

Macedonia Gap Analysis
Europe and Eurasia Bureau, USAID
Strategic Planning and Analysis Division
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Highlights

Overview. Macedonia's progress exceeds the E&E average in four of the five Monitoring Country Progress (MCP) indices: democratic reforms; economic reforms; human capital; and peace and security. It lags behind the Romania-Bulgaria-Croatia (R-B-C) 2006 standard in all five areas, most prominently in economic growth and performance, least prominently in economic reforms. Of the E&E countries still receiving AEECA assistance, Macedonia comes closest to the R-B-C economic reform threshold. By averaging economic and democratic reform trends and extrapolating combined reform progress from the previous five years, Macedonia is forecast to reach the combined reform R-B-C threshold in 2015.

Economic reforms. Macroeconomic reform progress continues to be steady if somewhat slow, with recent progress confined to second-stage reforms. The most significant macro-economic reform gaps are in economic governance, infrastructure, and nonbank financial reforms. In contrast, progress in microeconomic reforms (or business environment measures) has been significant in recent years.

Democratic reforms are Southern Tier CEE average with minimal overall progress in recent years. Nevertheless, since 2001, anti-corruption reforms have advanced notably, although Macedonia's anti-corruption score remains a lagging indicator in democratization. Of the seven democratization areas, independent media lags the most and is the only democracy sector which has deteriorated since 2001.

Macedonia scores poorly in **macroeconomic growth and performance** by CEE averages. Challenges include consistently low economic growth, high domestic inequality, and a largely dysfunctional labor market. Macedonia's economy grew at a slower pace than the global average prior to the global crisis, contracted far less in 2009 than most E&E regional economies, and rebounded much less in 2010 compared to global and E&E economic growth averages. The unemployment rate has remained extraordinarily high, close to 31% today. In 2009, 81% of unemployed were considered long-term, and 55% of the youth labor force was unemployed. A recent World Bank study estimates that informal sector employment as a percent of the labor force is roughly 50%. Of 18 E&E countries for which estimates are available, only Bosnia-Herzegovina, Azerbaijan, and the Kyrgyz Republic have higher informal sector employment.

On the health measures of the MCP **human capital** index, Macedonia scores close to the Northern Tier CEE average, whereas on the MCP education indicator, its performance is slightly below Eurasian average. This education gap derives in part from low and falling enrollment rates in primary education and relatively poor scores from Macedonian students on three of the available surveys which attempt to measure functional literacy (or the quality and relevance of the education to market-economy demands). Key health indicators—life expectancy, under five mortality rate, and TB incidences-- are approaching Northern Tier CEE standards, and are showing health advances with time.

Peace and security is roughly Southern Tier CEE average, with Bosnia-Herzegovina, Albania, and Kosovo less peaceful and secure than Macedonia. Notwithstanding Macedonia's relatively favorable score on conflict mitigation, political and inter-ethnic tensions remain in evidence.

Introduction. This gap analysis utilizes the dataset and methodology of the *Monitoring Country Progress* (MCP) system developed by the E&E Bureau's Strategic Planning and Analysis Division. The core of the MCP system consists of five indices: economic reforms, democratic reforms, macroeconomic performance, human capital, and peace and security. We draw on public, well-established data sources and standardize the metrics to a 1 to 5 scale, in which a 5 represents the most advanced standards worldwide. Primary data sources include the European Bank for Reconstruction and Development (EBRD), *Transition Report* (November 2010); Freedom House, *Nations in Transit* (June 2010); and the World Bank, *World Development Indicators* (May 2010). Supplemental data and analysis are drawn from several Macedonia-specific documents including the European Commission, *TFY Republic of Macedonia Progress Report* (November 2010); the International Monetary Fund (IMF), *Macedonia Country Report* (February 2011); and the Economist Intelligence Unit, *Macedonia Country Report* (March 2011).

Macedonia's Transition Profile. *Figures 1 and 2* provide an overview of Macedonia's transition progress across the five MCP indices, compared to the 29 country E&E average in *Figure 1* and the phase-out threshold (of progress in Romania, Bulgaria, and Croatia in 2006) in *Figure 2*. Each circle on these charts represents a country observation; they reveal considerable variation from the E&E average, particularly in democratic reforms and in human capital. With that caveat in mind, Macedonia's performance exceeds the E&E average in four of the five indices: democratic reforms, economic reforms, human capital (to a lesser extent) and peace and security. Macedonia's economic growth and performance is below E&E average. Macedonia lags behind the Romania-Bulgaria-Croatia (R-B-C) 2006 standard in all five areas, most prominently in economic growth and performance, least prominently in economic reforms.

Economic and Democratic Reforms. *Figure 3* presents the economic and democratic reform progress of the 29 E&E countries, classified into three geographic sub-regions: Northern Tier Central & Eastern Europe (CEE); Southern Tier CEE; and Eurasia.¹ The reform progress thresholds of R-B-C in 2006 are also provided as a basis of comparison. Of the E&E countries which still receive AEECA assistance, Macedonia's economic reform progress comes closest to the R-B-C 2006 threshold; Macedonia, Serbia, and Montenegro come closest to the democratic reform threshold. *Figure 4* averages Macedonia's progress in economic and democratic reforms and illustrates this reform trend line over time. In addition, Macedonia's reform progress is extrapolated forward on the basis of performance over the past five years (2004-2009) and compared to the R-B-C 2006 threshold. By this mechanical extrapolation, Macedonia is forecast to reach the reform threshold by 2015.

Economic Reforms. Economic reform indicators from the EBRD have been categorized into two stages. First-stage reforms involve price liberalization, trade and foreign exchange reforms, and small- and large-scale privatization; i.e., reforms that reduce government intervention in the economy. Second-stage economic reforms entail building government capacity to regulate and oversee the private sector;

¹ Northern Tier CEE consists of Estonia, Latvia, Lithuania, Poland, Slovakia, Czech Republic, Hungary, and Slovenia; Southern Tier CEE consists of Romania, Bulgaria, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, FYR Macedonia, Albania, and Kosovo; Eurasia consists of twelve countries of the former Soviet Union less the Baltic states.

in some sense, they involve getting government back in the economic sphere, albeit in a market-friendly way. Second-stage reforms include enterprise reform, competition policy, banking reform, infrastructure reform, and non-bank financial reform.

Figure 5 shows the components of the MCP economic reform index alongside the components of the indices for democratic reforms, macroeconomic performance, and human capital. The greater the blue area (and higher the number), the greater is the progress. As is the common transition country economic reform profile, first-stage reforms in Macedonia are more advanced than second-stage reforms. The most significant macro-economic reform gaps in Macedonia are economic governance reforms (competition policy and enterprise restructuring reforms) as well as infrastructure reforms (a composite of five areas, including electric power, railways, roads, water and wastewater, and telecommunications), and nonbank financial reforms.

According to the EBRD in its *Transition Report* (November 2010), Macedonia faces several economic structural reform priorities. In the corporate sector, “the priorities are to continue efforts to reduce or remove uncertainty over property rights and to accelerate progress in reforming the judicial system. The country’s infrastructure also faces significant investment needs, particularly in the transport and energy sectors. In the financial sector, the priority in the coming years is to facilitate a much-needed consolidation of the sector and a greater diversity of financial products; the competition among banks is less vibrant than in neighboring countries and the development of the capital markets is in its infancy.”²

Figure 6 compares Macedonia’s first- and second-stage reform progress over time with the Southern Tier CEE average and highlights two notable observations. One, the difference between the more advanced progress in first-stage reforms in Macedonia versus second-stage economic reforms is roughly comparable to that found in the Southern Tier CEE countries on average. Two, macroeconomic reform progress in Macedonia (as with macroeconomic reform progress in the Southern Tier CEE overall) continues to be steady if somewhat slow, with progress in recent years confined to second-stage reforms.

We supplement the EBRD macroeconomic reform trends with microeconomic reform trends from the World Bank’s *Doing Business* analysis (*Figures 7 and 8*). The World Bank’s scores are based on ten microeconomic reform aspects of the business environment influenced by government interventions ranging from rules and regulations needed to start a business; employ workers; register business property; access credit; pay taxes; and close a business.³ By these measures, Macedonia’s business environment is very favorable by global standards, ranking 38th out of 183 countries, better than most of the Northern Tier CEE countries (*Figure 7*). Moreover, in contrast to the macroeconomic reform trends, progress in these microeconomic reforms in Macedonia has been impressive and significant in recent

² EBRD, *Transition Report 2010*, pp. 114-115.

³ The technique employed for each *Doing Business* indicator is to define a specific type of business in a specific type of environment, and to compare the experience of that firm in that setting across the countries. In the *Days to Start a Business* indicator, for example, the firm is a limited liability company which operates in the country’s most populous city, is 100% domestically owned, has up to 50 employees, etc. This technique allows for a manageable and precise way to measure trends across countries. However, one may not be able to generalize the results across different parts of any one country.

years; Macedonia's percentile rank improved from the 48th percentile in 2005 to the 80th percentile in 2010 (*Figure 8*).

Another means to assess Macedonia's business environment is through the *Business Environment and Enterprise Survey* (BEEPS) co-sponsored by the World Bank and the EBRD (*Figure 9*). Enterprises are surveyed on fourteen possible business constraints and the extent to which they are perceived as problematic. *Figure 9* highlights key results for Macedonia in the two most recent surveys, 2005 versus 2008. While the *Doing Business* dataset reveal Macedonia's business environment to be favorable by cross-country standards, the BEEPS surveys highlight, nevertheless, that many businesses in Macedonia perceive significant challenges, and some—in particular, access to financing, access to land, and the skills and education of the workforce—have become problematic to a growing percentage of firms. In 2008, three business constraints were identified as problematic for at least 50% of Macedonian businesses surveyed: burdensome tax rates; access to financing; and the judicial system (or the courts).

Democratic Reforms. Democratic reforms in Macedonia are Southern Tier CEE average (*Figure 10*). Minimal progress has been made in recent years. In 2009, latest year of available data from Freedom House's *Nations in Transit* analysis, Macedonia advanced slightly in two democratization components, electoral process and anti-corruption reforms (*Figure 11*). Electoral process rating improved in 2009 “due to peaceful elections which met international standards.” In terms of the anti-corruption efforts, the government “continued with an aggressive media campaign to raise awareness about the fight against corruption.” In addition, “a number of public officials were detained in anti-corruption operations in 2009, and there were judicial decisions regarding corruption among high public officials during the year.” According to Freedom House, there was also further progress made in 2009 in implementing the provisions of the 2001 Ohrid Agreement—particularly, “implementation of the decentralization process, use of minority languages, and equitable representation.”⁴

Since 2001 (and the Ohrid Agreement), anti-corruption reforms have advanced notably, although Macedonia's anti-corruption score remains one of the lagging indicators in democratization (*Figure 11* and *Figure 5*). Of the seven democratization areas, independent media in Macedonia lags the most (*Figure 5*) and is the only democracy sector which has deteriorated since 2001 (*Figure 11*). The arrest in December 2010 of Velija Ramkovski, the owner of A1 TV, and the freezing of A1 TV's accounts provide some evidence that the trend of backsliding in the media sector continued beyond 2009.

Figure 12 compares Freedom House's measure of corruption across the E&E region with Transparency International's measure of the perception of corruption in these countries. Both measures place Macedonia among the better performing countries, i.e., close to Northern Tier CEE standards. As with all of the better performing countries, the results may suggest that corruption in Macedonia is perceived to be greater than it actually is.

The Media Sustainability Index (MSI), produced by IREX and funded by USAID, offers another measure of progress in independent media in the region and provides a more in-depth analysis than Freedom House (*Figure 13*). The MSI consists of five aspects identified as necessary for a vibrant and sustainable media

⁴ Freedom House, Macedonia Country Report, *Nations in Transit 2010*.

sector: (1) legal and social norms which protect and promote free speech and access to public information; (2) professional standards in journalism; (3) multiple new sources which provide citizens with reliable, objective news; (4) capable business management allowing for editorial independence; and (5) supporting institutions which function in the professional interests of independent media. According to the MSI, Macedonia's media is the least sustainable and least developed of all of the Southern Tier CEE countries, closer to Eurasian standards than Southern Tier CEE (*Figure 13*). Consistent with Freedom House's analysis, the development of independent media in Macedonia according to the MSI has regressed since 2001. Of the five ingredients for a sustainable independent media, Macedonia's media lags the most in business capacity and is farthest along in supporting institutions; overall, there is relatively little variation in the scores of the five areas.

As a final measure of democratization, *Figure 14* illustrates the results of USAID's *NGO Sustainability Index* with Macedonia compared to the Southern Tier CEE average. On the seven components of a sustainable NGO sector, Macedonia's progress closely mirrors that of the Southern Tier CEE region. Three aspects of a sustainable NGO sector in Macedonia are close to "consolidation": the legal environment; advocacy; and infrastructure. Of the seven aspects, financial viability lags the most.

Economic Performance and Human Capital. *Figure 15* presents a bird's-eye view of progress in macroeconomic performance and human capital across the transition region. The economic performance index is composed of key structural economic indicators as well as indicators focused on macroeconomic stability and growth. The human capital index is composed of health, education, and income indicators. To provide some assurance that progress in economic and democratic reforms is sustainable, it is important to see sufficient progress in macroeconomic performance and human capital.

As shown in *Figure 15* (and underscored earlier in *Figures 1* and *2*), Macedonia scores poorly in macroeconomic performance by CEE standards. Of the CEE countries, only Serbia's economy scores lower. Macedonia fares somewhat better in human capital relative to the region, roughly comparable to that found in Romania and Bosnia and Herzegovina. *Figure 5* shows the components of both indices and reveals prominent gaps. In macroeconomic performance, these gaps include relatively low economic growth over the past five years, high domestic inequality, and a largely dysfunctional labor market characterized by an extremely high unemployment rate. In human capital, the salient gap is found in a weak education system.

Economic Performance. *Figure 16* illustrates Macedonia's economic growth performance since 2002 compared to the E&E region as well as the world. On this dimension, Macedonia has largely been an E&E outlier. Economic growth in E&E well exceeded global growth prior to the global financial crisis and was disproportionately adversely affected by the crisis; i.e., economic output in the region contracted far greater than the global economy on average. In contrast, Macedonia's economy grew at a pace slower than the global average for most of the recent years prior to the global crisis and seemed little affected by the crisis, contracting far less in 2009 than most economies of the E&E region. In addition, Macedonia's economy rebounded much less in 2010 as compared to both the global economic growth average and the E&E average growth.

Figure 17 shows the longer term performance of Macedonia's economy relative to the three E&E sub-regions. Even though Macedonia's economy did not contract as much as the economies of the Southern Tier CEE countries on average as well as the Eurasian countries on average, the size of its economy today, in contrast to the majority of E&E countries, still remains below its size at the outset of the collapse of the Berlin wall. Economic growth in Macedonia has been sub-par for most of the transition years.

The unemployment rate in Macedonia has been extraordinarily high during the transition years and likely prior to the transition as well (*Figure 18*). It is estimated to be 31% currently, although it has been gradually falling from a high of approximately 38% in 2004. Macedonia is not the only Balkan country with a very high unemployment rate. In fact, Kosovo reportedly has an unemployment rate above 40%; Bosnia and Herzegovina, approximately 28%. Consistent with this trend, the IMF (February 2011) reports a steadily growing employment rate since 2005 at roughly 4% per year.

The World Bank cites a unique and somewhat anomalous combination of labor market trends in Macedonia during the global financial crisis.⁵ Of 21 E&E countries for which data are available, Macedonia was the only country to witness a drop in the unemployment rate between 2008 and 2009. Yet during this same time, Macedonia witnessed among the largest percentage increase in long-term unemployment; only Latvia and Estonia saw larger percentage increases, two countries which also experienced a tremendous increase in unemployment overall.

