

FORMER YUGOSLAV REPUBLIC OF MACEDONIA

ETF COUNTRY STRATEGY PAPER 2017-2020

2018 UPDATES



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COUNTRY CONTEXT

The population of the former Yugoslav Republic of Macedonia (MK) has remained relatively steady over the past decade, increasing from 2.03 million in 2004 to 2.07 million in 2015. Like most countries in Europe, the population is aging, partly due to the low fertility rate, which has, however, risen from a low of 1.43 in 2005 to 1.52 in 2015.

Economy

The country has a service-oriented economy with this sector accounting for two-thirds of GDP while one-quarter is generated by industry. The majority of the country's workforce is employed in services (51% in 2015). These differences are not directly mirrored in the structure of employment as, for example, the agriculture sector employs 20% of the workforce but only generates 10% of GDP. The economy grew at a rate above 3% over the past three years making it one of the fastest growing in the region.

Employment

The employment rate is relatively low (only 52% of those aged 20-64 in 2015 compared to the EU average of 70%) and is much lower for women (42%), almost 20 percentage points lower than that of men. Unemployment remains high, but dropped from approximately 28% in 2014 to 26.1% in 2015. Conditions for young people remained strained as the unemployment rate for those aged 15-24 was 47.3% in 2015, a reduction from 51.1% in 2014. More than 80% of job-seekers were long-term unemployed in 2015. Overall, the country's labour market is characterised by low activity and high informal employment, gender differences and a high share of long-term unemployment. The lack of labour market relevance of skills and qualifications acquired in education and training are one of the causes of this dire situation. One in four young people are not in employment, education or training. Despite a rapid increase in the proportion of adults with tertiary education, one-fifth of the labour force has primary education as its highest level. Participation in lifelong learning remains limited (2.6% in 2015).

Skills

The country's workforce relatively low-skilled. However, the country is catching-up rapidly with the EU2020 target for tertiary attainment (nearly 29% of adults aged 30-34 had tertiary education in 2015, an increase of 2pp yearly since 2010).¹ The difference in attainment rates between generations is significant: in 2015, 43% of 55-64 year-olds had compulsory education as their highest level of attainment whereas only 21% of young adults (aged 25-34) had compulsory education as their highest level.² One potential consequence of these developments could explain some patterns in workforce utilisation in the country. Due to a weak employment demand, more tertiary education graduates likely take jobs below their formal qualifications, keeping the unemployment figures at this level comparatively lower with gaps of 10 pp compared to low-skilled workers (i.e. those with compulsory education as their highest level of education).

The proportion of upper secondary students enrolled in vocational programmes in 2014 was 60%. The country has a relatively high participation in education/training for youths aged 15-24, with almost two

¹ Educational attainment is frequently used as a proxy measure of the skills associated with a given level of education and available in the population, and to the labour force. Higher levels of educational attainment are associated with several positive individual and social outcomes (see also OECD *Education at a Glance*, 2015)

² Eurostat (edat_lfse_03)

in three younger adults participating (the EU average was 70% in 2015). This is also reflected in a relatively lower early leaving rate (only 11% in 2015), down from 15.5% in 2010 and indicates that VET may be a successful option to overcome the early school leaving. The main statistics on school to work transition (i.e. young people aged 15-24 who are neither in employment nor in education and training - 'NEETs'), remained relatively high with a quarter of this age group and stable compared to 2010. When it comes to adult participation in training, the figures remain very low and have not improved over the past years.

MK vis-à-vis the EU2020 targets in education and employment

Considerable progress has been made especially on the EU 2020 twofold target on education: reducing early leavers and increasing tertiary attainment. Progress was limited in the field of graduate employability.

