A pilot project on a soft credit programme for SD investments – for the private sector or the general public (e.g. energy efficiency investments in residential buildings)	•	•		•	•	•			•	•
27.	Pilot Project on Technology Transfer	A pilot project that can justify the establishment of a pilot Technology Park.					•	•				•
28.	Pilot Project on Innovation, Center of Excellence	A pilot project on a Center of Excellence for innovation for one of Macedonia's established clusters		•			•	•				•
29.	Entrepreneurship campaign on SD for SMILES	With specific focus on women and youth		•				•				•
30.	Education for SD – Quality Management	Demonstration training programme for 10 enterprises		•				•				•



Report on Pilot & Demonstration Projects

No.	Title	Brief Description	Strategic Thrust's						Target Group			
			2008 – 2010 (2011)			2010 – 2015			Score	Government	Municipal	Private Sector
			1: Ensure EU Accession, compliance – EU SDS	2: Ensure SD Awareness and Commitm.	3: E-Government, SD Principles	4: SD Streamline Public Sector	5: SD Streamline Economic Sector	6: SD Streamline Private Sector				
31.	SD Enterprise restructuring	Pilot project for 10 enterprises		•					•			•
32.	Study for implementation of environmentally safe and harmless construction products	Asbestos remediation project		•					•			•
33.	Youth in rural areas	Demonstration project on how to create a framework, that makes it attractive for the local youth to establish themselves in rural areas				•	•	•			•	•
34.	Diversity of income in rural areas	Demonstration project on generating local jobs and additional income in rural areas					•	•				•
35.	Tourism & Archaeological sites of interest	SD		•					•			•