The European Commission (EC) cites long-term unemployment rates in Macedonia which contradict the World Bank's finding; i.e., the EC cites falling long-term unemployment rates since 2005.⁶ In any event, the long-term unemployment rate is very high: in 2009, according to the EC, 81% of Macedonia's unemployed were considered long-term unemployment (out of work for at least one year). Youth unemployment in 2009, according to the EC, was 55% of the youth labor force.

Such high "formal" unemployment rates could hardly be sustainable without a "release valve" in the form of informal sector employment. A recent World Bank in-house study estimates that informal sector employment in Macedonia as a percent of the labor force is at roughly 50%. Estimates are provided for 18 E&E countries; only three countries have higher informal employment estimates than Macedonia: Bosnia-Herzegovina, Azerbaijan and Kyrgyz Republic.⁷

Human Capital. Why is the unemployment rate in Macedonia so high? To what extent is it a function of constraints on the demand side (and a lack of sufficient demand from employers to hire) versus constraints on the supply side (and a lack of sufficient supply of adequately skilled workers for the available job openings)? On the latter, and noted previously, Macedonia's human capital profile reveals a significant **education gap** (*Figure 19*). In fact, on the health and income measures of the MCP human capital index, Macedonia scores close to the Northern Tier CEE average, while on the MCP education

⁵ World Bank, *The Jobs Crisis: Household and Government Responses to the Great Recession in Eastern Europe and Central Asia* (2011).

⁶ European Commission, *The Former Yugoslav Republic of Macedonia 2010 Progress Report* (November 2010).

⁷ A. Kuddo, *Informal Sector in Europe and Central Asia Countries*, ECSHD Mimeo, World Bank (2009).

indicator (which is an index of various quantity and quality of education indicators),⁸ Macedonia's performance is slightly below Eurasian average. This education gap in Macedonia is due in part to low and falling enrollment rates in primary education (*Figure 20*) as well as relatively poor scores from Macedonian students on all three of the available surveys which attempt to measure functional literacy (or the quality and relevance of the education to market-economy demands): the PISA in 2006; the TIMSS in 2007; and the PIRLS in 2006 (*Figure 21*). Of the 24 E&E countries which have participated in at least one of these functional literacy tests, only students in Albania and the Kyrgyz Republic have scored lower than Macedonia students.

As noted earlier (and shown in *Figure 8*), roughly one in four businesses surveyed in Macedonia in 2008 found the skills and education of the work force to be a significant business constraint. In 2005, fewer businesses—one in five—believed as such. *Figure 22* illustrates these results again compared to other countries in the region. According to the World Bank/EBRD BEEPS survey, the skills and education of the workforce remain a significant and growing problem in most of the E&E countries. Somewhat surprisingly, workforce skills and education are perceived to be more of a constraint in most other countries than it is in Macedonia.

Another consideration for employment is the role of government in the labor markets. To what extent are government regulations in the labor markets problematic? In *Doing Business*, the World Bank calculates a rigidity of employment index which attempts to measure the difficulties that employers face in hiring and firing workers. The index ranges from 0 to 100, with higher values representing more rigid regulations and greater difficulties. Macedonia scores a relatively low score of 14, much lower than the E&E average of 29 as well as the OECD score of 26. By this score, Macedonia's labor regulations do not appear to be particularly burdensome from the firms' perspective.

Health. As summarized in *Figure 19*, key health indicators in Macedonia—life expectancy, under-five mortality rate, and TB incidences—are approaching Northern Tier CEE standards. *Figure 23* illustrates the gradual increase of life expectancy in Macedonia over time. Macedonia's under-five mortality rate was 11 deaths per 1,000 in 2008 (latest year for which data are available), higher than Northern Tier CEE (6 deaths per 1,000) and lower than Southern Tier CEE (15 deaths per 1,000). Macedonia's infant mortality rate was 9.7 deaths per 1,000 live births in 2008; it has been declining steadily since 2004 (13.2 deaths per 1,000 live births). New cases of tuberculosis have also been declining steadily in Macedonia to a level that is now slightly lower than Northern Tier CEE average (*Figure 24*).

Peace and Security. The MCP peace and security index was developed to mirror the six primary elements of the peace and security objective which was developed in 2006 by the Director of Foreign Assistance. These elements include combating weapons of mass destruction, combating transnational crime, counter-narcotics, counter-terrorism, stabilization operations and security sector reforms, and conflict mitigation. *Figure 25* suggests that peace and security in Macedonia is roughly Southern Tier CEE average, with Bosnia-Herzegovina, Albania, and Kosovo less peaceful and secure than Macedonia. By this measure, peace and security in Macedonia is comparable to that of South Africa. However, this

⁸ E&E Bureau, USAID, *Monitoring Country Progress in Eastern Europe & Eurasia* #12 (May 2010), Table 22.

aggregate measure masks notable variations within its components as shown in *Figure 26*. Macedonia lags the most in counter-terrorism and the capacity of the government to combat weapons of mass destruction, with scores comparable to Eurasian norms. In contrast, Macedonia outperforms the Northern Tier CEE countries in terms of stabilization operations and security sector reforms. Of the six peace and security components, Macedonia performs the best in conflict mitigation, although its score on this dimension falls in between Northern Tier CEE and Eurasian standards.

Notwithstanding Macedonia's relatively favorable score on conflict mitigation, domestic political and inter-ethnic tensions remain, illustrated most recently by the melee between young ethnic Albanians and Macedonians in Skopje in February 2011. Overall, as noted in the EC's 2010 progress report on Macedonia, there is limited interaction between members of ethnic communities. By extension, high regional disparities continue to exist in access to education.



Macedonia MCP Gap Analysis

USAID

E&E Bureau

Strategic Planning and Analysis Division

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Figure 1

Macedonia's Development Profile

Regional Comparison of Five MCP Indices

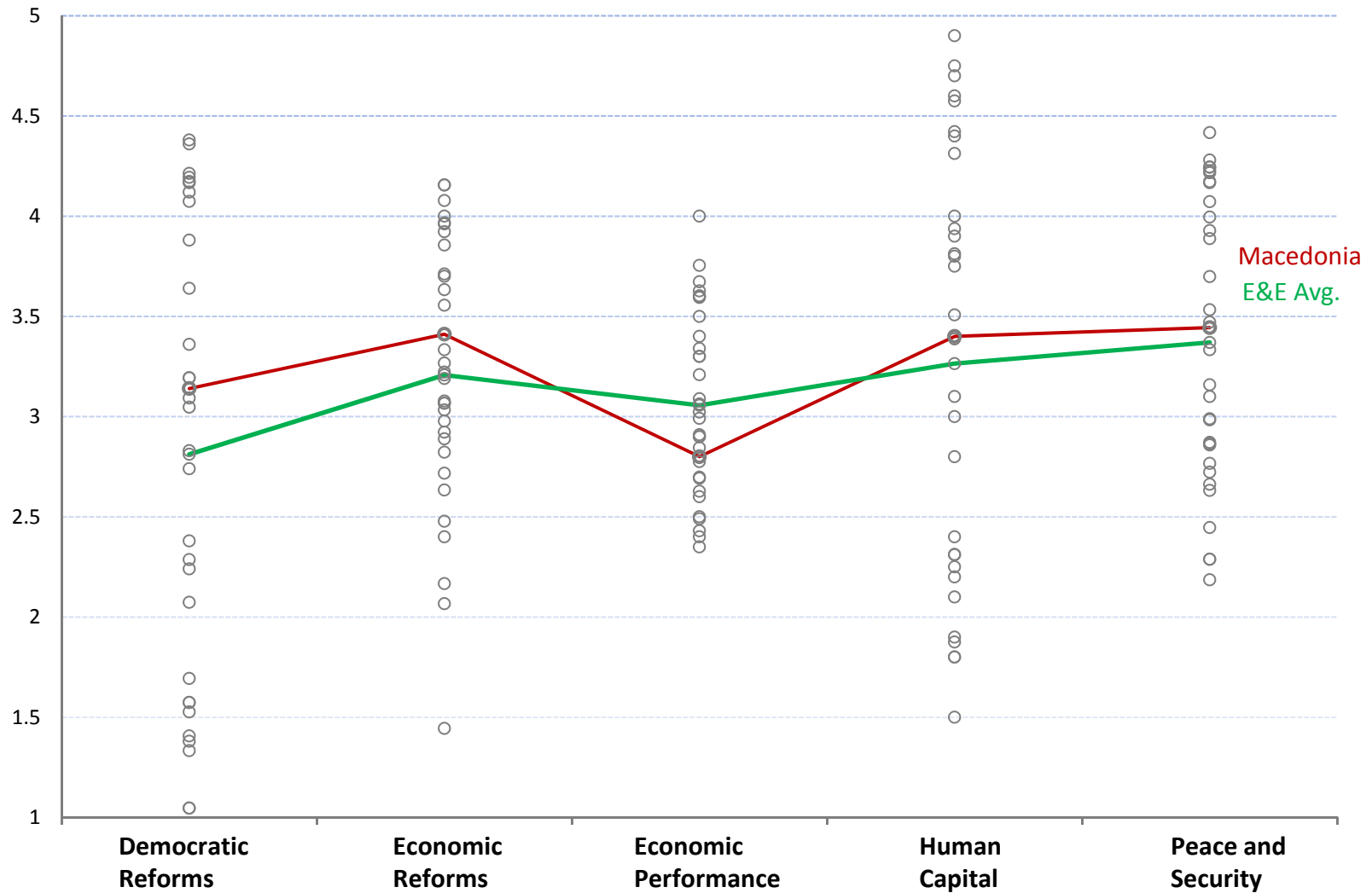


Figure 2

Macedonia's Development Profile

Regional Comparison of Five MCP Indices

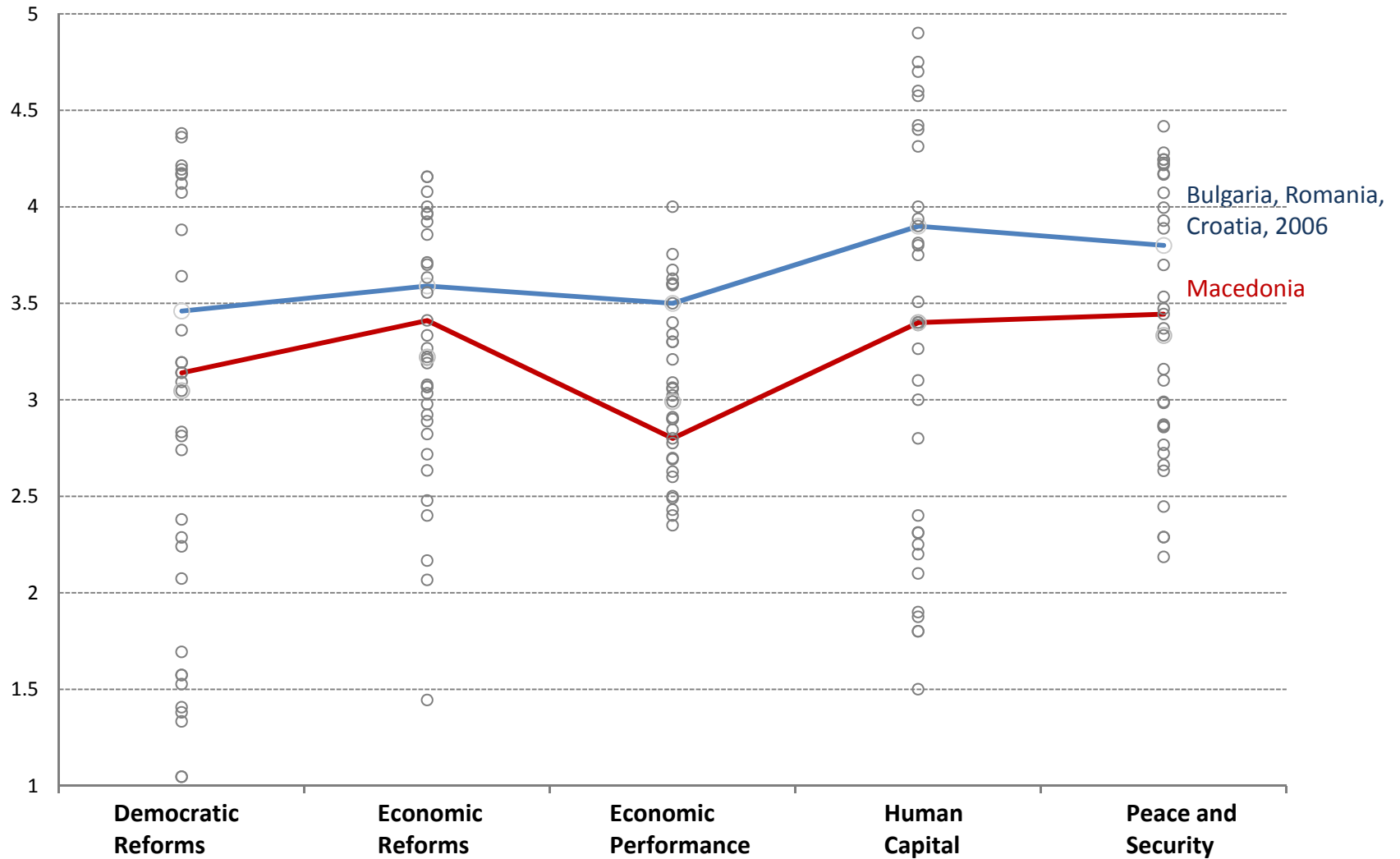
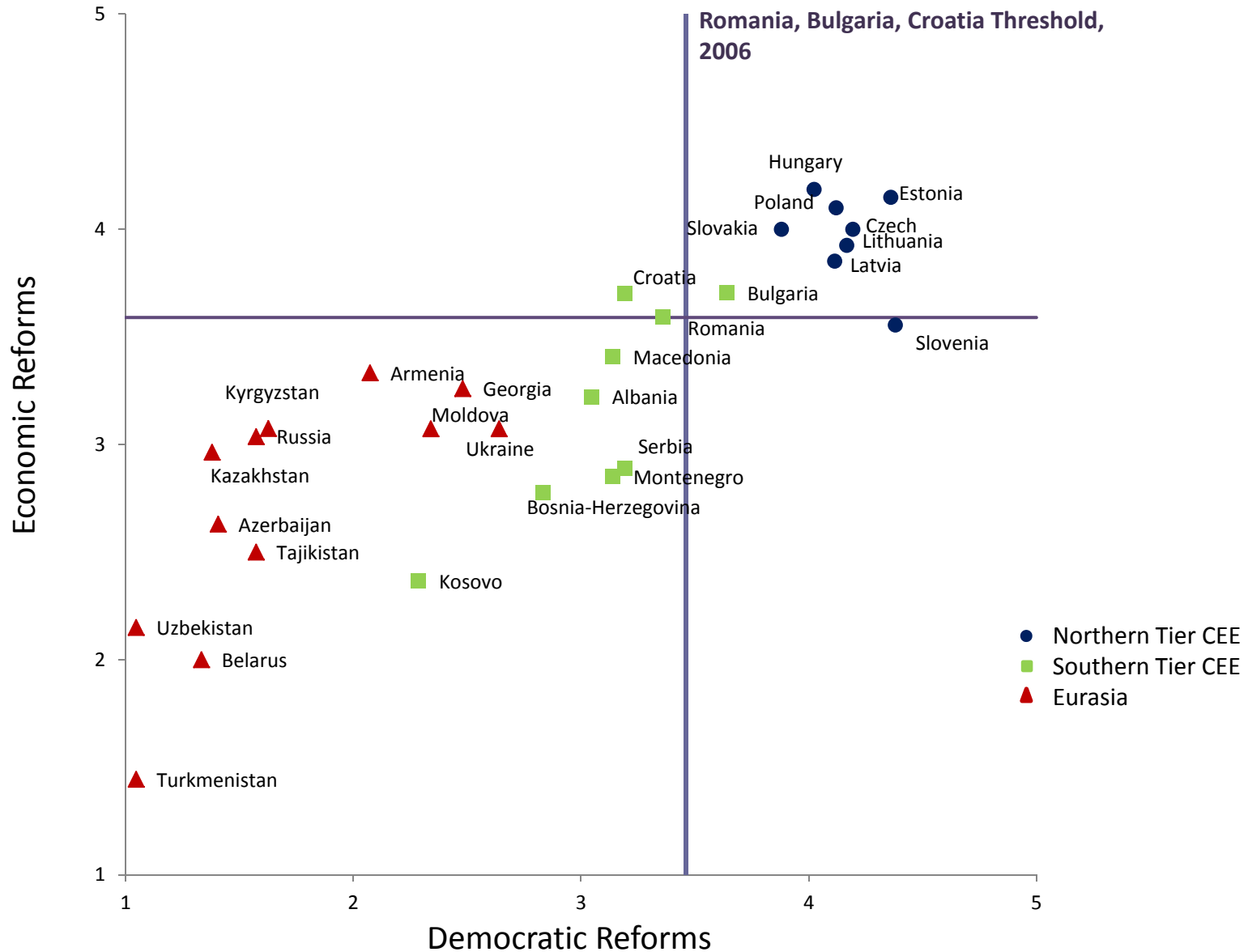


