

ANNEX 1: RESULTS MATRIX FOR THE COUNTRY PARTNERSHIP STRATEGY

Country Devt. Goals	Issues and Obstacles	Outcomes the WBG Program is Expected to Influence	Milestones	WBG Program
<i>Priority I: Faster Growth: Competitiveness</i>				
Promote fiscal, macroeconomic, and financial sector stability	Though debt levels are sustainable, financial vulnerabilities in the pension and health systems could threaten macroeconomic stability over the medium to long term.	Maintain macroeconomic stability through sound management of fiscal conditions, as indicated by: <ul style="list-style-type: none"> - General government debt maintained below roughly one-third of GDP (baseline: est. 24% in 2009) - Arrears in the public health sector maintained at or below 0.3% of GDP (baseline: [0.2%] in 2009) - Spending on pensions maintained at or below 9% of GDP (baseline: [TBD]) 	Basic health benefit package adopted consistent with available financial resources. Pension reforms instituted to realize cost savings, including parametric changes to the First Pillar.	FY11 Development Policy Loan 2 FY13 Health Sector TA
	Banking supervision is generally strong, but supervision of non-bank financial institutions is weak, and oversight capacity varies across subsectors.	Strengthen supervision of the financial sector focusing on non-bank financial institutions.	Supervisory Committee established to harmonize regulation and practices in financial sector supervision.	FY11-14- Programmatic Western Balkan Financial Sector TA
	Corporate financial reporting has improved but lags behind EU practices.	Strengthen the transparency of corporate financial reporting in line with EU standards.	Progress noted in Annual Progress Report of EC Professional body admitted to International Federation of Accountants (IFAC).	FY11 Regional REPARIS
Strengthen the business environment, focusing on land administration, judicial services, access to finance, and skills development.	Deficiencies in land administration, including limited public access to geographic information and weak data sharing among agencies, reduce the efficiency and transparency of real estate and property systems.	Improve the efficiency and transparency of land administration, as indicated by: <ul style="list-style-type: none"> - Increase in land and real estate transactions (baseline: 93,240 in 2009; target; TBD). - Increase in customer satisfaction with the efficiency of land administration (baseline: 3.7 rating on a 5-point scale in 2009; target; rating of 4 by 2013). 	Strategy developed on national spatial data infrastructure in line with EU requirements. Cadastre maps digitized and posted online (baseline: maps covering 10% of territory digitized in 2010; target: maps covering 70% of territory digitized and posted online by 2013).	FY10 Additional Financing: Real Estate Cadastre and Registration Project FY12 Western Balkan Prog. Innovation Study
	Inadequate infrastructure and weak institutional and enforcement capacity in the judiciary erodes business confidence, particularly in commercial dispute resolution.	Improve the efficiency and services of the judiciary as indicated by: <ul style="list-style-type: none"> - Decrease in the share of firms reporting the judiciary as a problem for doing business (baseline: 50% in 2008 BEEPS; target: 43% in 2011) 	Reduction in the number of days to enforce a contract (baseline: 370 days in 2010 Doing Business Report; target: TBD).	FY06 Legal and Judicial Implementation & Institutional Support Project
	Limited capital for business development stymies growth of enterprises in sectors with potential	Enhance access of SMEs to financing in key growth sectors.	Increase in the number of renovated courthouses (baseline: 9 in 2010; target: 11 in 2011). Financing provided to commercial bank programs supporting SMEs, particularly in	FY12 Science and Technology TA IFC: Finance and Advisory Services Supporting SMEs