EU2020 targets in education and employment		MK		EU		EU2020 Targets	
		2010	2015	2010	2015		
Headline targets	Early leavers from education and training (%aged 18-24)	15.5	11.4	13.9	11	< 10	
	Tertiary educational attainment (% aged 30-34)	17.1	28.6	33.8	38.7	≥ 40	
	Employment rate (% aged 20-64)	48.1	51.9	68.6	70.1	≥ 75	
Other targets	Participation in training (% aged 25-64)	3.2	2.6	9.1	10.7	≥ 15	
	Underachievement (% aged 15)	Reading	a	a	19.7	17.8	< 15
		Mathematics	a	a	22.3	22.1	< 15
		Science	a	a	17.8	16.6	< 15
	Employment rate of recent graduates (% aged 20-34)	47.9	48	77.4	76.9	≥ 82	

Sources: Eurostat - online database; PISA results - OECD, Programme for International Students Assessment

Notes: PISA 2010 data refers to 2009 and 2015 data refers to 2012

Relations with the EU

In 2001, MK was the first country in the Western Balkans to sign a **Stabilisation and Association Agreement (SAA)** with the EU. This entered into force in 2004 and provides for trade liberalisation for exports to the EU. In 2005, MK was granted candidate country status, but membership negotiations have not commenced, partly because of concerns over political developments in the country. In May 2016, the Director General of Neighbourhood and Enlargement Negotiations said "Political leaders and the relevant authorities must urgently address this situation...to bring the country back onto its Euro-Atlantic path." The EU-brokered election scheduled for June was deferred and a cloud of political uncertainty hangs over the country.

Cooperation with EU member states and candidate countries in VET is framed by the Copenhagen Process and the Riga Conclusions, which were adopted in 2015 and prioritise five Medium-Term Deliverables for VET by 2020. The 2016 European Skills Agenda sets out priorities and actions in initial VET and adult learning at EU level. The country has nominated participants to take part in meetings of the Directors General for Vocational Training, the Advisory Committee for Vocational Training and several ET2020 Technical Working Groups. The country selected MTD 1 (work-based learning WBL) as its top Riga priority and indicated its intention to participate in the European Alliance

for Apprenticeship. The ETF supports the country in the pre-accession process and its participation in the Copenhagen Process and ET2020 groups.

Economic governance is one of the pillars in the enlargement process, reflecting policy monitoring under the European Semester. The EC provides guidance on reforms needed to foster macroeconomic stability, fiscal sustainability, and growth and competitiveness. In January 2016 MK submitted its ERP 2016-2018 based on optimistic estimates of annual GDP (4%+) and employment growth (3%) during the period, driven by job creation in free economic zones, active measures for employment and infrastructure projects. Two measures in the ERP address human capital development: measure 17 (individual employment plans for the unemployed and improving the capacity of the PES to follow-up those at risk of long-term unemployment; and measure 18 (education and qualifications, focused on the NQF as an instrument to reform education and training to improve the quality and labour market relevance of qualifications.

B. VET AND SKILLS IN THE COUNTRY: OVERVIEW, PROGRESS AND MID-TERM PRIORITIES

In 2015 the *Torino Process report* identified four priorities to improve VET in MK: 1) leading institutions must monitor implementation of action plans for key strategies (VET, Employment and Entrepreneurial Learning); 2) modernisation of VET curriculum should be driven by and clustered around NQF implementation; 3) NQF implementation should be led by an NQF unit at the MES; and 4) quality in education must be driven by pressure from the market players as well as alignment with EU policies and practices (e.g. EQAVET). By mid-2016, some progress had been made on NQF development and modernising VET curricula in both 3- and 4-year VET, supported by IPA and the World Bank, respectively.

In June 2016 six pillars were identified for the *Education Strategy 2016-2020*: 1) pre-school; 2) primary; 3) secondary; 4) vocational education and training; 5) higher education and research; and 6) non-formal education and adult learning. Pillar 4 identifies many challenges including the low attractiveness of VET, mismatch between VET supply and labour market demand, lack of cooperation with businesses, minimal work-based learning, and limited teacher knowledge of modern technology and entrepreneurial learning. Priority measures for VET include: 1) establishing a skill needs identification mechanism along with competence-based qualification standards and modularised curricula that meet labour market needs; 2) making VET more attractive through an optimised VET school network with quality assured facilities and mechanisms to support work-based learning; and 3) developing VET teacher and principal standards and allowing VET schools to hire teachers from the business sector. A costed action plan to implement the strategy will be developed in 2017 and inform IPA II support.

