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**UNDP country programme document for the Former Yugoslav Republic
of Macedonia (2010-2015)**

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Introduction

1. The proposed UNDP country programme covering the period 2010-2015 responds directly to the main pillars of the new United Nations Development Assistance Framework (UNDAF) of the same period, and has been designed to specifically address the challenges of the country challenges from the perspective of European Union accession and the focus of UNDP on human development. It reflects areas where UNDP has a proven track record and ability to mobilize international know-how.

I. Situation analysis

2. Accession to the European Union is at the core of the development goals of the country. The European Union integration agenda, which generates the necessary momentum for political, economic and social reforms, contributes to building consensus on important policy issues across ethnic lines and political divides. Nonetheless, its implementation remains a challenge, particularly due to the country's low socio-economic standing and capacity constraints.

3. The country falls into the lower middle income range of countries with a per capita income of \$2,646 (2007) and human development index of 0.801 (human development report 2007). Despite the marginal improvement and likely over-estimation due to a substantial informal sector, unemployment and poverty rates remain exceptionally high and stagnant. Income disparities are growing, which suggests further income segregation between different social groups and geographic areas. Young people are members of some of the most vulnerable groups, including Roma, the long-term unemployed, and the disabled. Women, particularly from rural areas, are disproportionately disadvantaged in seeking employment/re-employment.

4. The full impact of the international financial crisis on the local economy was not known at the time this country programme was prepared. However, economic recession in most European Union member states has already affected the country's export opportunities, current account balance, inflow of workers' remittances and foreign capital. Unless these are countered by appropriate policy measures, further compounding of existing socio-economic challenges will likely occur.

5. Overall, the country has made progress in promoting gender equality, particularly pertaining to women's political empowerment. While the representation of women in elected bodies has improved, their participation in decision-making functions is still lower compared to men. Individual electoral rights have often been violated, particularly in rural areas. Women's participation rate is lagging behind compared to that of men's (28.4 per cent and 44.1 per cent respectively), which increases woman's readiness to work in the informal sector. Protection systems for victims of domestic violence are underdeveloped, which is a major threat to women's security.

6. The implementation of the Ohrid Framework Agreement, which brought an end to the inter-ethnic conflict of 2001, and the ongoing process of decentralization are contributing to political stability and inter-ethnic cohesion. Nonetheless, significant policy issues still lie ahead. The fragmentation of municipalities, and insufficient financial and administrative capacities raise questions as to practical sustainability of the local governance system. Transparency, accountability and participation in local processes, and the enhancement of inter-ethnic dialogue also require strengthening.

7. In addition, the country has initiated comprehensive policy and institutional reforms for the promotion of equitable regional development, which is expected to address territorial disparities, underpin economic growth and enlarge capacities to absorb European Union pre-accession funds.

8. The alignment of national environmental legislation and practices to stringent European Union as well as international standards, coupled with the need for more effective environmental management (especially those that have been decentralized),

place significant capacity and financial pressures on state and local institutions. The country's preparedness to respond to climate change challenges will require continuous attention from policy makers and increased awareness and action by the private and public sector. Investments in vulnerable sectors – energy, agriculture, water and forests – will be costly, while the development of renewable and cleaner energy is still in its infancy. Disaster risk reduction management, somewhat neglected because of pressing socio-economic concerns, will need reinvigoration.

II. Past cooperation and lessons learned

9. Following the findings and recommendations from a strategic review of United Nations activities, conducted in light of the country's 'European Union candidate' status of 2006, UNDP has realigned and further sharpened the focus of its programme interventions; poverty reduction and governance were narrowed to social inclusion and decentralization.

10. The feedback and lessons from the pilot-based approach to most local governance interventions will allow scaling-up and institutionalization of successfully tested models. Regarding policy issues, the in-depth review of the decentralization process and the subsequent fiscal decentralization assessment, which mobilized a broad policy debate, positioned UNDP as a key strategic partner of the government in addressing the normative and policy issues related to the decentralization reform.

11. Results from the evaluation of the employment generation programme, a UNDP flagship intervention, reconfirmed the relevance of self-employment and (re)training measures for addressing structural weaknesses of the labour market. Suggested active labour market measures, together with sharpened criteria for selecting target beneficiaries (particularly women and youth), have been embedded in the government programme on employment.

12. Bearing in mind the multiple vulnerabilities faced by all women in the country, UNDP has made efforts to confront the different aspects of women's exclusion, mainly through joint United Nations work, which has contributed to gender issues being more systematically and comprehensively addressed.