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	<p>for expansion and exports. Though recent reforms have improved public procurement, capacity remains limited, particularly in enforcement and PPPs/concessions.</p> <p>Improving higher education is critical to building a skilled workforce, but an unsustainable financing model and weak quality controls undermine efforts to improve instruction and access.</p>	<p>Align national procurement policies with the EU <i>acquis</i> and international best practice.</p> <p>Strengthen the sustainability of the higher education system and quality assurance in line with EU standards.</p>	<p>agribusiness, health, and construction. Action Plan for use of the country procurement system in World Bank operations adopted and implemented by the Public Procurement Bureau.</p> <p>Reforms to the higher education financing model and quality assurance system implemented.</p>	<p>FY12 National Procurement Policy Study</p> <p>FY11 Higher Education TA</p>
<p>Improve infrastructure to catalyze economic growth, particularly in transport</p>	<p>Inadequate and substandard local and regional roads impair growth, particularly in remote areas.</p> <p>Rail and motorway delays and congestion at border crossings along Corridor X, a key EU transport route, restrict domestic and regional commerce.</p> <p>Outmoded electrical infrastructure and inadequate connections to the SEE regional power network threaten the country's energy security and long-term growth.</p>	<p>Improve the quality of the local and regional road network, as indicated by:</p> <ul style="list-style-type: none"> - Decrease in vehicle operational costs on rehabilitated roads (baseline: TBD; target: 10% decrease by 2012) <p>Facilitate regional trade by removing bottlenecks at border crossings, as indicated by:</p> <ul style="list-style-type: none"> - Decrease in waiting time for cars and buses at the border crossing point with Kosovo (baseline and target: TBD). <p>Strengthen FYR Macedonia's energy security by upgrading select domestic and regional transmission infrastructure.</p>	<p>Select local and regional roads rehabilitated (baseline: 48 km of regional roads rehabilitated in 2010; targets: 330 km of regional and 420 km of local roads rehabilitated by 2012).</p> <p>Upgrades to the passenger border crossing facility with Kosovo completed by 2011 (baseline: contractor signed in 2010).</p> <p>Electrical transmission line completed between Stip in eastern FYR Macedonia and Nis in Serbia.</p> <p>Rehabilitation of twenty one 110kV substations completed.</p>	<p>FY08 Regional & Local Roads Program Support Project</p> <p>FY07 Second Trade & Transport Facilitation Project</p> <p>FY06 ECSEE APL3 and FY11 Additional Financing</p>
<p>Strengthen municipal services and infrastructure</p>	<p>Shortfalls in the quality and transparency of municipal services, including weak institutional capacity and inadequate water and solid waste services, undermine growth at the local level.</p>	<p>Improve the transparency and quality of municipal services as indicated by:</p> <ul style="list-style-type: none"> - Increase in targeted municipalities participating in public benchmarking exercises (baseline: 0% in 2010; target: 100% in 2014) - Increase in targeted municipalities reporting improvements in delivery of urban services (baseline: 0% in 2010; target: 40% by 2014) 	<p>Increase in communal service enterprises participating in trainings on municipal benchmarking (baseline: 50% in 2010; target: 100% in 2014).</p> <p>Performance grants provided to targeted municipalities (baseline: 0 in 2010; target: 5 in 2014).</p>	<p>FY09 Municipal Services Improvement Project</p>

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Priority II: More Inclusive Growth: Employability and Social Protection				
Increase employment, particularly among vulnerable groups (using official employment and unemployment baseline data)	FYR Macedonia's 32.4% unemployment rate is exacerbated by a relatively high labor tax wedge that discourages formal employment for low-wage earners, and unemployment benefits that may inhibit job seekers.	Lower the cost of businesses to employ workers as indicated by: <ul style="list-style-type: none"> - Decrease in Social Insurance Contributions, which represent a key component of the labor tax wedge (baseline: 28.4% of the gross wage in 2009; target: 22.5% by 2014) 	Second stage of the Government's payroll tax reform implemented.	FY11 Development Policy Loan 2 FY09 Conditional Cash Transfer Project FY12 Labor Market Reform TA
Strengthen the efficiency of the social safety net, including improved targeting of cash benefits	FYR Macedonia's social protection system provides broad coverage. However, the targeting of social assistance is suboptimal, and the government lacks capacity to administer a program providing conditional cash transfers (CCT) supporting education enrollment.	Strengthen the targeting and coverage of FYR Macedonia's social services as indicated by: <ul style="list-style-type: none"> - Increase in the targeting accuracy of the overall safety net (baseline: 50% in 2010; target: TDB) - Increase in households in the poorest quintile enrolled in the Government's CCT program (baseline: 0% in 2010; target: 40% in 2014) 	Database of social cash benefits developed and in use to monitor the functioning of the social safety net and guide future reforms. Education campaign executed to increase the awareness of the CCT program among the poor.	FY04 Social Protection Project FY09 Conditional Cash Transfer Project FY11 Development Policy Loan II FY08 Programmatic Poverty FY13 Health Sector TA
Priority III: Greener Growth: Environmental Sustainability and Climate Action				
Strengthen knowledge base for policymaking in green growth and climate action	Inadequate government knowledge on ways to adapt policies and sectors to promote "green growth" undermine efforts to manage environmental threats and climate change.	Enhance government knowledge of approaches to manage the green growth agenda, particularly by adapting sectors to evolving constraints and opportunities.	Policy Notes assessing green growth and climate change challenges in diverse sectors developed and presented to the Government.	Policy Notes in Energy, Water, Agriculture, Industry, Transport (multiple FYs) FY12 Green Growth and Climate Change Analytical Study
Improve the efficiency of the energy sector	Outmoded electrical infrastructure and inadequate connections to the SEE regional power network	Strengthen FYR Macedonia's energy security by upgrading select domestic and regional transmission infrastructure.	Electrical transmission line completed between Stip in eastern FYR Macedonia and Nis in Serbia.	FY06 ECSEE APL3 and FY11 Additional Financing