Figure 3

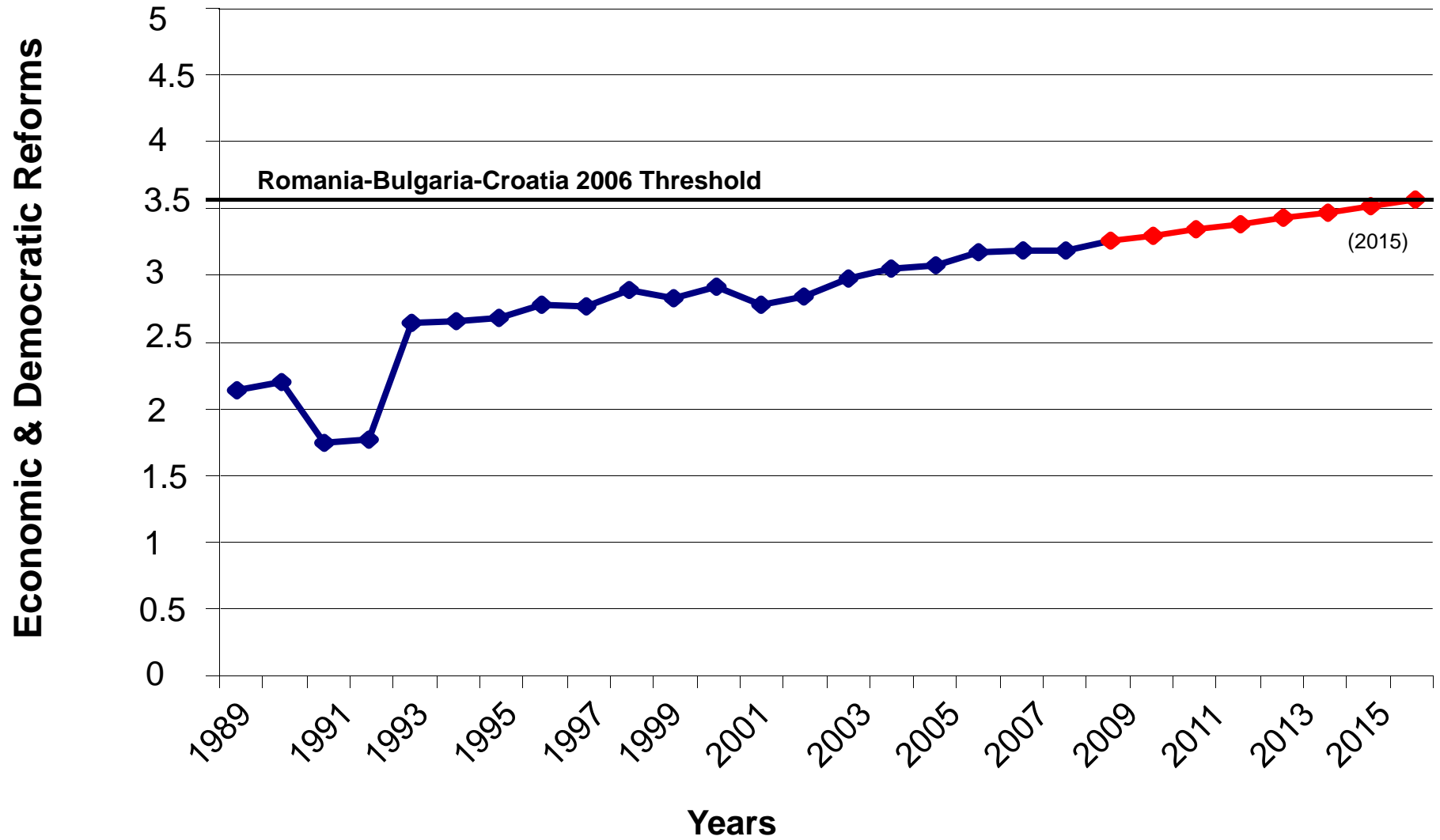
Economic and Democratic Reforms, 2010



Ratings are based on a 1 to 5 scale, with 5 most advanced. Freedom House, *Nations in Transit 2010* (2010), *Freedom in the World* (2011); & EBRD, *Transition Report 2010* (November 2010).

Figure 4

Macedonia

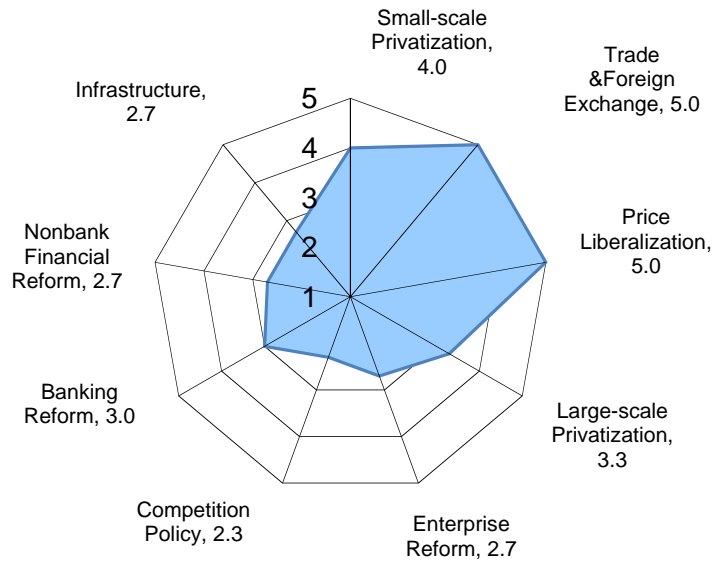


EBRD Transition Report; Freedom House Nations in Transit (various years). Extrapolation based on annual average rate of change from 2004-2009.

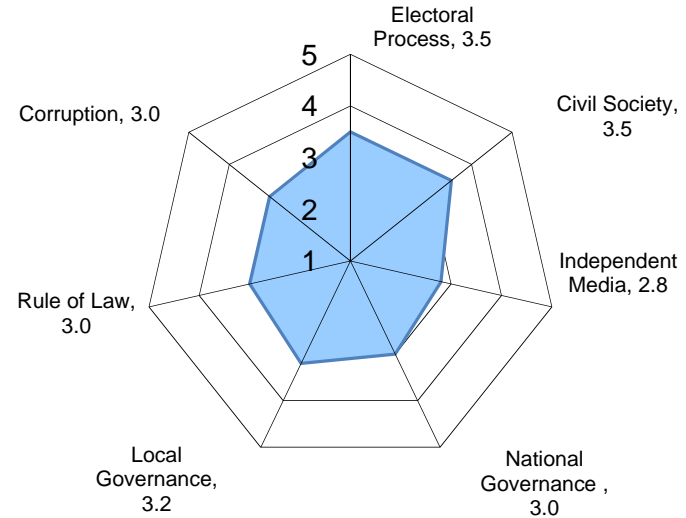
Figure 5

Macedonia

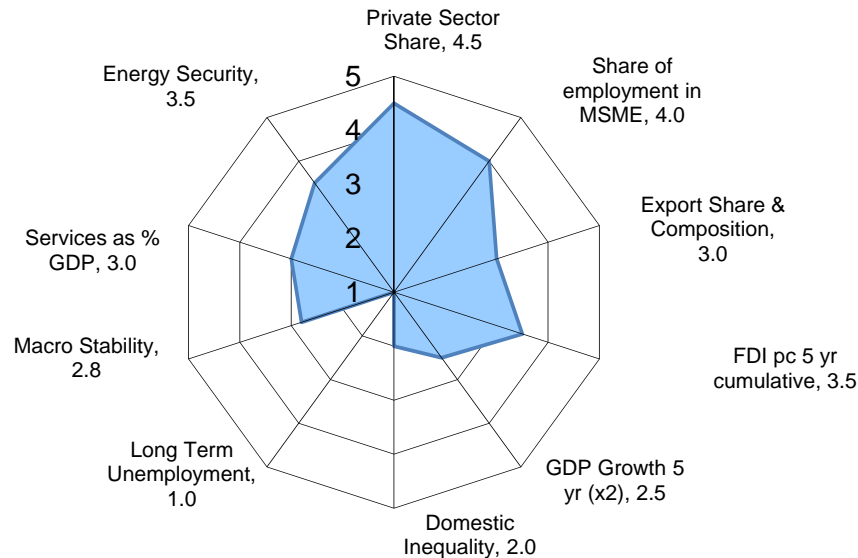
Economic Reforms, 2010



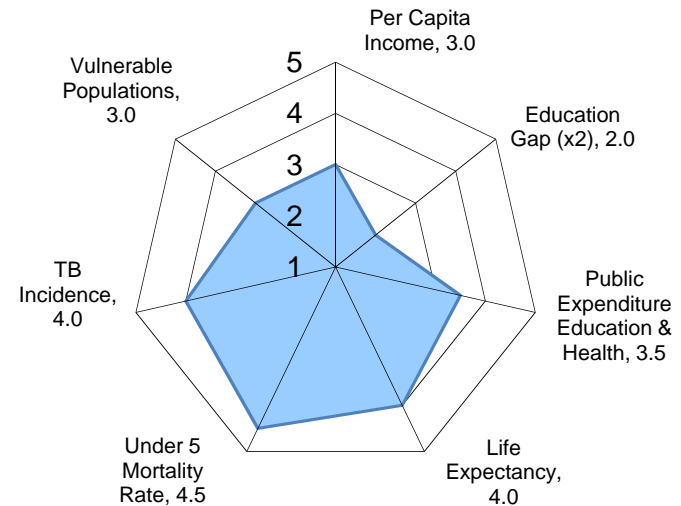
Democratic Reforms, 2009



Economic Performance, 2008-2010



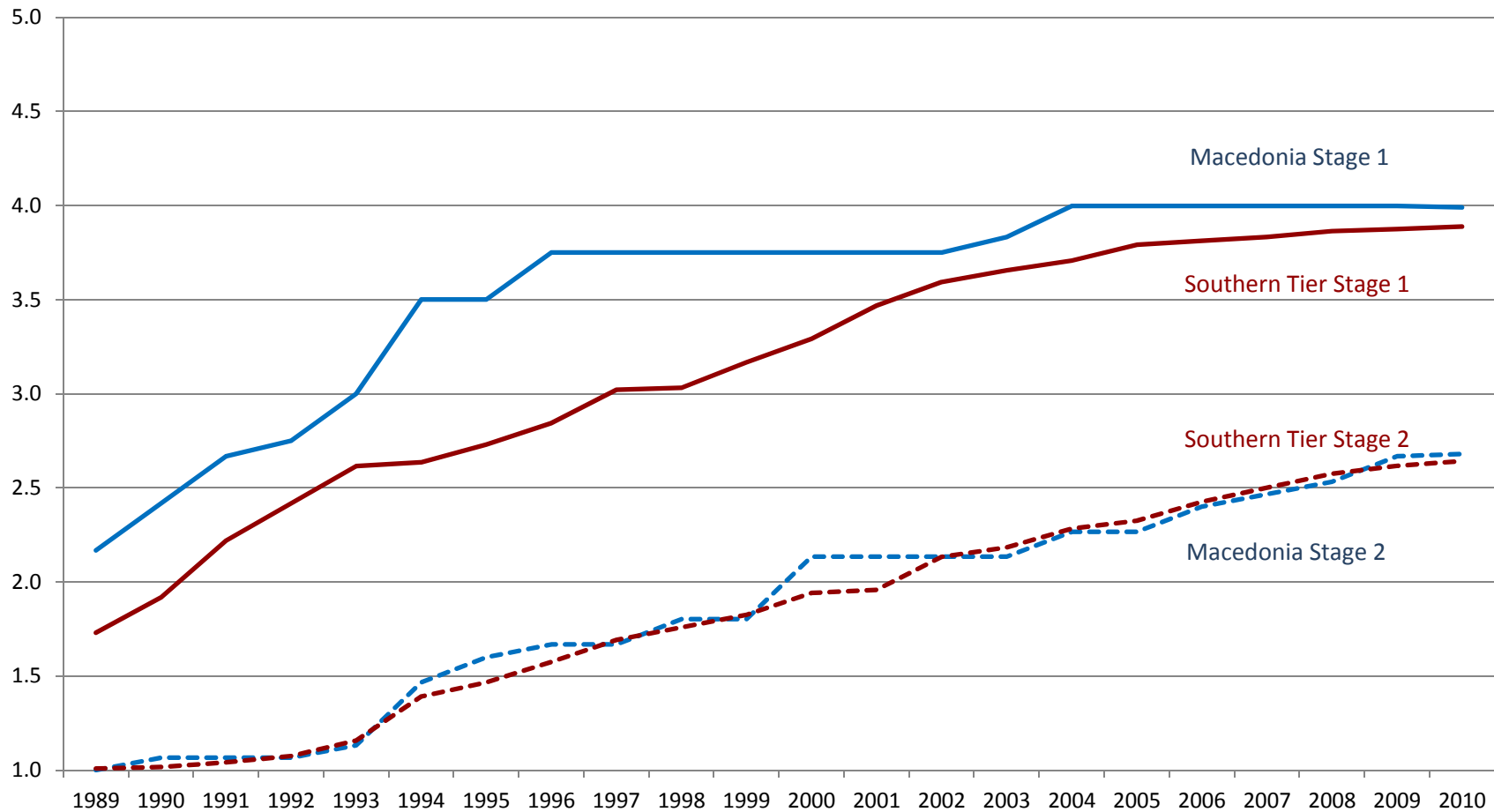
Human Capital, 2008-2010



Ratings are based on a scale from 1 to 5, with 5 representing the best score. Freedom House, *Nations in Transit 2010*; World Bank, *World Development Indicators 2010*; EBRD, *Transition Report 2010*