The November 2016 Communication on Enlargement recommends that reforms of MK's education system should in particular: increase support for teacher training, the professional development of teachers and an effective assessment process; improve access to quality education for all, in particular children with disabilities and children from Roma communities; on the basis of the evaluation of previous reforms conducted in the education sector, develop and implement the new strategic framework for education, ensuring that all reform processes have fully consulted a wide range of stakeholders

The report noted that the country successfully presented its referencing report to the European Qualifications Framework Advisory Group in February 2016. The Ministry of Education and Science progressed with preparation of a detailed roadmap for NQF implementation, but more practical and work-based training is required with the involvement of employers. In adult education, MK adopted the concept for adult non-formal education and informal learning (NFIL), including provisions on its validation.

The May 2016 EC assessment of the ERP 2016-2018 concludes that activities supporting education and qualifications (measure 18) risk fragmentation if not coordinated with other efforts to address the skills mismatch. The measure primarily refers to the development of the NQF, its role in better matching skills supply and demand, and the challenge to transfer the NQF processes implemented by different institutions into policy action. Reforms addressing the NQF risk dilution because of weak institutional capacity and there is a need for institutions to train staff to implement and monitor the NQF.

The Ministry of Labour and Social Policy adopted the *Employment Strategy 2016-2020* with a goal to increase employment, the quality of jobs and productivity with a special emphasis on vulnerable groups. The main objectives of the strategy are: 1) increase the efficiency and effectiveness of employment policy, with particular support to vulnerable people 2) improve the job creation capacity of the private sector; and 3) to ensure that education reflect the needs of employers. Key issues identified in the country's ERP include further improvement of the Employment Service (ESA), which has good policies but implementation must be improved to activate groups at the margins of the labour market (e.g. women and young people). The ERP assessment notes that insufficient staff and resources hamper ESA's effectiveness.

The EC's assessment of MK's ERP acknowledged positive trends but noted low employment rates (even if 5% higher than in 2008) and a gap between male (61.6%) and female (40.8%) employment rates. The level of basic and transversal skills of the labour force is insufficient as is the quality of education and there is a need for better qualified teachers. The country addressed the Council's 2015 recommendation on strengthening evaluations of ALMPs and labour market diagnosis and the new ERP identifies challenges such as school-to-work transitions and long term unemployment. Although upskilling of the unemployed is recognised as a priority, participation in ESA training schemes remains modest. Reform measure 17 (profiling unemployed persons and designing individual employment plans) targeting increasing the capacity of ESA is welcome but no information is provided on ESA staff requirements or funding required to increase coverage. Linking the development of a Skills Observatory for labour market and education information systems with NQF development would disseminate relevant data and information on both education supply and LM demand.

The November 2015 Progress Report notes progress in the area of social and employment policy but labour market conditions remain difficult with high levels of youth and long-term unemployment and very low female participation rates. The role of the Economic & Social Council for tripartite social dialogue was strengthened but the trust should be strengthened as well as the capacity of social partners. The consultation of social partners in policy-making remains limited. Overall, the report found a lack of strategic guidance and planning and poor inter-institutional coordination in social and employment policy. The joint conclusions of the 2016 Economic and Financial Dialogue recommend strengthening the provision of activation measures, especially for youth, women and the long-term unemployed, and improving the capacity of ESA for profiling and personalised counselling of job seekers (as the country has committed for through the ERP's reform measure no. 17). The EC also recommended that the country needs more systematic, regular evaluations of LMP to feed into policy development.

Overall, the EC evaluates the level of basic and transversal skills of the labour force is insufficient as is the quality of education and there is a need for better qualified teachers. Linking the development of a Skills Observatory for labour market and education information systems with NQF development would disseminate relevant data and information on both education supply and LM demand.

C. EU AND OTHER DONORS SUPPORT IN VET AND SKILLS

ETF support responds to national VET and employment strategies and goals, and EU strategies in these policy areas, and is developed in close cooperation with national VET policy stakeholders as well as with EC services, the EU Delegation in Skopje and with key HRD donors supporting the VET and skills sectors.