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<p>and environmental sustainability, particularly by exploiting renewable energy sources</p>	<p>threaten the country's energy security and long-term growth.</p> <p>FYR Macedonia has prioritized renewable energy and has much potential for wind, biomass, and small hydropower, but legal constraints and insufficient incentives, capacity, and financing limit their exploitation.</p> <p>Energy use in FYR Macedonia is inefficient, particularly in industry, but new investments to boost efficiency are stymied by lack of country capacity, limited financing vehicles, and poor awareness.</p>	<p>Increase the share of the national energy supplies derived from "new" renewable energy sources (baseline: 0 in 2010; target: 6 MW by 2011).</p> <p>Improve the efficiency of FYR Macedonia's energy use as indicated by:</p> <ul style="list-style-type: none"> - Increase in energy saved (lifetime basis) attributable to new energy efficiency projects (baseline: 0 in 2010; target: 220 GWh by 2014) 	<p>Rehabilitation of twenty one 110kV substations completed.</p> <p>Regulatory framework updated to facilitate renewable energy projects, including rules on interconnection.</p> <p>National Program for Energy Efficiency in buildings implemented.</p>	<p>FY07 Sustainable Energy Project (GEF)</p> <p>FY12 Energy Project (Hydropower)</p> <p>FY13 Energy Efficiency Project</p> <p>FY11/12 Energy Efficiency TA</p> <p>IFC: Regional Advisory Services for Small Hydropower Plants</p>
<p>Strengthen management of water resources in line with EU directives</p>	<p>Managing water resources is critical to addressing potential threats from climate change and resource and financial constraints, particularly in agriculture. Irrigation providers are inefficient and financially weak, and water policies remain inadequately aligned with the EU <i>acquis</i>.</p>	<p>Strengthen management of water resources, particularly in agriculture, as indicated by:</p> <ul style="list-style-type: none"> - Improved cost-recovery in new "Water Economies" (baseline: varied rates (11-90%) of collecting user fees in 2010; 70% user collection rate in 2011) 	<p>Increase in number of established and operating "Water Economies" (baseline: 5 in 2010; target: 6 in 2011).</p> <p>Comprehensive assessment undertaken of water management challenges in diverse sectors, and recommendations developed taking into account threats from climate change.</p>	<p>FY07 Agriculture Strengthening and Accession Project</p> <p>FY10 Water Sector Capacity Assessment (TF)</p> <p>FY09 Municipal Services Improvement Project</p>
<p>Strengthen the competitiveness of the agriculture sector, including adapting practices to climate change and EU requirements.</p>	<p>Updating agricultural practices is critical to boosting growth and accessing assistance under the EU Instrument for Pre-accession, but capacity to satisfy EU standards and deliver assistance to the rural sector is limited.</p>	<p>Strengthen agriculture systems to comply with EU requirements, as indicated by:</p> <ul style="list-style-type: none"> - EU IPARD assistance paid to farmers in compliance with EU standards (baseline: initial IPARD funding proposals being reviewed in 2010; target: IPARD payments processed in compliance with standards by 2011). 	<p>Farm registry and land parcel identification system fully established, and quarterly reports published on key agricultural data.</p> <p>Code of Good Agricultural Practices developed and promoted among farmers.</p>	<p>FY07 Agriculture Strengthening & Accession Project</p> <p>FY12 Agriculture and Climate Change TA Program</p>