Figure 6

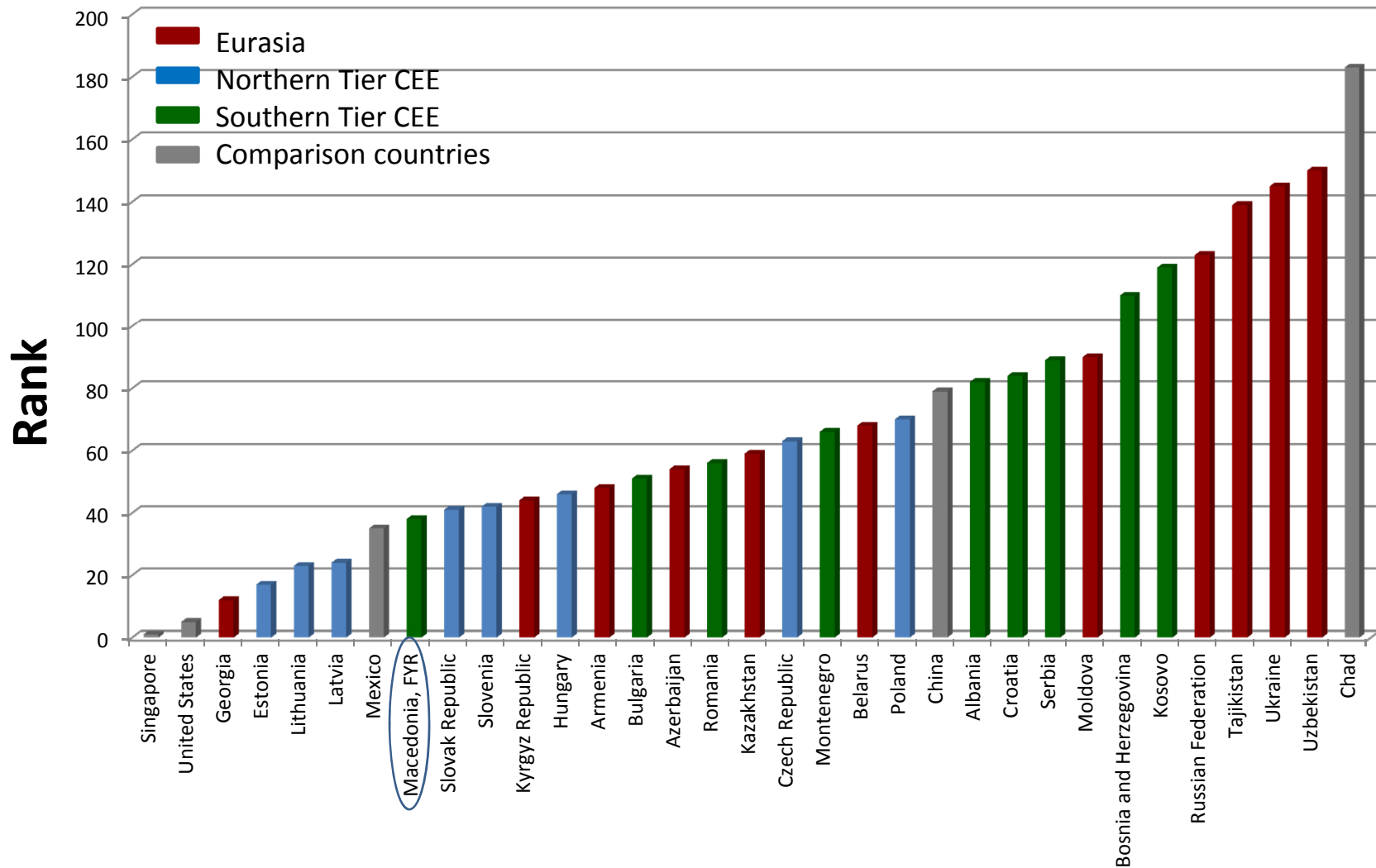
Economic Reform in Macedonia, Stage 1 vs. Stage 2



Stage 1 Reforms: Small Scale Privatization, Trade and Foreign Exchange, Price Liberalization, Large Scale Privatization. Stage 2 Reforms: Enterprise Reform, Competition Policy, Banking Reform, Competition Policy, Banking Reform, Non-Bank Financial Reform, Infrastructure. Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Data are drawn from the EBRD, *Transition Report 2010*

Figure 7

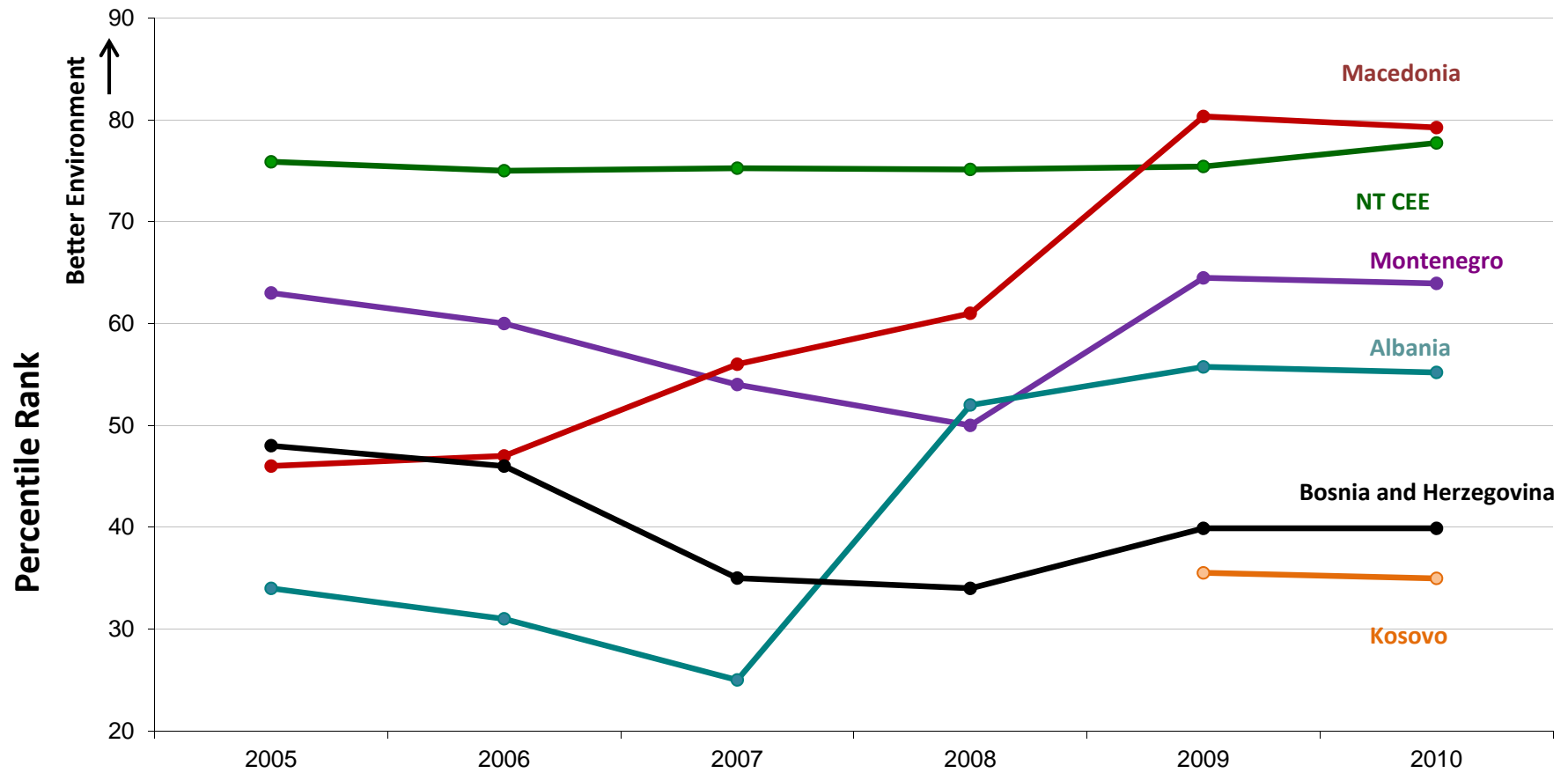
Business Environment in 2010



World Bank Doing Business in 2011 (October 2010), 183 countries are included in the analysis. The business environment is gauged based on 10 aspects: starting a business; dealing with construction; hiring and firing workers; registering a property; getting credit; protecting investors; paying taxes ; trading across borders; enforcing contracts; and closing a business.

Figure 8

Business Environment



World Bank, Doing Business 2011 (October 2010). The analysis is based on 10 aspects: starting a business; dealing with construction; hiring and firing workers; registering a property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business.

Figure 9

Business Problems as Indicated by Firms in Macedonia

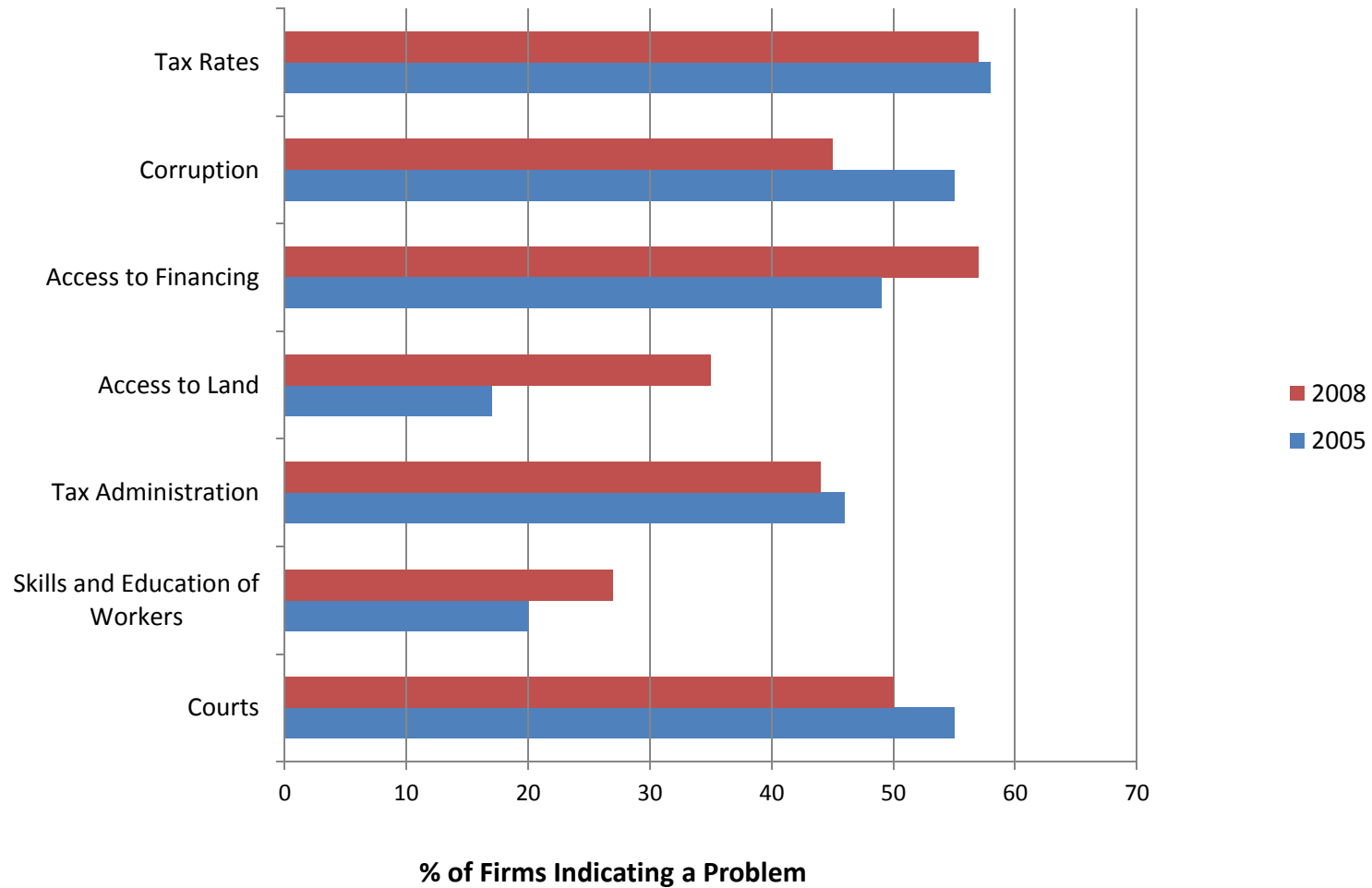
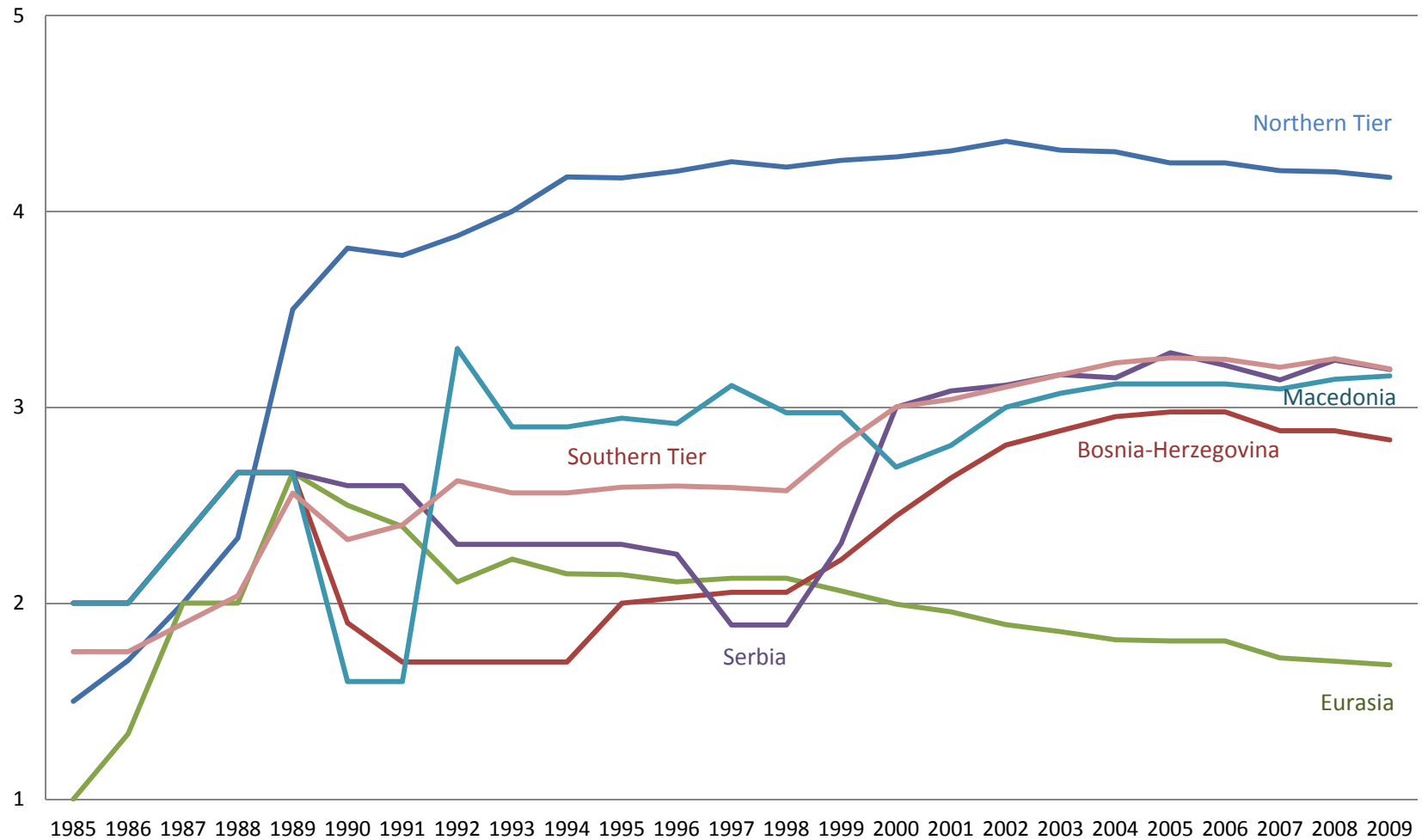


