3 Selected priority areas of the Circular Economy Roadmap for North Macedonia

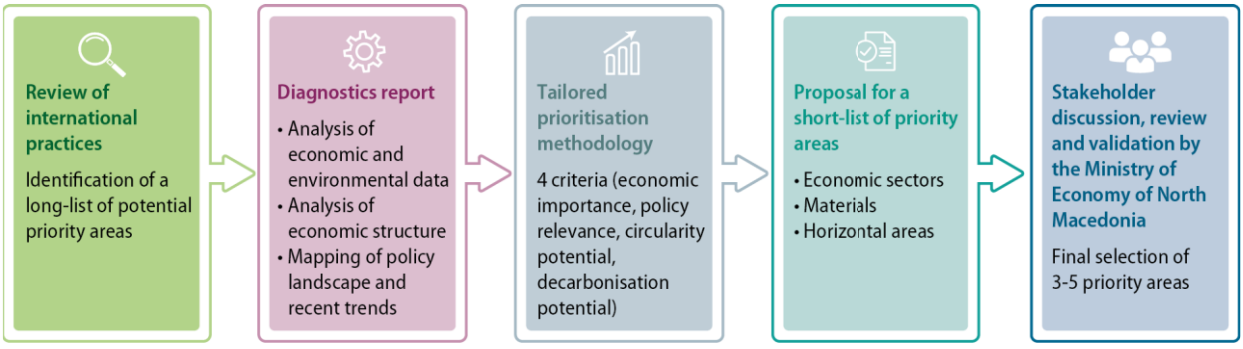
This chapter presents the selection process that culminated in the identification of five priority areas for North Macedonia's Circular Economy Roadmap: circular business models for small and medium-sized firms, construction, biomass and food, textiles, and mining and metallurgy. It elaborates on the consultation and decision-making processes underlying the selection, offering insights into the OECD methodology employed to decide on the pertinent priority areas.

Approach taken to select the priority areas of North Macedonia's Roadmap

A crucial initial step for formulating a national circular economy strategy or roadmap is identifying and selecting priority areas. This prioritisation is essential to operationalise and maintain focus, given the broad nature of the circular economy concept, which spans actions across the entire economy and life cycle. While existing literature (Järvinen and Sinervo, 2020[1]; Ellen MacArthur Foundation, 2015[2]; Salvatori, Holstein and Böhme, 2019[3]) and a review of existing circular economy strategies and roadmaps conducted in the context of previous OECD work on this topic highlight a lack of consensus on defining and approaching focus areas, it is evident that countries generally concentrate on a few key sectors or areas, such as vital value chains, materials or horizontal areas, where reforms would have the most significant impact.

A review of international practices shows that countries have opted for customised quantitative and qualitative methodologies to inform their choice of specific priority areas. For North Macedonia, the OECD proposed the approach described in Figure 3.1, which was also based on the availability of data and information.

Figure 3.1. Proposed approach for the selection of priority areas of the Circular Economy Roadmap for North Macedonia



The tailored prioritisation methodology falls back on four criteria and their related indicators to inform the choice of (potential) priority areas:

- Economic importance, the assessment of which is largely data-driven. Relevant indicators include value added, employment and trade in sectors and industries as well as the position of the sector in the global value chain.
- Policy relevance is assessed qualitatively by analysing whether a specific area has been included in the government's relevant strategic documents and action plans and to what extent, and whether a policy gap has been identified in the specific area. Since North Macedonia is a European Union (EU) candidate country on the path of aligning its regulatory framework with the EU *acquis*, the criterion also considers the policy relevance for the European Union, including whether there are specific EU targets and obligations in the considered area.
- Circularity potential can be assessed using a number of quantitative indicators, such as material productivity, material intensity, resource use, waste generation and recycling rates. Some of these indicators can be compared to an EU average or a specific target, which can provide insights into the potential of specific areas to increase their circularity.
- Decarbonisation potential measured as the level of greenhouse gas emissions in specific sectors/industries, which can provide insights into which sectors offer the greatest greenhouse gas

emissions reduction potential. While decarbonisation is not a primary goal of the circular economy, it is an important benefit.

The diagnostics of the circular economy for North Macedonia, detailed in Chapter 2, served as the primary source of data and information for the prioritisation exercise. As a result of this exercise, the OECD prepared a list of 11 potential priority areas along with their preliminary policy recommendations. These were presented and discussed at a stakeholder meeting in North Macedonia. The working group was asked to choose three to five priority areas from the proposed list.

Table 3.1 shows the 11 potential priority areas according to their level of priority (first and second priority, transversal incorporation) based on the 4 criteria discussed above (economic importance, policy relevance, circularity potential and decarbonisation potential). Due to the challenges in consistently applying the four criteria to identify horizontal or cross-cutting areas (e.g. circular business models), additional relevant indicators were employed, such as the potential to achieve environmental outcomes, incentivise innovation, generate revenue or provide incentives for consumers and businesses.

Table 3.1. List of the potential priority areas for the Circular Economy Roadmap for North Macedonia

Proposed as the first priority	Proposed as the second priority	Proposed to be included transversally, across the chosen priority areas
Construction	Textiles	Automotive
	Mining	Wood industry
Municipal waste management	Plastics	Biomass and food (agri-food system)
Circular business models for small and medium-sized enterprises	Economic instruments	Awareness raising and education

Note: Areas shaded in grey correspond to horizontal areas that cut across sectors and materials.