13. UNDP technical assistance in the area of environment has evolved from supporting national institutions report on global environmental issues, to developing the skills necessary for implementation of policies and schemes related to, inter alia, climate change adaptation, management and sustainable use of natural resources, and trans-boundary waters. Strong institutions will be essential for the country's ability to absorb and adapt to the stringent and costly European Union and global environmental standards. UNDP will continue to enhance its implementation capacities and support the establishment of public-private partnerships. In addition, an integrated programme approach will continue to be applied, addressing trans-boundary watershed management issues, thus ensuring sustainable environmental practices in the revitalization of traditionally neglected cross-border areas.

III. Proposed programme

14. The UNDP country programme for the country will focus on three strategic areas of intervention: (a) social inclusion; (b) local governance and territorial development; and (c) environmental protection.

15. *Social inclusion* – The overall goal in this area will be to support development and implementation of inclusive social policies as well as enable socially excluded and vulnerable people to have better access to quality services and opportunities for more productive lives. This programme area will particularly benefit from new joint United Nations action to systematically address the fundamental causes of the growing inequalities in the country.

16. UNDP will continue helping the country develop and implement active labour market measures targeting the socially excluded. National employment service institutions will be supported in the implementation of large-scale employment generation programmes and targeted training for the unemployed, while also fostering a life-long learning environment. In an effort to reach the most depressed peri-urban areas, support will be offered to increase a 'culture of entrepreneurship' in an effort to start new businesses within the poorest areas.

17. UNDP will extend support to national authorities in facilitating cross-sectoral policy coordination to address social issues, which will contribute to promoting the principles of European Union social inclusion and foster national dialogue on different dimensions of social inclusion in the country.

18. Pressing gender issues will be addressed through a range of interventions targeting women. National capacities will be strengthened to address domestic violence and women's economic exclusion. Interventions for women's political empowerment and participation at the local level will also be carried out. In cooperation with local authorities and civil society, UNDP will promote the integration of gender mainstreaming into local policies and enhance analytical skills for monitoring local policy impact on the socially excluded.

19. *Local governance and territorial development* – UNDP will continue its long-standing support to the decentralization process. Due to the depth of the decentralization agenda, interventions will target outstanding policy and implementation issues in UNDP comparative advantage areas.

20. To strengthen human and institutional capacities of local governments, UNDP will support national authorities in designing and implementing a comprehensive capacity development programme, improve the local financing system, and promote innovative arrangements for efficient and quality service provision, including through inter-municipal cooperation. Special attention will be paid to strengthen local level capacities to prevent and fight corruption.

21. UNDP will also support national authorities to develop and implement a policy and institutional framework on equitable regional development. This will be achieved by improving the capacities of institutions to effectively manage regional development policies, and by supporting national and regional level bodies to design and implement regional development plans in compliance with European Union cohesion policies and local needs.

22. UNDP will continue investing in measures to improve inter-ethnic relations and social cohesion at local levels. The programme will target national and local level bodies, created to promote inter-ethnic dialogue and citizens' participation in designing and implementing programmes of local concern, and foster the engagement of civil society in monitoring local practices.

23. *Environmental protection* – In this area, UNDP will provide strategic support to decision makers and various stakeholders in raising awareness of the major impacts from climate change and associated risks posed to the economy. In this context, UNDP will contribute towards formulating an enabling environment for adaptation strategies and other measures, and implement energy efficient practices, including through the promotion of renewables. The Millennium Development Goal carbon facility will be utilized to support clean development mechanism projects, contributing to emission reductions and additional poverty reduction benefits.

24. Regarding sustainable management and use of natural resources, the most strategic interventions will focus on strengthening the management practices of protected areas. Integrated management of international waters, such as Prespa Lake, will continue to be enhanced through implementation of sector-specific activities and establishing environmental protection and monitoring mechanisms supporting the protected area as well as the Prespa watershed.

25. UNDP will support the country's ability to respond to natural and man-made disasters, as well as reduce associated risks, by strengthening the capacity of national crisis management institutions to establish a platform for the coordination of risk assessments and management practices, at central and local levels. Risk reduction models to address historic pollution and current mining practices will be promoted through collaborative public-private partnerships and regional responses to clean-up environmental hotspots.

IV. Programme management, monitoring and evaluation

26. In the spirit of 'delivering as one' and to the furthest extent possible, the interventions of UNDP will be carried out in partnership with relevant United Nations organizations. Promoting donor coordination will continue through building the governmental capacities and advocating for the implementation of the Paris Declaration on Aid Effectiveness. Internal United Nations efforts towards harmonization and alignment with national systems will be reinforced by implementation of the harmonized approach to cash transfers.

27. National execution will be the prevailing implementation modality, with direct execution used on exceptional basis. The country office will recover costs for support services according to the universal price list and, in order to enhance national ownership and encourage a programme-based approach, 'outcome boards' will be established. External audits and outcome evaluations will be carried out to assess the compliance and programme impact, and an established set of indicators will ensure objective progress monitoring. A results-based management approach will be applied at all stages of the programming process.