Figure 10

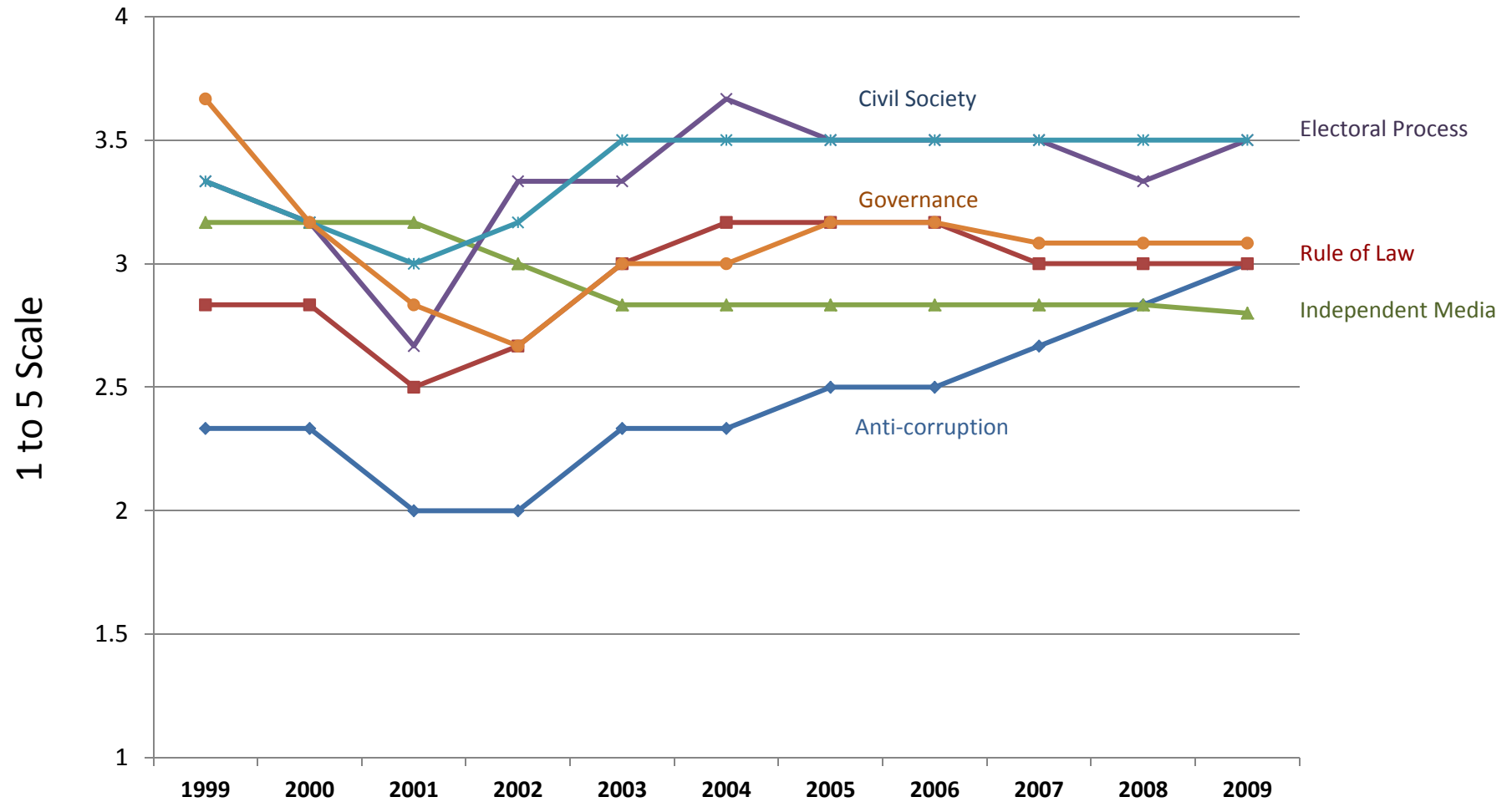
Democratic Reforms, 1985 - 2009



Ratings from 1 to 5, with 5 representing greatest development of democratic reforms. Freedom House, *Nations in Transit* 2010 .

Figure 11

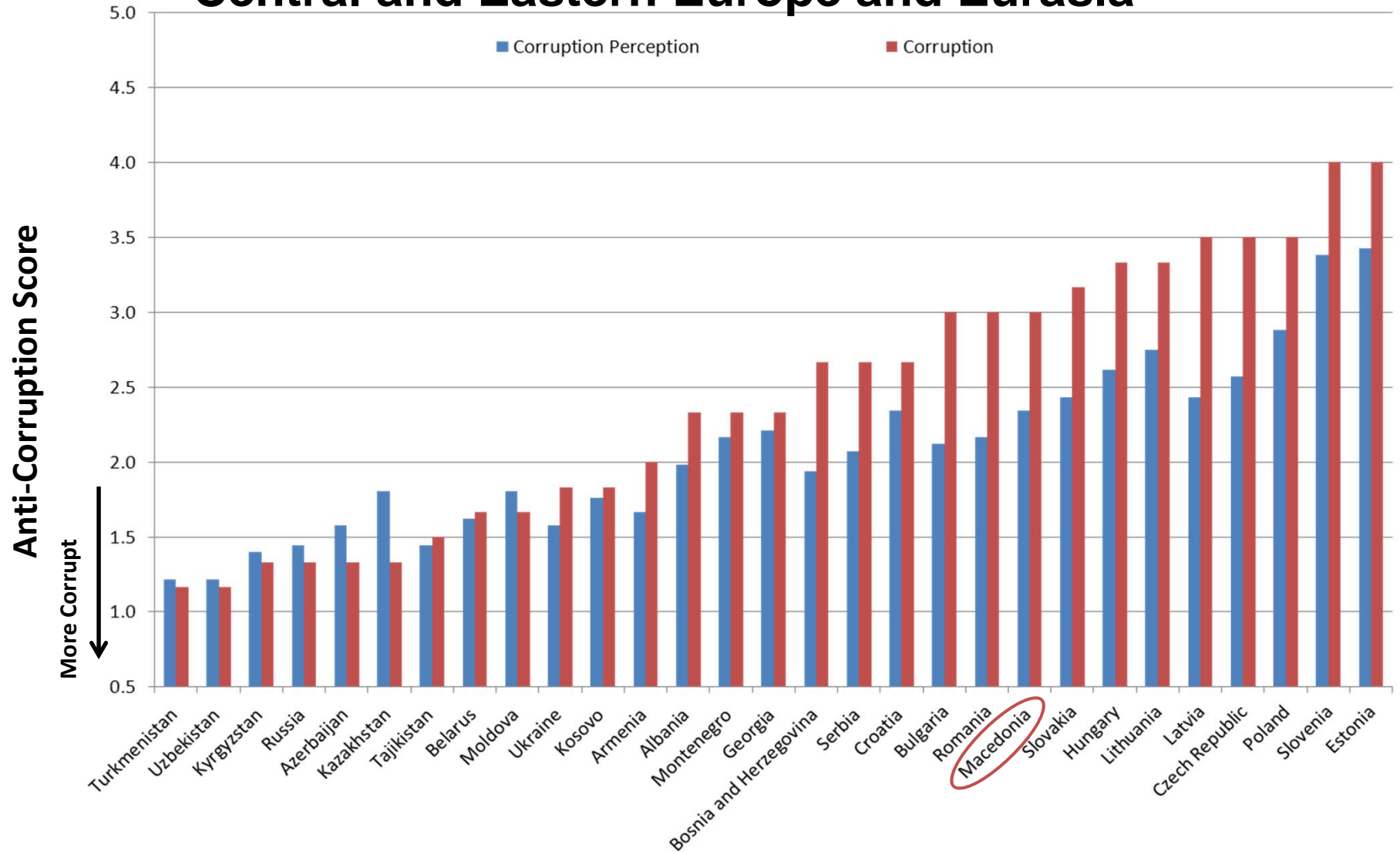
Democratic Reforms in Macedonia, 1999-2009



Source: Freedom House, *Nations in Transit 2010*.

Figure 12

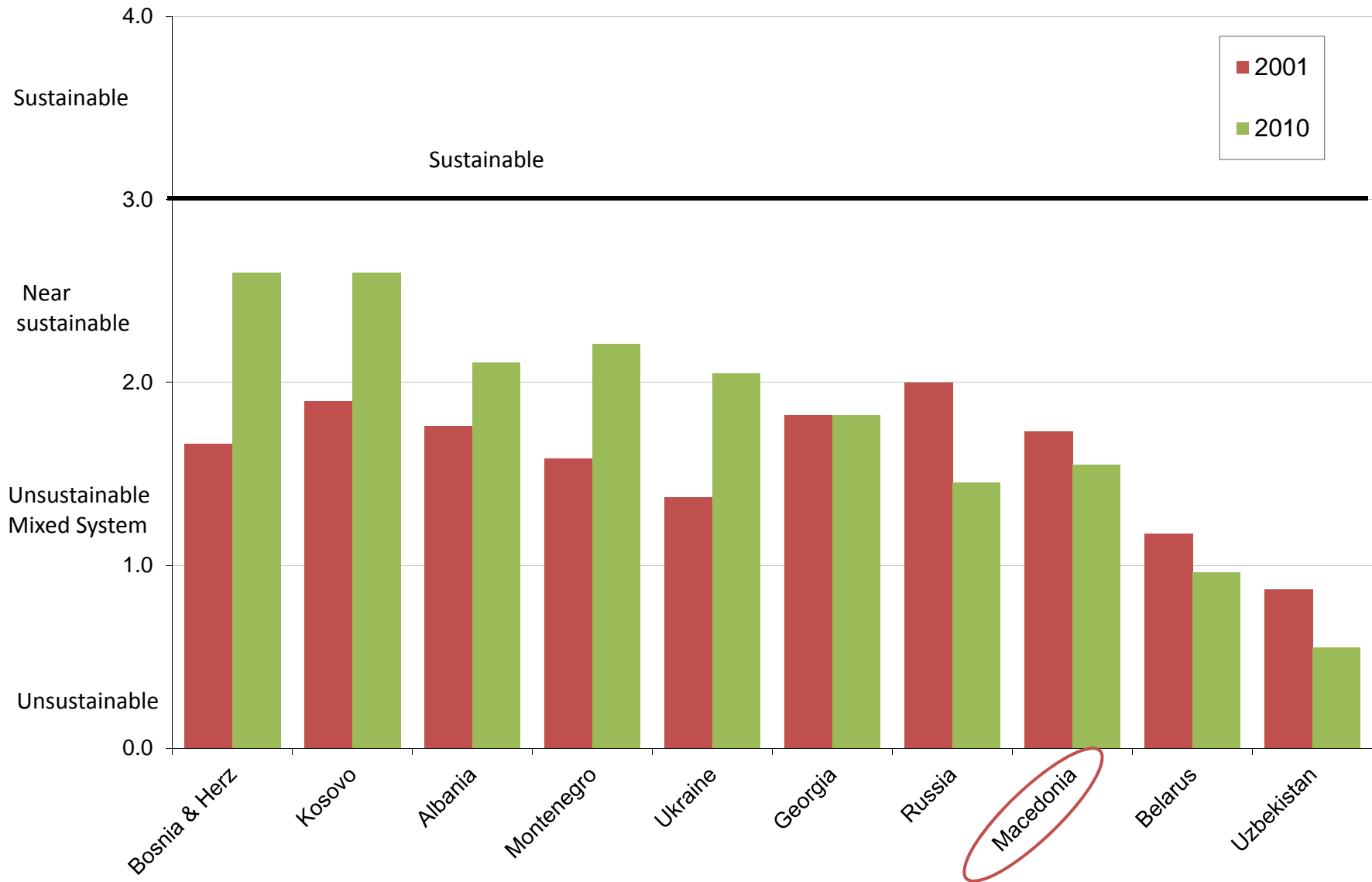
Corruption and Perceptions of Corruption Central and Eastern Europe and Eurasia



Freedom House *Nations in Transit* 2010 and Transparency International, *Corruption Perception Index* (2010).

Figure 13

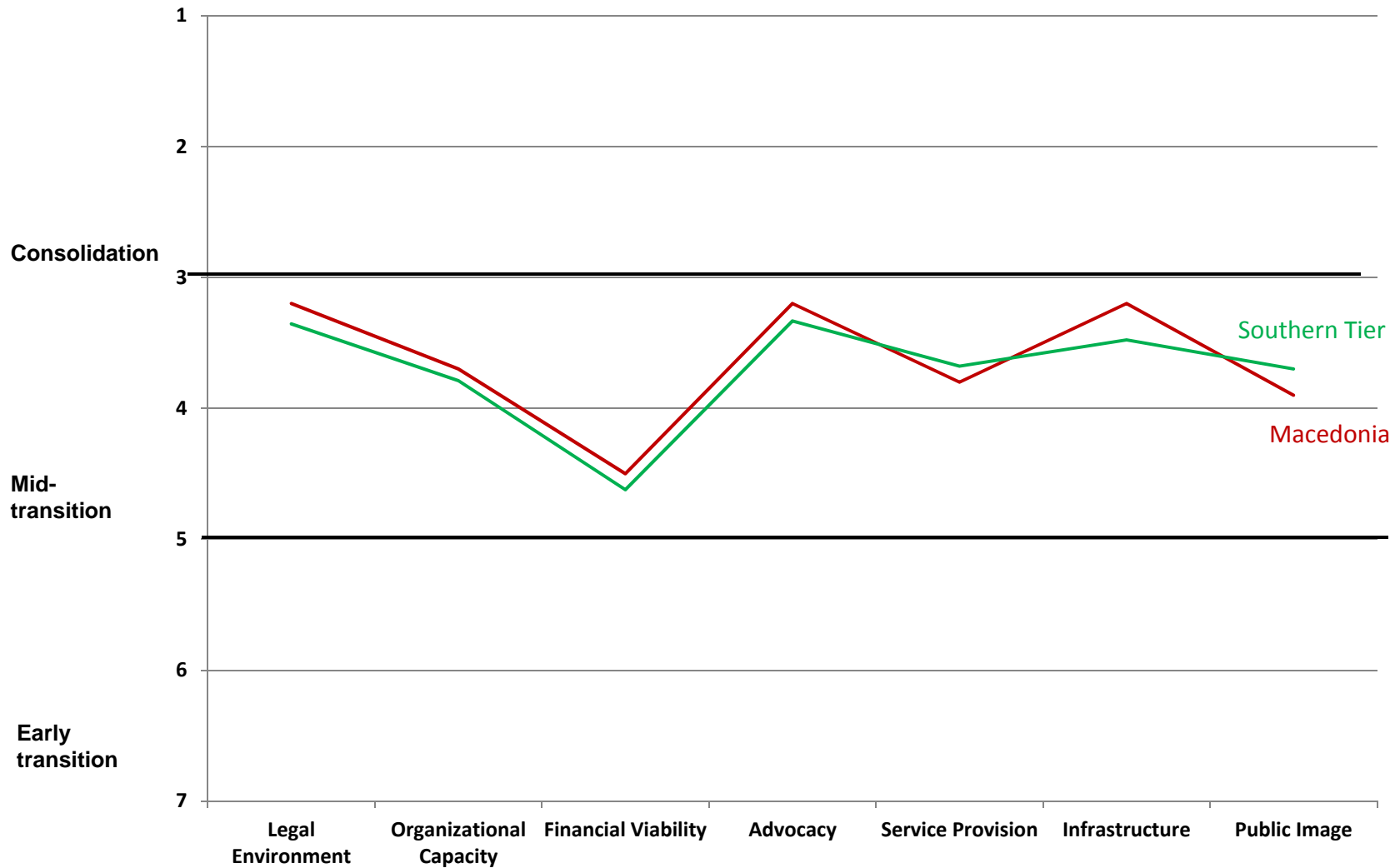
Media Sustainability Index



IREX, *Media Sustainability Index 2010*. Scale of 0 to 4 where 4 is the most sustainable.

