

The Country Development Cooperation Policy for North Macedonia

September 2021

1. The aims of the development cooperation with the Republic of North Macedonia

(1) After gaining independence peacefully in 1991, North Macedonia, was considered a 'model of ethnic coexistence and democracy' in the Balkans that was not engulfed by major ethnic conflicts, a country promoting economic and social development under democratic governance and market economy. With the support from the international community, the country has been developed to the level of a middle-income country (2019 GNI per capita: USD 5.840) and became a candidate country for EU membership in 2005 and NATO member in 2020. The top priority for North Macedonia is the integration into the EU, which requires economic and social development and various other reforms.

(2) Social and economic development in the country is essential for the peaceful and stable integration of the entire European region, including the Western Balkans. The Government of North Macedonia has been working on its socio-economic development (infrastructure, social infrastructure, anti-climate change measures, etc.) to be fully integrated to the EU and inline with the Sustainable Development Goals (SDGs) set out by the UN. The international community, including the EU's pre-accession assistance (IPA), is continuously supporting the country's socio-economic development and reforms.

(3) Since the independence of North Macedonia, Japan has actively developed bilateral cooperation in the fields of environment (flood control, disaster prevention, forest management), SME promotion, education, healthcare, cultural exchange, etc., extending loan aid (yen loans), grant aid, including Grant Assistance for Grassroots and Human Security Projects and technical cooperation. This has supported the country's sustainable economic and social development, and has been highly appreciated not only by the Government of the Republic of North Macedonia but also by the international community.

(4) In 2018, the government also announced the Western Balkans Cooperation Initiative to boost the European integration of the Western Balkans, while strengthening the political dialogue, Japan expands Official Development Assistance (ODA) under the

initiative, encouraging the Japanese companies to have bigger presence in the region, Japan provides support for ethnic reconciliation programme.

5) Japan intends to further strengthen the bilateral relations with North Macedonia in coordination with EU and relevant countries, based on the Japan-EU Partnership, promoting European connectivity and sustainable development to support the country's economic and social development and reforms.

2. Basic policy of Japan's ODA (major goal) in North Macedonia: sustainable socio-economic development and support for reforms

Japan will support the country's sustainable socio-economic development and the reforms necessary to achieve peaceful and stable European integration. It is necessary to shape and implement projects in line with the Sustainable Development Goals (SDGs) and the development goals of the Government of North Macedonia, in such filed as: health, education, gender equality, introducing of clean energy, industry and technological innovation.

3. Priority areas (medium-term objectives)

(1) Environmental infrastructure and improvement of management capacity

While North Macedonia has made progress in developing its economic and social infrastructure, it faces challenges in water supply and sewage management, air pollution, waste, forest and disaster management. The country urgently needs effective climate change measures in order to achieve environmental standards for EU accession and the SDGs. Therefore, Japan will support country's efforts in the environmental field, making use of its advanced technology and know-how and the experience of cooperation in other countries in the Western Balkans region.

(2) Improvement of business environment and private sector development

Improvement on investment climate and private sector development are key to the economic development of North Macedonia. Under the Western Balkans Cooperation Initiative, in order to encourage the activities of Japanese companies in the region, Japan will continue to support the development of the private sector and the improvement of the business environment, trying to generate multiple effects with the technical and other assistance. Specifically, Japan will transfer the technology and knowledge, and support human resource training and development in areas such as productivity improvement, tourism development and the promotion of small and medium-sized

enterprises utilizing the experience from our cooperation in the Western Balkans.

(3) Cooperation in the economic and social infrastructure such as education and health, and cultural cooperation.

Through grassroots and human security grant aid and technical cooperation, Japan will support the development of social infrastructure in the fields of education, health, etc., to improve the quality of life of the population at the local level, the projects aim to reduce the maternal and infant mortality rates, to improve access to health services and the educational environment. In addition, Japan will promote mutual understanding and ethnic reconciliation through people-to-people and cultural exchanges.

4. Points to note

The capital city of Skopje is more developed than the rural areas. There are regional disparities in North Macedonia. In addition, there are potential tensions and conflicts due to the ethnic diversities. When selecting priority regions and projects, it is necessary to take into account the regional disparities and the livelihood of all, and to consider the balance between regions and ethnic groups.

(End)

Annex: Business development plan