The ETF works closely and coordinates its activities with key HRD donors in the country supporting VET, skills and the employment sector. The primary donors in sectors include the EU/IPA (3-year secondary VET, NQF development and post-secondary VET), SDC (youth employment), USAID (VET reform including CPD, counselling and WBL) and the World Bank (4-year secondary VET). Donor coordination in the education and training sector is ensured by the MES education sector donor coordination group, on which the ETF participates regularly. Key projects include:

- **World Bank:** "Skills development and innovation support project" (€17.7 million) supporting higher education and VET, but also the innovative capacity of enterprises and collaboration with research organisations. The project includes support to Observatory of Skills, reform of four-year VET programmes and the development and implementation of tracer studies.
- **USAID:** The Youth Employability Skills (YES) Network with US\$ 7 million in funding to enhance the employability skills of young people in Macedonia aged between 15 and 27. It supports institutional development of the VET Centre, teacher training, career guidance centres in VET schools, social partnership in VET, inclusive education, curriculum development and quality monitoring in school education as well as youth employment network initiatives and small business development.
- **Swiss Contact/SDC:** The "Increasing Market Employability in Macedonia" project (CHF 7 million) runs from 2014-2019 and is focused on supporting sustainable economic growth and job creation in the following three economic sectors: tourism and hospitality; green economy; and creative industries. A key focus is on improving the capacity of the education system to provide skilled human resources.

To support its work in MK the ETF works extensively with DGs NEAR, EMPL and EAC, and the EU Delegation. Key national stakeholders include officials at the Ministries of Education, Labour and Economy. The ETF network also includes agencies such as ESA, VET and Adult Education agencies, social partner organisations, civil society organisations, VET providers and others. The MES IPA unit's donor coordination group includes most key national and international stakeholders on strategic issues for the ETF.

D. ETF MID-TERM INTERVENTION STRATEGY IN THE COUNTRY

The **ETF's mid-term strategy 2017-2020** is to support implementation of the Education strategy 2016-2020 (under development) and Employment Strategy 2016-2020, in line with the requirements of

the EU ascension process and targets in the ERP 2016-2018. In order to maximise impact, ETF support will be coordinated with, and complementary to, the IPA I projects supporting 3-year VET reform, NQF development and post-secondary VET as well as those of other donors (e.g. the World Bank project supporting reform of 4-year VET programmes), and with the new sectoral approach to be used to support education, training and labour market reform under IPA II. Specific areas of support include WBL, CPD, qualifications and VNFIL and employment measures.

There is a consensus that MK needs to reform its VET system in order to better align education and training supply with labour market skills demand. The Education 2016-2020 strategy, which will inform a sector wide approach under IPA II, includes the following priority measures for VET: 1) establishing a skill needs identification mechanism along with competence-based qualification standards and modularised curricula; 2) making VET more attractive through quality assured schools and work-based learning; and 3) developing VET teacher and principal standards. In close cooperation with the EUD, the ETF will support implementation and monitoring of the strategy in order to improve the quality and relevance of the VET system. The work will facilitate policy learning with local stakeholders and donors to identify challenges, next steps and concrete measures to address challenges.

The ETF intervention strategy has been drawn up on the assumption of continuity in

- the priority given to the country in terms of EU external assistance,
- the level of political, economic and social stability,
- the high level of commitment in the country among key stakeholder from the national and regional authorities and among civil society to take forward the reform process in line with the national vision and strategy for human capital reform in particular in the selected areas of intervention
- engagement and ownership of the country in the ETF Torino Process and according to the principles of evidence based, participatory, holistic policy making.

Particular assumptions, or conditions for the achievement of impact from ETF interventions where relevant are included under the specific objectives below.

Specific objective 1: to support the Ministry of Education and Science and other actors (e.g. the VET Centre and Adult Education Centre) to introduce a system for the introduce validation of non-formal and informal learning (VNIFL). ETF support in 2017 will share knowledge and build capacity on processes supporting VNFIL.

