



SYSTEMATIC COUNTRY DIAGNOSTIC

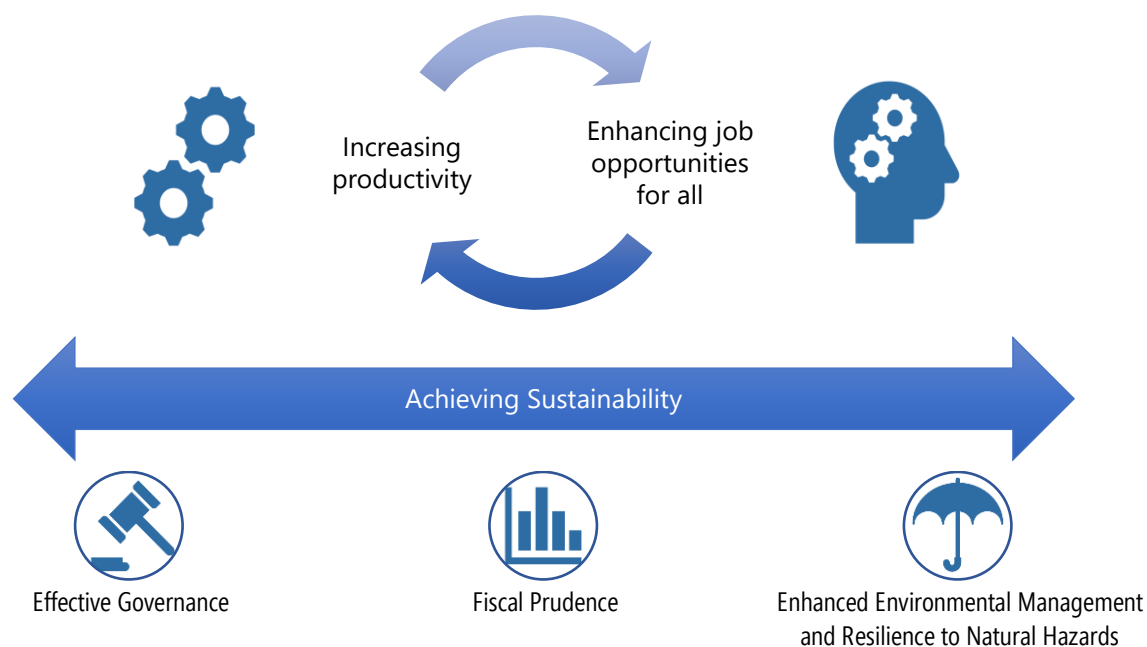
Former Yugoslav Republic of Macedonia: SEIZING A BRIGHTER FUTURE FOR ALL

Report Number 121840-MK

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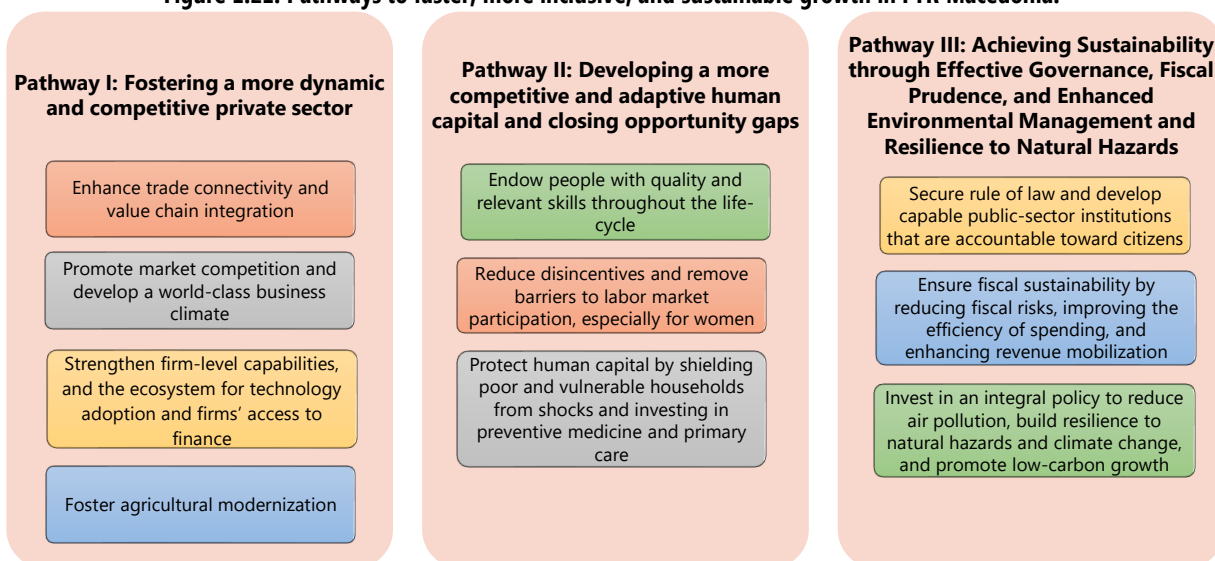
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Figure 1.20: The key elements for faster, more inclusive, sustainable growth in FYR Macedonia.