Preliminary policy recommendations to illustrate all 11 priority areas were proposed based on the diagnostics presented in Chapter 2, additional desk research and discussions with stakeholders, drawing on OECD expertise and previous work on the development of circular economy roadmaps.

The proposed policy recommendations are categorised into short-, medium- and long-term actions. The emphasis in the short term (up to two years) is often on low-hanging fruits or measures that help to achieve a legal target/obligation, whereas the medium- (two to eight years) to long-term actions (from eight years up to 2040) require certain foundations and prerequisites to be fulfilled. The approach also aims to encompass the entire value chain, from design and material sourcing to use and waste management.

Final selection of the priority areas

Five priority areas selected for North Macedonia's circular economy transition

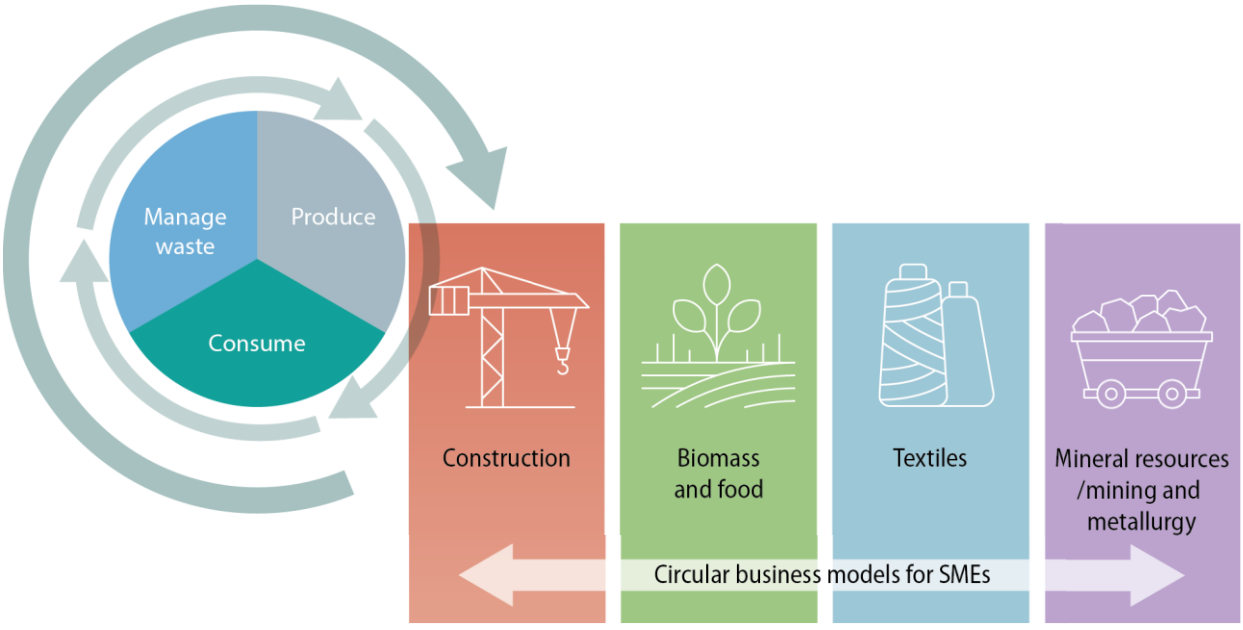
Out of the 11 identified potential priorities for the transition to a circular economy, North Macedonia has chosen 5 (Figure 3.2), for which the OECD provided more in-depth analysis and recommendations (details for each priority area are outlined in the respective chapters):

1. circular business models for SMEs (Chapter 4)
2. construction (Chapter 5)

3. biomass and food (Chapter 6)
4. textiles (Chapter 7)
5. mining and metallurgy (Chapter 8).

Each priority area captures the different points in the value chain (production, consumption, waste management and recycling) (Figure 3.2). Circular business models for SMEs is a cross-cutting area that pays specific attention to providing an enabling framework for businesses. The other four priorities focus on key sectors and materials in the Macedonian economy and provide measures that can be implemented throughout the life cycle and by different actors in the selected sectors.

Figure 3.2. Priority areas covered by the Circular Economy Roadmap for North Macedonia



Note: SME: small and medium-sized enterprise.

Decision-making process

Stakeholder engagement played a key role in the development of this roadmap. Regular consultations were conducted with the circular economy working group, which is comprised of key circular economy stakeholders from the government, private sector, civil society and academia. Perspectives, experiences, challenges, needs and concerns regarding the circular transition were carefully considered in the development of the diagnostics and played a crucial role in selecting the priority areas (see Annex A).

Such consultations harbour the risk of some bias in the selection of the final priority areas. While the 11 priority areas proposed were informed by indicators defined by the OECD, the final choice was the result of a decision-making process of the circular economy working group, endorsed by the Ministry of Economy, the co-ordinating institution responsible for the circular economy in North Macedonia. While informed by OECD guidance, priority areas were thus selected in line with the government's economic and political agenda and the perspectives of a wide range of relevant stakeholders. This does not suggest that some of the identified areas are deemed irrelevant for North Macedonia, but rather that they will not be the primary focus of this document. Instead, the diagnostics conducted by the OECD, included herein, provide a sound basis for developing and including other circular economy-related areas in relevant sector-focused strategies.

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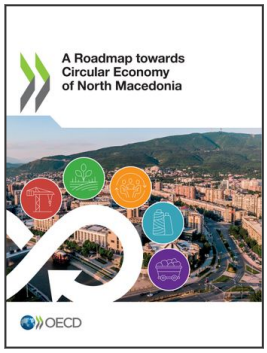

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