Rationale: ETF support will build on the development of a system for validation of non-formal and informal learning that started in November 2015 by the Ministry of Education and Science and the Adult Education Centre. A working group consisting of all relevant stakeholders has been established and a roadmap on developing and implementing a system for VNFIL in Macedonia is in place. Target groups for VNFIL are: those with uncompleted basic education; long-term unemployed and continuing professional development. Overall, the establishment of the NQF is a necessary step to develop labour market-relevant education and training, as well as focus on learning outcomes, quality assurance and the recognition of qualifications.

ETF support on qualifications/VNFIL will be refined in line with the strategic priorities in the Education Strategy 2016-2020 and closely coordinated with the eventual EU IPA II support following a sector wide approach following development of a Sector Planning Document at the end of 2016. Eventual priorities for NQF development will be supported by the ETF through monitoring of results upon request from the EUD.

The Assumptions for the ETF's work until 2020 in this area are the willingness of MK to continue accepting and adapting EQF principles and the progress in the implementation of the actions corresponding to the structured development stage.

Expected results by 2020:

1. A system for validation of non-formal and informal learning, and corresponding key instruments, will be developed by 2018, in response to priority area 3 of the *Concept paper on Non-formal adult education and informal learning*. Key instruments and methods will be developed and validated with the involvement of national stakeholders, and a pilot VNFIL process will be tested and completed in one sector.
2. The country report on VNFIL arrangements will be presented to EQF AG to meet the 2018 milestone of the Council Recommendation.
3. By 2020 national VNFIL processes and approaches will be evaluated and reviewed, and an increasing number of VNFIL candidates will undergo a successful validation in the assessment phase.

Specific objective 2: To improve the quality and relevance of VET provision in the country by supporting the Ministry of Education and Science and the VET Centre to introduce a strategic policy framework to guide the further development and implementation of work-based learning in three- and four-year VET programmes in the country. VET provision will also be enhanced through the provision of continuous professional development (CPD) of VET teachers and trainers, including in-company trainers.

Rationale: WBL and teacher training are two of the five Riga MTDs (and WBL was targeted as the country's highest Riga priority) and both will be monitored as part of Riga Mid-term deliverables for 2020. During the period 2017-2020 the ETF will assist the country to develop the use of work-based learning (WBL is the country's highest Riga priority) in the VET system. Support will also be provided throughout the enlargement region for the provision of continuous professional development (CPD) of VET teachers and trainers, including in-company trainers. WBL and teacher training are two of the five Riga MTDs, both will be monitored as part of Riga Mid-term deliverables for 2020, and both are priorities in the draft Education Strategy 2016-2020. The ETF will also complement and reinforce the activities of the ongoing IPA 2013 LLL and VET project, the forthcoming IPA II support and cooperate closely with other donors. The assumption for ETF support until 2020 in this area is the progress in the implementation of actions for the achievement of the five Riga MTD

Expected results by 2020 include:

1. Adoption of legislation and subsequent implementation of measures necessary to implement WBL in secondary VET programmes by 2018, based on the work of the national working group on WBL with ETF support. This will be fully coordinated with IPA II support and include support to facilitate policy dialogue as well as policy development and design for specific WBL tools such as internships, and assessment of WBL learning outcomes linked to the NQF.
2. Capacity to transfer good practice built and CPD of VET teachers supported by the ETF in order to make teacher training a 'lever' to drive improved teaching and learning and, subsequently, improved achievement. This will be fully coordinated with IPA II support.
3. National actors actively participate in the ETF Forum for VET Quality Assurance, and integrate the European dimension in VET quality assurance (EQAVET) to enhance systematic approaches to tackle quality assurance issues in priority areas (e.g. external and internal

evaluations of VET providers, NQFs, CPD of VET teachers and trainers, and work-based learning).

Specific objective 3: During the period 2017-2020 the ETF will provide support to better link initial and continuous VET with labour market demand. To achieve this the ETF will implement capacity building activities to improve intelligence on skills needs to inform both initial and continuous VET provision.