Source: Authors.

Figure 1.21: Pathways to faster, more inclusive, and sustainable growth in FYR Macedonia.



Source: Authors.

Table 1.1: Policy Areas According to the Prioritization Criteria.

Priority Policy Areas		Increasing Productivity	Enhance job opportunities for all	Achieving Sustainability
Highest Expected Impact	Secure rule of law and develop capable public-sector institutions that are accountable toward citizens			
	Endow people with quality and relevant skills throughout the life-cycle			
	Strengthen firm-level capabilities, and the ecosystem for technology adoption and firms' access to finance			
	Enhance trade connectivity and value chain integration			
	Promote market competition and develop a world-class business climate			
High Expected Impact	Reduce disincentives and remove barriers to labor market participation, especially for women			
	Ensure fiscal sustainability by reducing fiscal risks, improving the efficiency of spending, and enhancing revenue mobilization			
	Invest in an integral policy to reduce air pollution, build resilience to natural hazards and climate change, and promote low-carbon growth			
	Protect human capital by shielding poor and vulnerable households from shocks and investing in preventive medicine and primary care			
	Foster agricultural modernization			

Color by expected impact: **Highest** **High** **Medium**

Source: Authors.

Table 1.2: Summary of Priority Areas for FYR Macedonia and Selected Policy Actions

Priority Areas		Selected Policy Actions	
		Medium	High
		Expected impact	
Secure rule of law and develop capable public-sector institutions that are accountable toward citizens	Strengthen the mechanisms to ensure freedom of the press and of civil society organizations.	Increase the transparency and accountability of government decision-making, and strengthen public sector capacity.	Ensure judiciary independence, accountability, and professionalism.
<i>Time horizon for implementation</i>			
Endow people with quality and relevant skills throughout the life-cycle	Invest in workforce development, job readiness, and labor market information systems to support job intermediation.	Implement a broad-based strategy to strengthen the quality and relevance of primary, secondary, tertiary, and technical education.	Invest in early years (early childhood and pre-school education), especially for the poor.
Strengthen firm-level capabilities, and the ecosystem for technology adoption and firms' access to finance	Streamline support programs for firms' access to finance.	Consolidate existing firm-level programs to achieve economies of scale, and rebalance public support from subsidizing firm-level inputs towards facilitating firm-upgrading processes.	Combine an investment promotion strategy for high-potential sectors with export intelligence interventions to reduce firms' discovery costs to introduce new products and reach new markets.

Priority Areas	Selected Policy Actions		
	Medium	Expected impact	High
Enhance trade connectivity and value chain integration	Facilitate labor mobility to promote trade in services, reduce non-tariff barriers to trade in goods, and strengthen export promotion systems.	Close infrastructure gaps in key transport corridors, and rebalance spending to invest in road and railway maintenance and in road safety.	Improve soft connectivity (with a focus on border-crossings and trade and transport logistics).
Promote market competition and develop a world-class business climate	Address implementation gaps and weaknesses in the regulatory framework that impair the business environment.	Strengthen the effectiveness of the competition policy framework, and enhance the effectiveness of state aid.	Promote pro-competition conditions in key product markets by strengthening public sector neutrality, promoting entry in network industries, and removing barriers for competition in professional services.
Reduce disincentives and remove barriers to labor market participation, especially for women	Reform the tax-benefit system to encourage labor participation.	Expand the availability and affordability of child and elder care, and promote behavior changes towards gender parity in employment.	Reduce restrictions on part time, temporary, and seasonal work.
Ensure fiscal sustainability by reducing fiscal risks, improving the efficiency of spending, and enhancing revenue mobilization	Increase tax compliance and tax progressivity.	Strengthen the efficiency of public spending.	Address fiscal risks (pensions, municipal finances, SOEs), and strengthen the transparency and credibility of public finances.
Invest in an integral policy strategy to reduce air pollution, promote low-carbon growth, and build resilience to natural hazards and climate change	Shift the energy sector to a low-carbon development path, away from the current dependence on coal, while improving security and efficiency of energy supply.	Enhance the implementation of the National Program for inter-agency co-ordination for disaster risk management and strengthen resilience to climate change.	Adopt a comprehensive approach to reduce air pollution.
Protect human capital by shielding poor and vulnerable households from shocks and investing in preventive medicine and primary care	Implement an integral policy for healthier lifestyles to reduce the incidence of noncommunicable diseases.	Improve access to health care to reduce child mortality and better manage noncommunicable diseases.	Shift the focus of social assistance from categorical to means-tested programs, and expand the provision of social services.
Foster agricultural modernization	Promote inclusion of agribusiness SMEs to value chains, strengthen sanitary and phytosanitary services, and facilitate agglomeration and market access.	Develop a rural land tax system and facilitate the sale of untenanted state-owned agricultural land.	Rationalize agricultural subsidies away from direct coupled payments towards investment-driven measures.

Priority Areas		Selected Policy Actions	
		<i>Medium</i>	<i>High</i>
		Expected impact	
			
Time horizon coding:	Short-term		
	Short/Medium-term	 	
	Medium term	  	

Source: Authors.