28. The resource mobilization strategy will reflect efforts of the country office to diversify its funding base towards increased government cost-sharing, East-East partnership and multilateral trust funds in areas where UNDP has a proven track record and a comparative advantage to act.

Annex. Results and resources framework for the Former Yugoslav Republic of Macedonia (2010-2015)

National priority/goal: To build a more socially inclusive society by protecting and empowering the marginalized and building good inter-ethnic relations based on the principles of tolerance and respect. MDG 1: Eradicate poverty and hunger; and MDG3: Promote gender equality and empower women. Intended UNDAF Outcome #1: By 2015, socially excluded people have increased access to improved quality services and opportunities to enjoy quality and productive lives.					
Programme component	Country programme outcomes	Country programme outputs	Output indicators	Role of partners	Indicative Resources in '000
Poverty reduction and achievement of the MDGs	1. Capacities of national institutions to develop and implement human resource development policies and programmes that address the needs of the socially excluded improved; Unemployment rate Baseline: 33.8 per cent; Target: decrease by at least 16 per cent.	1.1.1 Active labour market measures targeting the socially excluded developed and implemented.	Cumulative # of jobs created by the programme Baseline: 0; Target: 750.	Ministry of Labour and Social Policy; Employment Service Agency; USAID; European Union.	Regular \$700
		1.1.2. Entrepreneurship capacities and private sector development schemes for the poorest developed and implemented.	Number of businesses created through the programme; Baseline: 0; Target: 350.		Other \$11,300
	1.2. Social services better respond to the needs of the socially excluded and the most vulnerable; number of centres for social work providing diversified services; Baseline: 10 per cent; Target: 40 per cent of centres for social work.	1.2.1. National policies and mechanisms for prevention of domestic violence and protection of the victims in place.	A mechanism to prevent, monitor and reduce domestic violence in place; Baseline: Does not exist; Target: Established.	Ministry of Labour and Social Policy; World Bank; European Union.	Regular \$400
					Other \$2,100
	1.3 Social inclusion policy making processes are evidenced based, inclusive and take a cross-sectoral approach; percentage of European Union-social inclusion (Leaken) indicators for which data are (a) collected and available, and (b) disaggregated by sex/urban-rural areas; Baseline: (a) 0 (b) 0; Target: (a) 100 per cent (b) 100 per cent.	1.3.1. National capacities on statistics, monitoring and evaluation of social inclusion related issues improved.	Cumulative number of targeted UNDP studies focused on socially excluded; Baseline: Annual people-centred analysis; Target: 12.	Ministry of Labour and Social Policy; State Statistical Office; civil society organizations; The Roma Decade Coordination Body; Parliamentary groups; European Union.	Regular \$230
		1.3.2. National capacities strengthened to ensure the needs of socially excluded are reflected in the policy making, public finance management and impact evaluation.	Number of local action plans on equal opportunities developed and implemented; Baseline: 0; Target: 84.		Other \$3,370
National priority/goal: Decentralization to improve the efficiency of the public sector, increase the quality of public services, strengthen democratic processes, national solidarity and cohesion in the country. MDG 1: Eradicate poverty and hunger; and MDG2: Achieve universal primary education. Intended UNDAF Outcome #2: By 2015, local and regional governance enhanced to promote equitable development and inter-ethnic and social cohesion.					
Democratic governance	2.1. Local government units operate in a more effective and transparent manner; Ratio: local revenues/total revenues of local governments; Baseline: TBD; Target: TBD.	2.1.1. Capacities of national and local level institutions strengthened to design and implement a more transparent, predictable and sustainable local financing.	Cumulative number of experts and social partners trained in the concepts public finance management; Baseline: 0; Target: TBD.	Ministry of Local Self Government; Finance; Association of Local Self Government Units (ZELS); municipalities; civil society organizations; business sector; European Union; World Bank.	Regular \$700
		2.1.2. Innovative arrangements for efficient and quality service provision designed and implemented by promoting public-private partnerships, outsourcing and inter-municipal cooperation.	Cumulative number of inter-municipal cooperation models developed; Baseline: 12; Target: TBD.		
		2.1.3. Institutional and human capacities at national and local level improved for implementing effective and transparent provision of decentralized competencies.	Number of municipalities applying transparency index; Baseline: 8; Target: 65. Number of municipalities attaining 'international standards organization' standards; Baseline: 1; Target: 30.		
	2.2. Policy and institutional framework at national and local level enhanced to promote and operationalize regional development;	2.2.1 National and regional bodies have improved technical, human and operational capacities for implementing regional development policies.	Percentage of regional development centres operating according to standard guidelines and performing the full range of duties; Baseline: 0; Target: 80 per cent.	Ministry of Local Self Government; Finance; Council for Regional Development; ZELS; Regional	Regular \$400