Figure 14

NGO Sustainability Index



Source: USAID, *2009 NGO Sustainability Index for Central and Eastern Europe and Eurasia*, 13th Edition – June 2010. Scale of 1 to 7 where 7 indicates a low or poor level of NGO development and 1 indicates a very advanced NGO sector. Scores of 5-7 are considered “Early transition” phase; scores of 3-5 are considered “Mid-transition” phase; and scores of 1-3 are considered “Consolidation” phase.

Figure 15

Economic Performance and Human Capital, 2008-2010

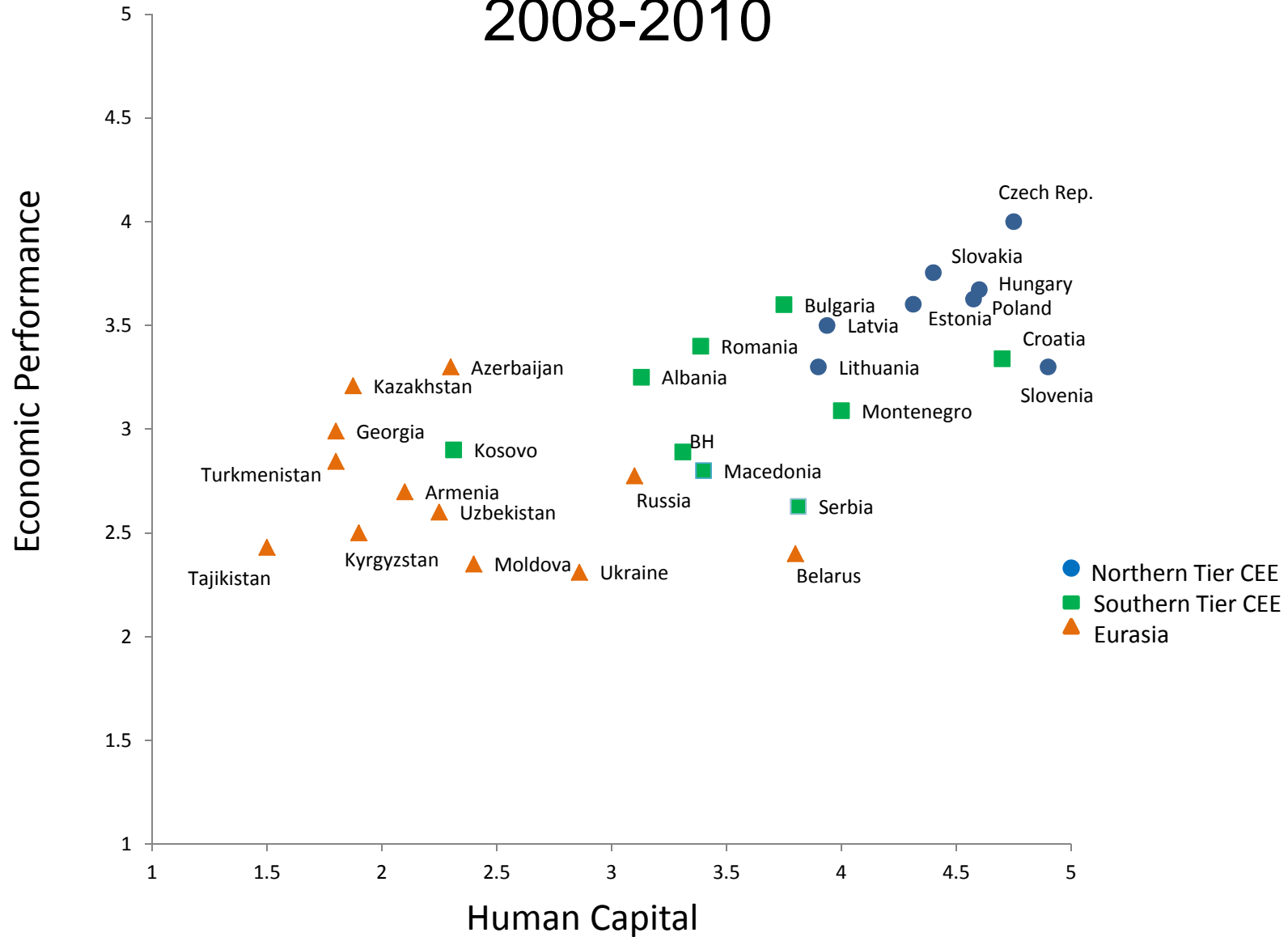
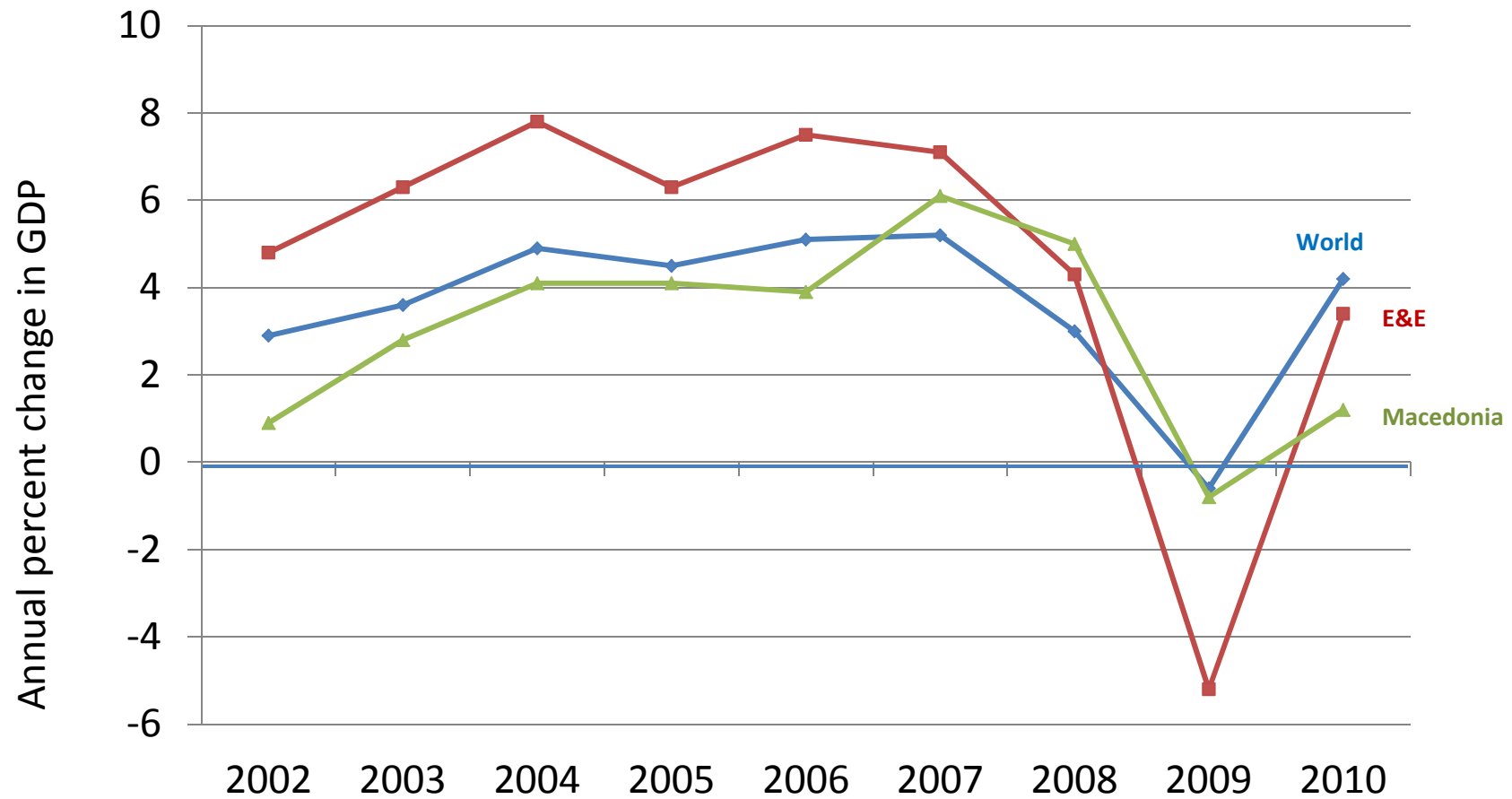


Figure 16

Economic Growth in Macedonia Compared to Eastern Europe and the World



Source: IMF, World Economic Outlook October 2010.

Figure 17

GDP as % of 1989 GDP

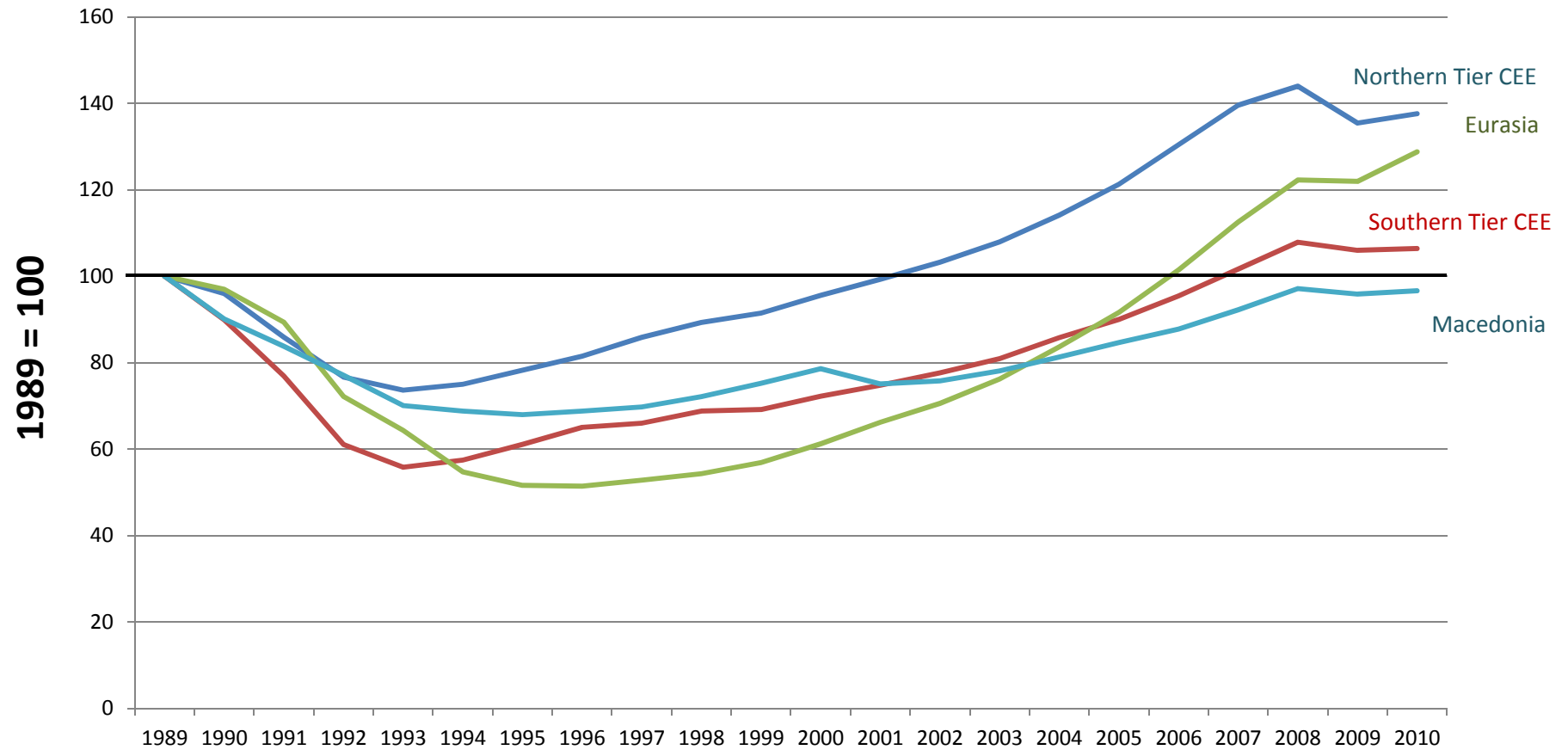
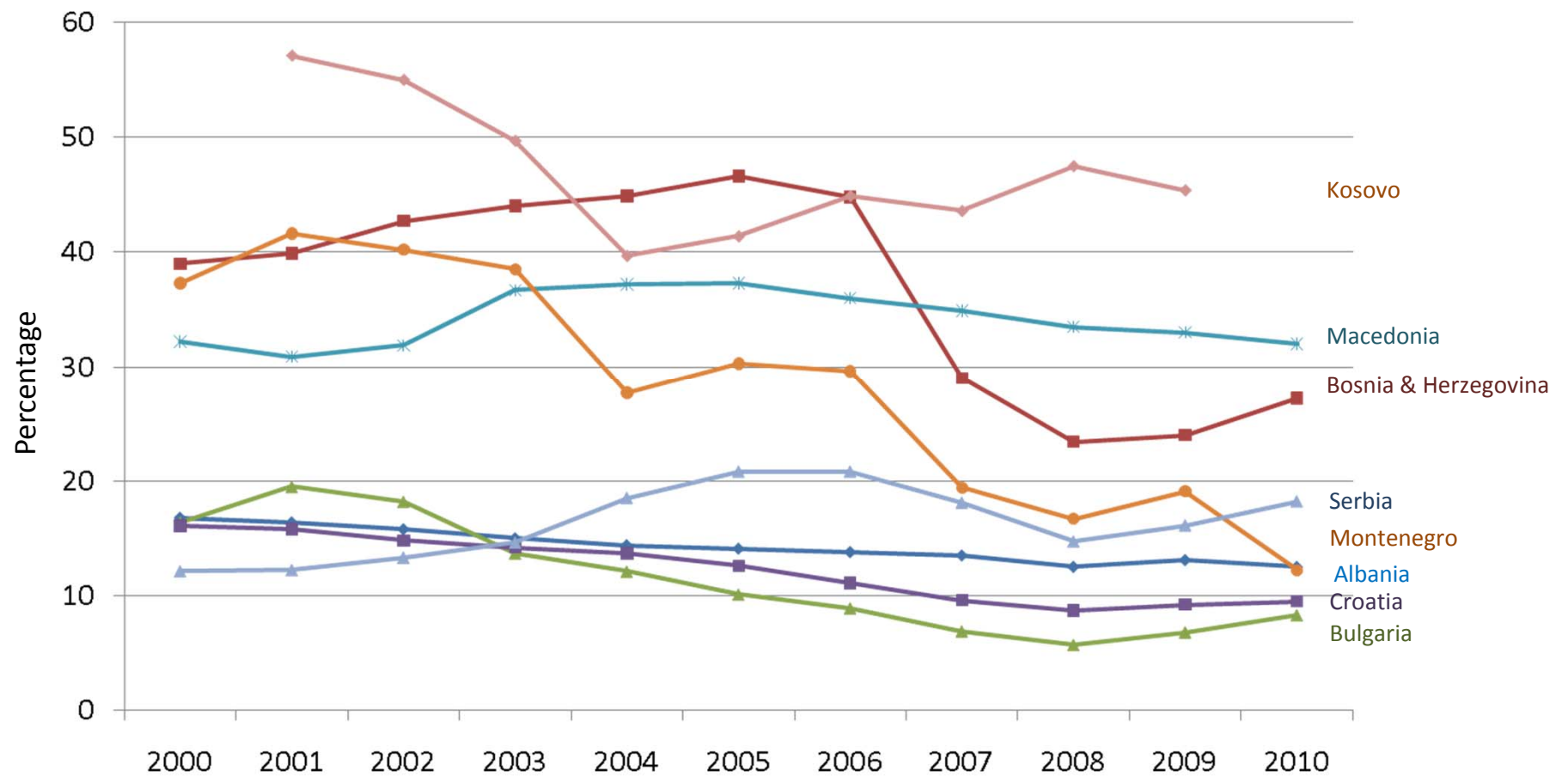


Figure 18

Unemployment Rates in Southern Tier CEE



Sources: UNECE Statistical Database; IMF World Economic Outlook October 2010; EBRD *Transition Report 2010*. Data on Kosovo from European Commission, *Kosovo 2010 Progress Report*, Brussels, 9 November 2010.