	percentage of GDP allocated for regional development; Baseline: 0; Target: 1 per cent.	2.2 Regional development programmes reflecting sectoral policies developed and implemented in at least two planning regions.	Cumulative number of sectoral programmes on regional level developed; Baseline: 0; Target: 2.	bodies; European Union; German Agency for Technical Cooperation.	Other \$6,200
	2.3 National and local level institutions and non-governmental actors promote inter-ethnic dialogue and social cohesion; number of community programs endorsed; Baseline: TBD; Target: TBD.	2.3.1. Capacities of the national bodies and local commissions dealing with inter-ethnic relations, strengthened to incorporate ethnic dialogue and cultural diversity into local actions.	Cumulative number of workshops and modules developed and implemented and number of people trained on confidence and inter-ethnic cohesion building; Baseline: 0; Target: TBD.	Ohrid Framework Agreement secretariat; Ministry of Education; Ministry of Local Self Government; ZELS; civil society organizations; media; municipalities; Organization for Security and Co-operation in Europe; Swiss Agency for Development and Cooperation.	Regular \$183
		2.3.2. Civil society empowered to monitor local governance practices and engage in inter-ethnic and inter-cultural dialogue.	Number of civil society organizations trained to use modern tools for monitoring local governance practices: (a) citizen score cards; (b) social audit; and (c) gender responsive budgeting; Baseline: 0; Target: TBD.		Other \$5,217
National priority/goal: Strengthening national capacities for integrated environmental management and enhancing administrative capacities at central and local level for enforcement and fulfillment of obligations of regional and global conventions. MDG 7: Ensure environmental sustainability Intended UNDAF outcome #3: By 2015, central and local level authorities have improved capacities to integrate environment and disaster risk reduction into national and local development frameworks, while communities and civil society organizations participate more effectively in environmental protection and disaster risk reduction planning, implementation and monitoring.					
Environment and sustainable development	3.1. By 2015, national policies better address climate change adaptation and mitigation needs and demonstration programmes respond to climate change challenges; Number of programmes addressing climate change issues implemented by the central government, municipalities, civil society organizations; Baseline: 0; Target: 5.	3.1.1 Vulnerability assessments, impact costing, policy options and integrated territorial plans for climate change adaptation developed.	Number of integrated regional (territorial) plans for climate changes developed; Baseline: 0; Target: 3.	Ministry of Environment; Ministry of Economy; non-governmental organizations; World Bank; Austrian Development Agency.	Regular \$600
		3.1.2 Demonstration of energy efficiency and renewable initiatives implemented and preparatory assistance for financing projects through the clean development mechanism provided.	Number of developed (a) energy efficiency and (b) renewable projects; Baseline: (a) 0 and (b) 0; Target: (a) 4 and (b) 4.		Other \$6,360
		3.1.3 National awareness on climate change issues raised and competencies of civil society organizations to influence national and local level decision-making improved.	Number of policy or legislative reviews initiated by civil society organizations; Baseline: TBD; Target: TBD.		
	3.2. By 2015 national capacities for management and sustainable use of natural resources improved; Number of sectoral laws and bylaws, regulating sustainable use and management of natural resources adopted; Baseline: 10; Target: 20.	3.2.1 A national network of protected areas established, by strengthening planning, financing and management practices	Number of management plans on protected areas developed; Baseline: 0; Target: 5.	Ministry of Environment; Italy; Swiss Agency for Development and Cooperation; World Bank; Entwicklungsbank; Swedish International Development Cooperation Agency; Global Environment Facility Small Grants Programme, European Commission neighbourhood programme.	Regular \$600
		3.2.2 Capacity building programmes and demonstration models for integrated watershed management are implemented in the Prespa Basin.	Management tools used for an integrated ecosystem management; Baseline: Does not exist; Target: Established.		Other \$5,400
	3.3: By 2015 National authorities are better able to reduce the risk of and respond to natural and man-made disasters. Multi-hazard monitoring and evaluation system established; Baseline: Does not exist; Target: Established.	3.3.1 A national framework for regular assessment and monitoring of disaster risks developed and piloted at local level.	Number of municipalities that have disaster risk management plans and programmes; Baseline: 0; Target: 5.	Crisis management centre; Ministry of Environment; Ministry of Economy; World Bank; Japan International Cooperation Agency; The Netherlands.	Regular \$130
		3.3.2 Risk reduction practices adopted and piloted in at least two environmental hot spots.	Amount of financial resources allocated by the mine owners and government; Baseline: \$200,000; Target: \$1,500,000.		Other \$4,910

Total indicative resources: \$3,943,000.00