Figure 19

Human Capital Comparison

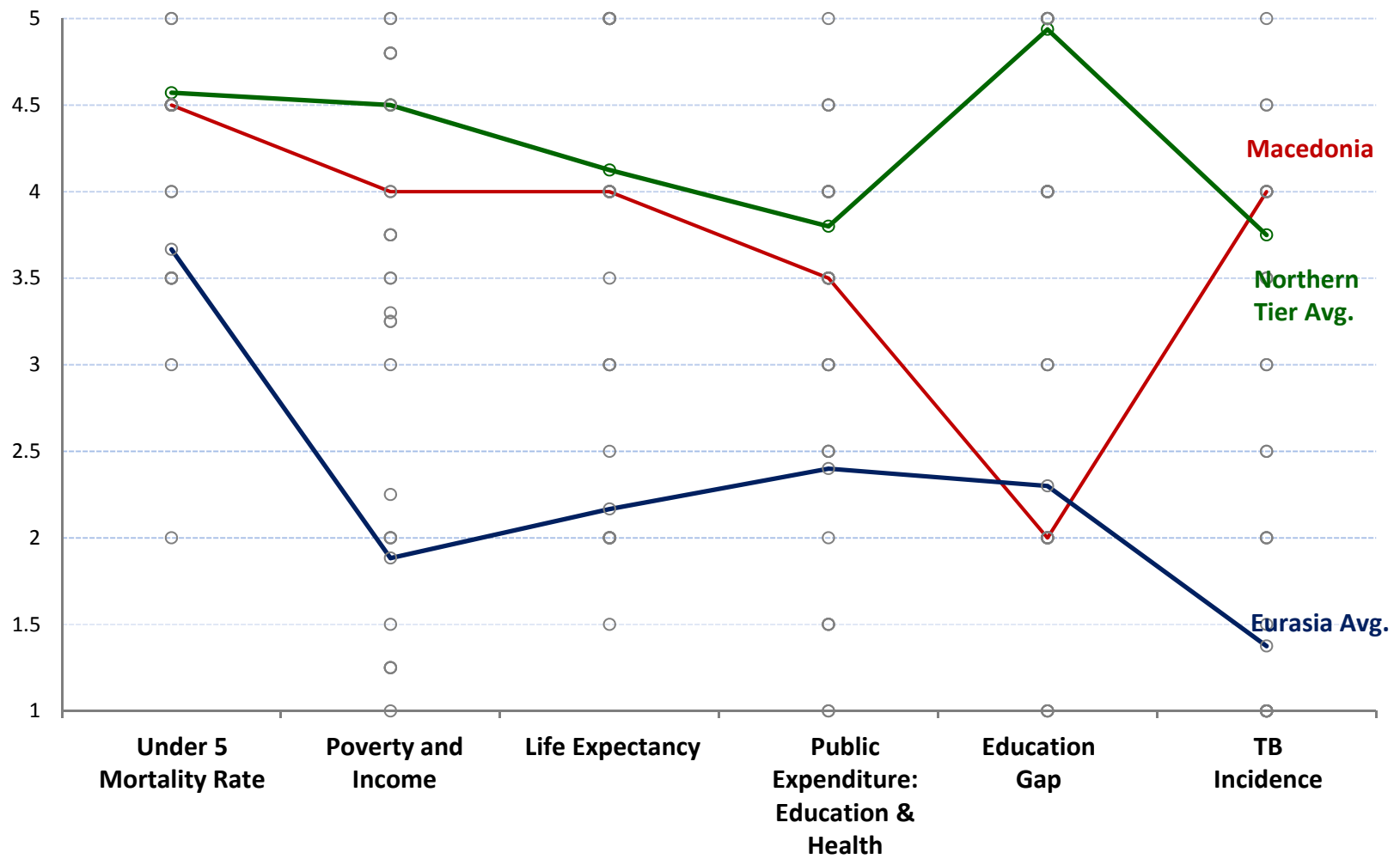
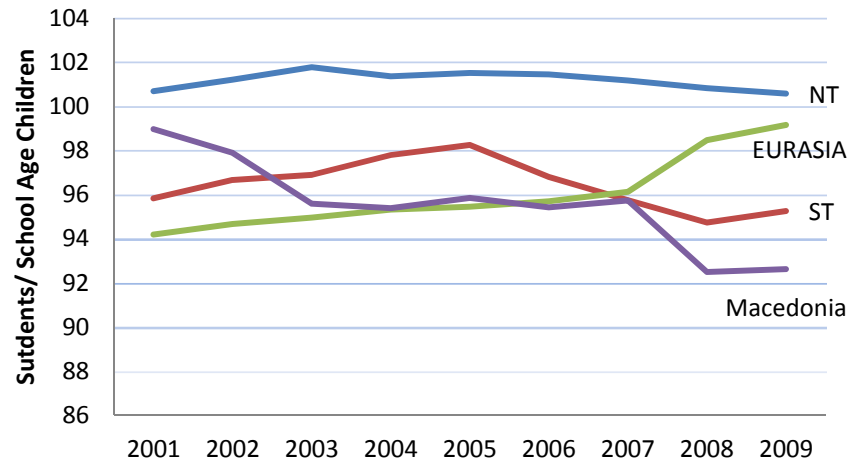


Figure 20

Education Overview

Gross Primary Enrollment Ratio



Gross Upper Secondary Enrollment Ratio

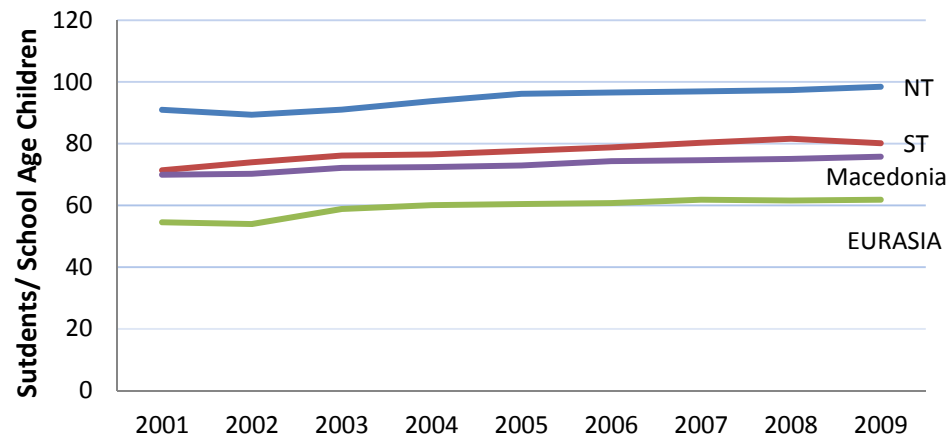
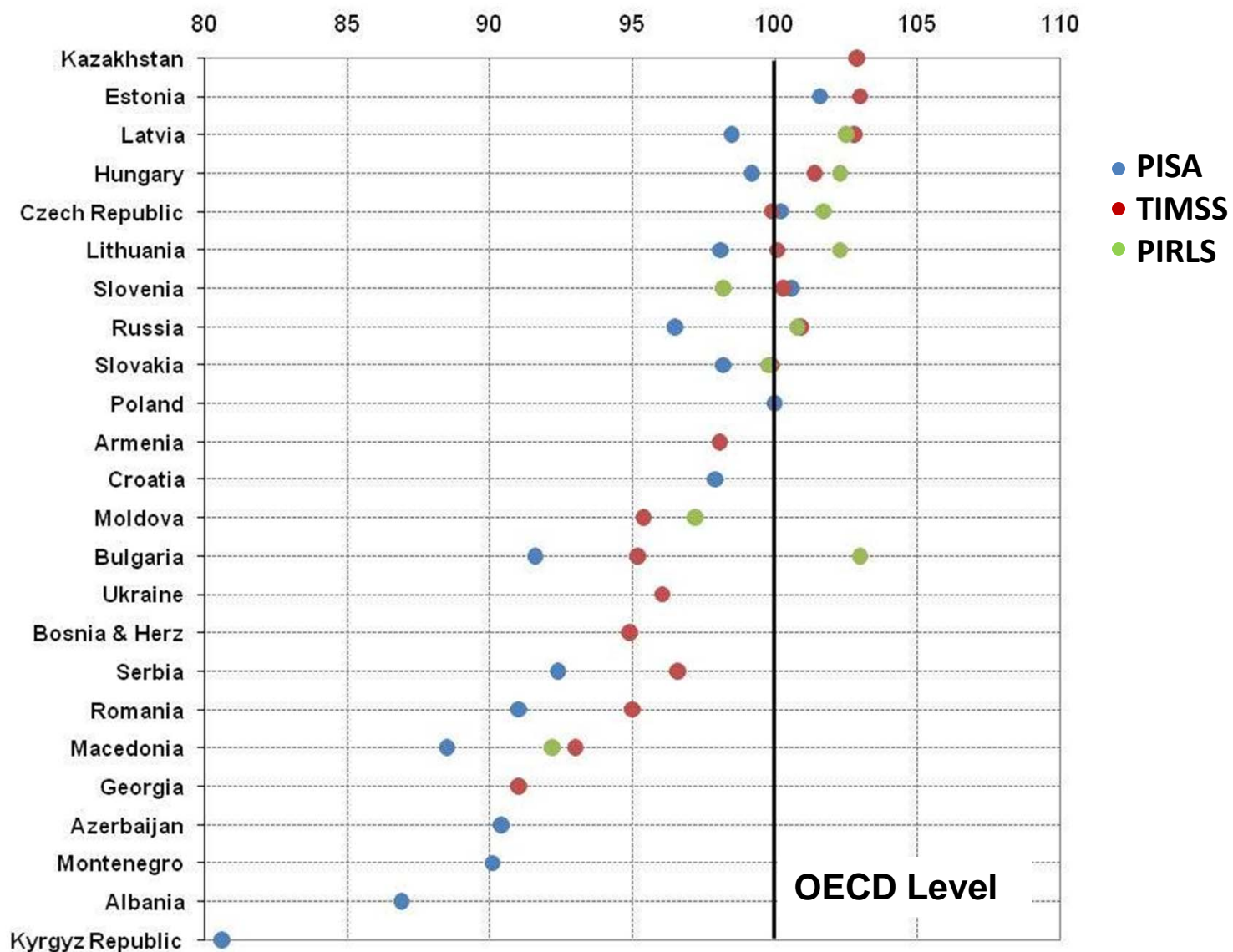


Figure 21

Functional Literacy

PISA vs. TIMSS vs. PIRLS



International Association for the Evaluation of Educational Achievement (IEA), *TIMSS International Mathematics Report (2008)*, *TIMSS International Science Report (2008)* and *PIRLS International Report (2008)*; and Organization for Economic Cooperation and Development (OECD), *First Results from PISA 2006 (2007)*.

Figure 22

Skills and Education of the Workforce as a Business Constraint

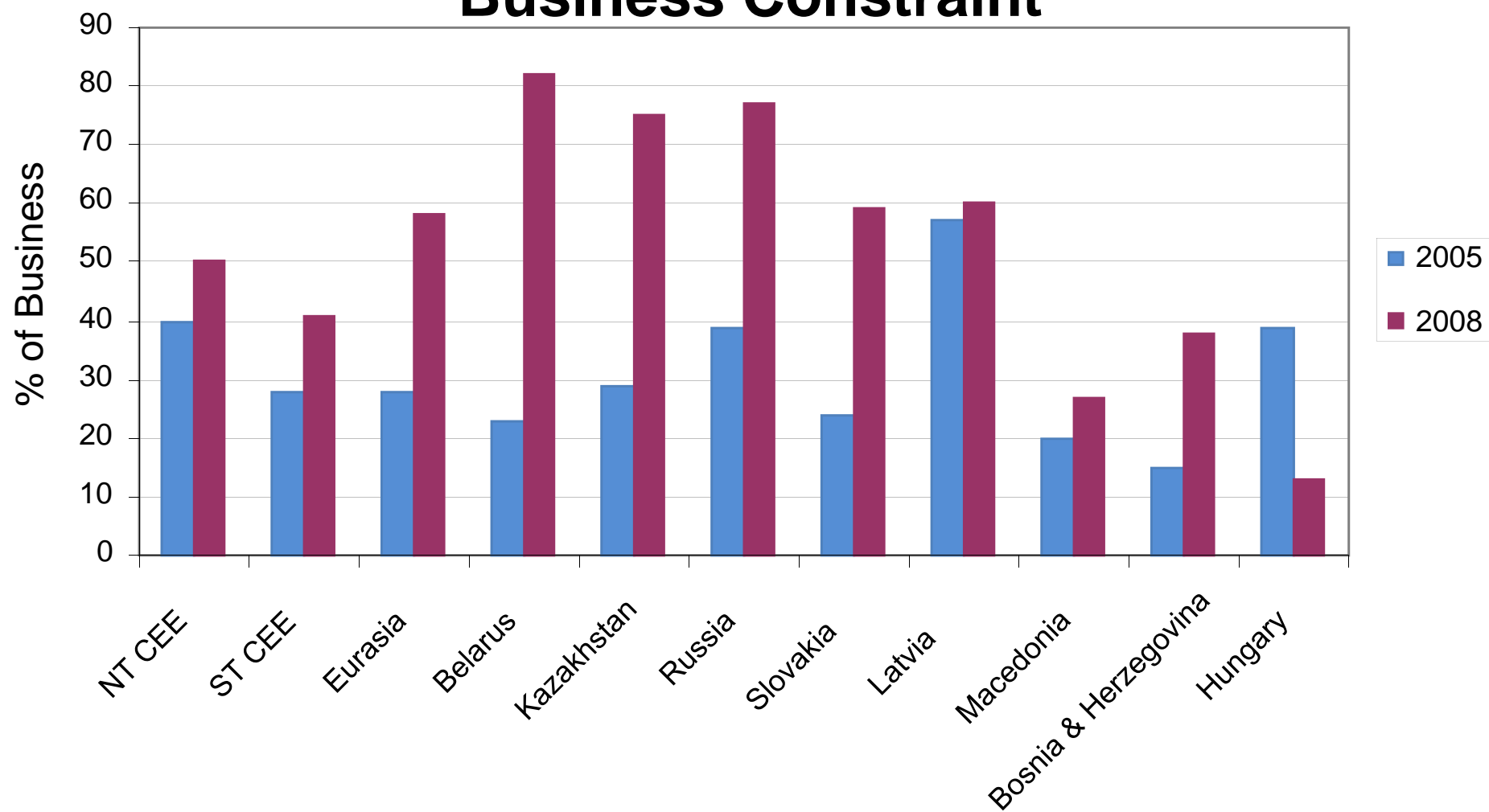


Figure 23

Life Expectancy at Birth

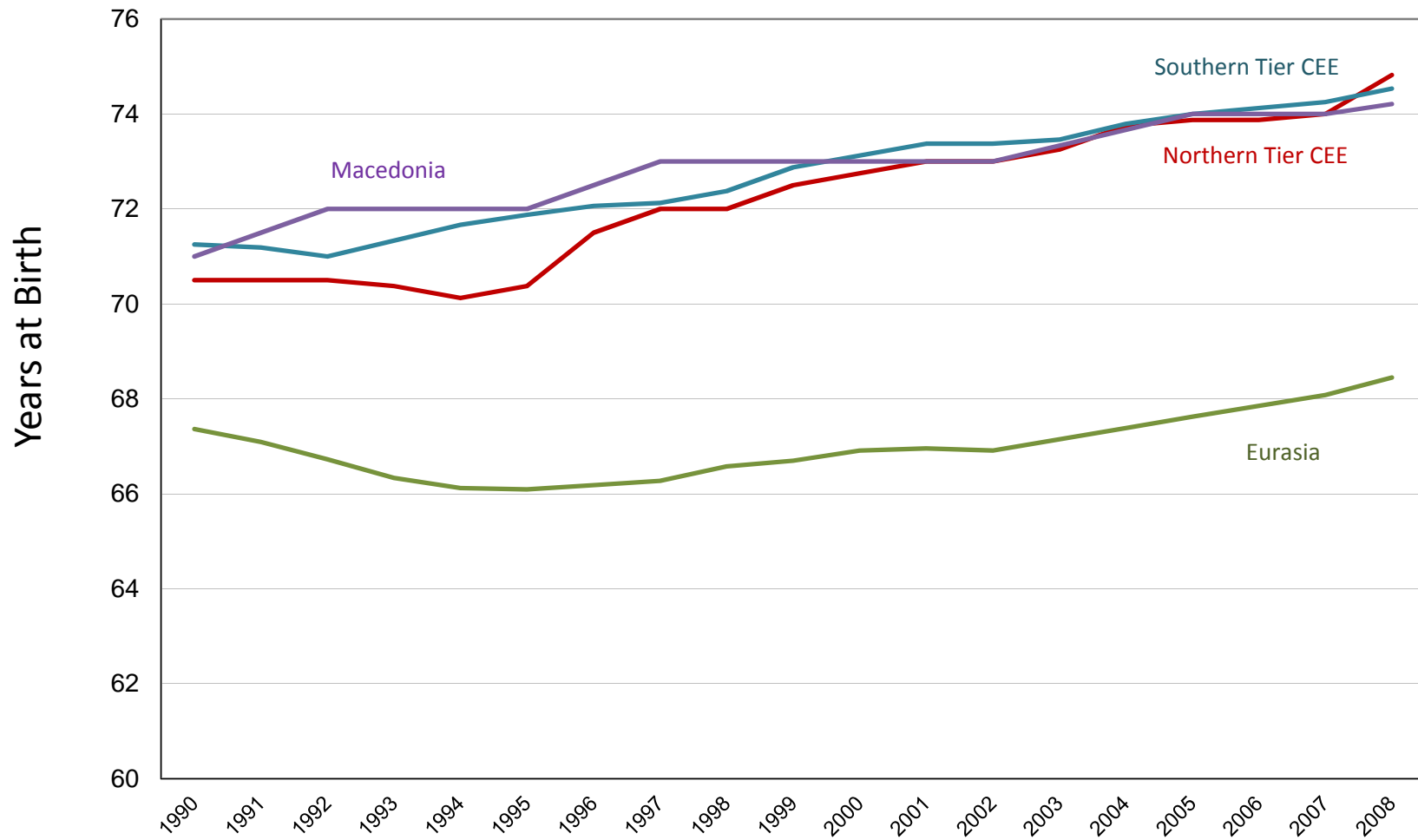


Figure 24

Tuberculosis Incidence

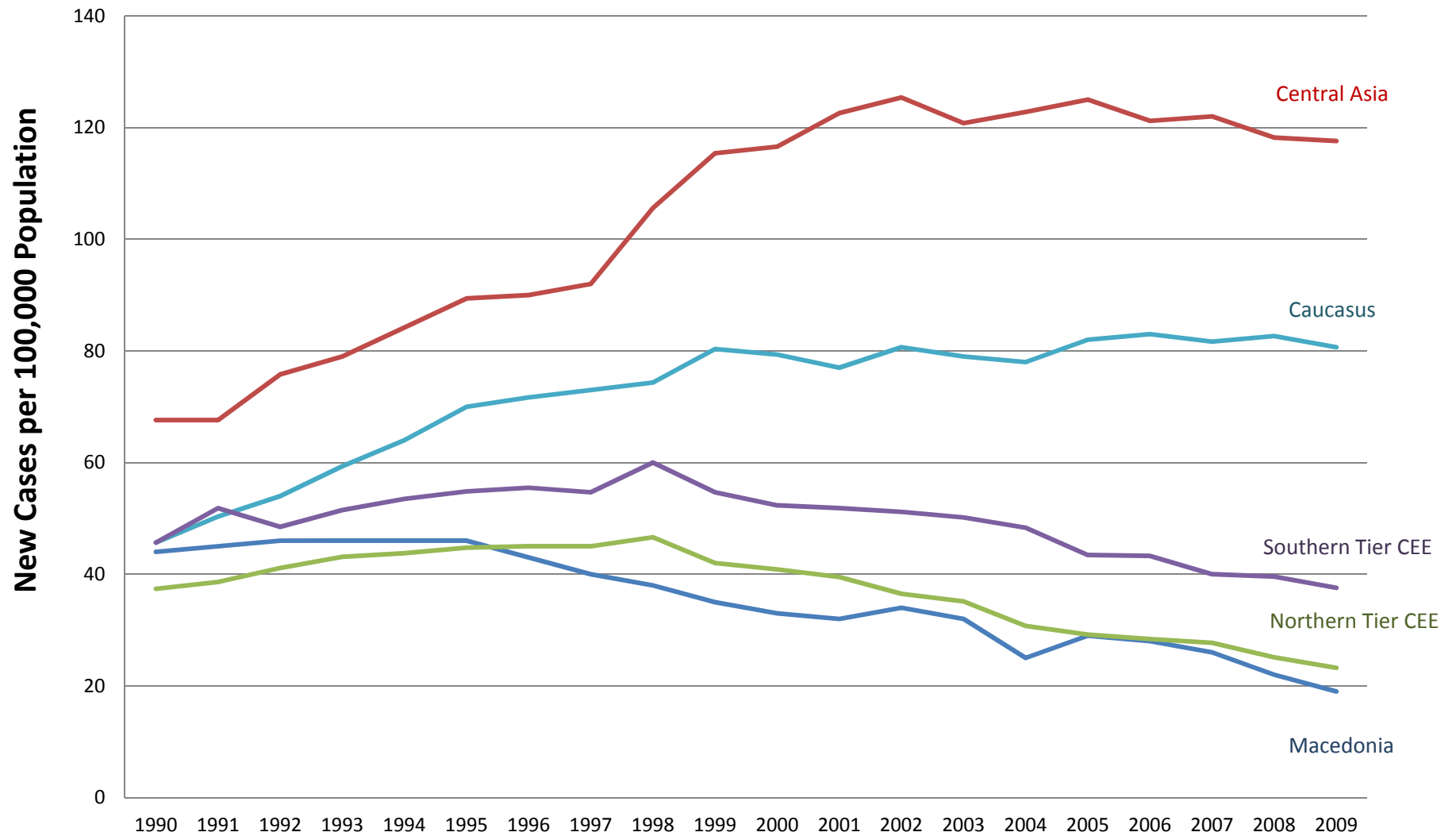
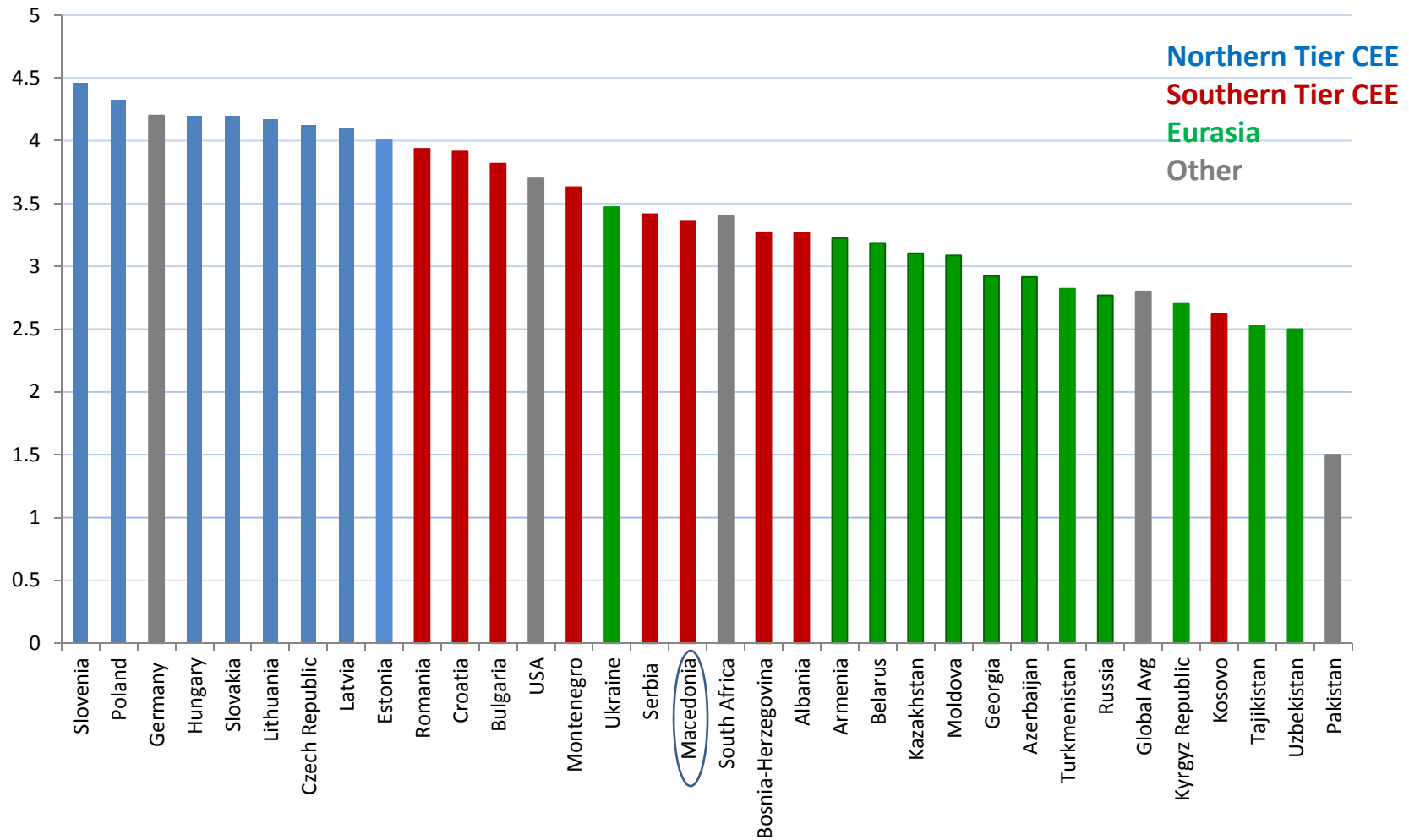


Figure 25

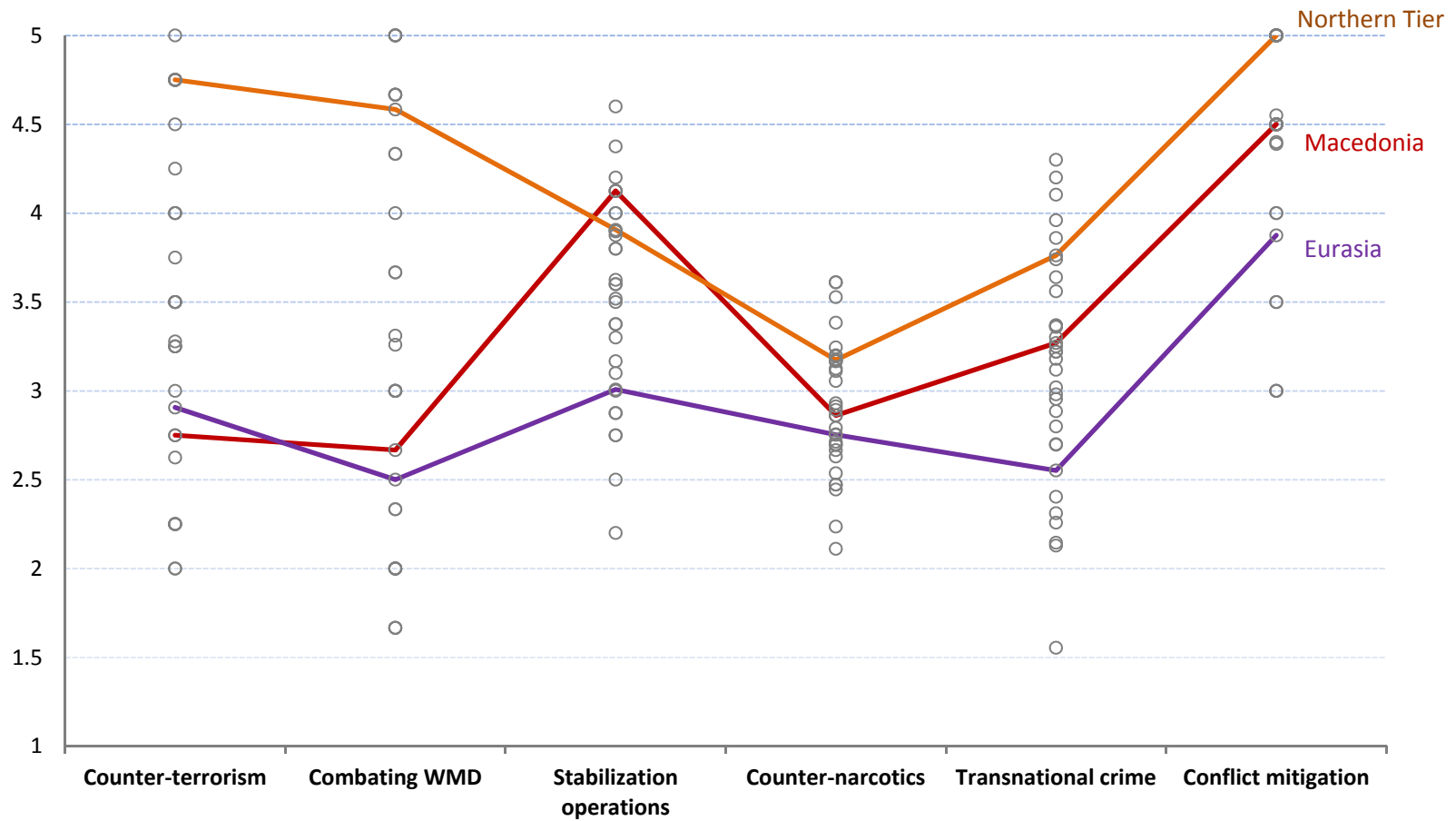
Peace and Security in Europe and Eurasia, 2009/2010



US State Department; Foreign Policy Magazine and the Fund for Peace; World Bank; US Commerce Department; Binghamton University; UNICEF; A.T. Kearney/Foreign Policy Magazine; UNODC; USTR; George Mason University. The "global" average consists of 55 countries.

Figure 26

Peace and Security Comparison



US State Department; Foreign Policy Magazine and the Fund for Peace; World Bank; US Commerce Department; Binghamton University; UNICEF; A.T. Kearney/Foreign Policy Magazine; UNODC; USTR; George Mason University.