Rationale: A key challenge for VET in the country is to increase the labour market relevance of vocational educating and training. The ongoing EU-supported projects and donor initiatives focus on developing intelligence on skills demand. However, the findings and methodological advancements often remain confined to the institutions initiating (or benefiting from) such exercises. The assumptions for ETF work in this area until 2020 are progress in the implementation of ERP recommendations in the field of HCD and public and private stakeholders cooperation among themselves and with the ETF in an open and inclusive environment in partner countries for a policy dialogue among stakeholders.

Expected results by 2020 include:

1. Education and labour authorities' and social partners' capacities will be developed for combining methods of anticipation and matching supply with demand, within a long term perspective to define a multi-horizon and level system of skills anticipation in the country.
2. By 2020 specific tools such as tracer studies will be regularly used to better inform VET provision of labour market outcomes.

In addition to the above, the ETF will support EU external assistance and bilateral policy dialogue regular and ad-hoc requests from the EUD or Headquarters.

ETF support will continue on briefing of TA experts during inception phase and assistance with monitoring of IPA projects in VET, adult education, NQF development, post-secondary VET and with the Employment Service Agency.

Regarding EU-former Yugoslav Republic of Macedonia bilateral policy dialogue, ETF will continue to update EC actors on progress in the HRD-related fields in MK as inputs to the EC progress report and EU-MK social policy Subcommittee meetings as well as on the assessment of the MK Economic Reform Programme (ERP).

In the context of the ETF corporate initiatives, the ETF will continue involving MK in the Torino Process: the system wide policy analysis and monitoring progress exercise implemented by the ETF on a periodic basis. The 2017-2020 period will cover the closure of the 2016 round and the implementation of the 5th round in 2019. The specific modalities for national implementation in 2019 will be agreed according to the 2016 results and the specific development of the monitoring processes in the country. In between the two rounds, the ETF will continue the policy dialogue with all countries on policy analysis and system wide progress monitoring through VET monitoring Forums at regional and international levels.

The ETF will support participation of MK actors in European platforms and dialogue processes, including DGVT/ACVT meetings³, ET2020 working groups, and the European Alliance for Apprenticeships (EAfA). MK will participate in ETF regional actions such as the ETF Forum for Quality

³ Meetings of Directors General for Vocational Training and/or the Advisory Committee for Vocational Training with participants from EU members states and candidate countries

Assurance in VET as well as the ETF virtual platforms for work-based learning, continuing professional development of teachers and trainers in VET and digital skills and online learning in VET.

In the period 2017-2020, the ETF will continue to support DG Internal Market, Industry, Entrepreneurship and SMEs (DG Grow) with analysis and reporting on the country's progress on the human capital pillars of the **Small Business Act** for Europe (SBA). The next assessment takes place in 2017 and focuses on entrepreneurial learning, women's entrepreneurship and SME skills. The entrepreneurial learning dimension will be assessed in line with the new Entrepreneurship Competence Framework. Customised support to the country on human capital policy areas will depend on specific requests from the government. The ETF's SBA assessment work will be accompanied by further identification of good practices in training whose objective is to support countries the implementing of the ETF's SBA policy recommendations. More specifically, in 2017, a dedicated good practice call for the pre-accession region will focus on training for SMEs who are trading (or have the potential to trade) with the EU Single Market.

The ETF will continue its assistance to candidate countries in the context of **monitoring the RIGA Medium-term deliverables for VET until 2020**. The ETF will support policy analysis and progress monitoring in candidate countries in the context of: 1) Riga Conclusions, specifically monitoring and analysis of progress towards the achievement of the MTDs; and 2) the institutionalisation of national networks for collecting and processing information related to the monitoring of the system and of the MTDs.

E. 2017 ACTION PLAN

Objective 1

In qualification systems, the ETF's support to national authorities will target the country's developing VNFIL system, building on 2016 support in this area, as we seek to bring the country to from the conceptual to the structured stage in its validation system, by supporting development of new tools and methodologies in this area:

- Advise authorities on operationalising the VNFIL roadmap, so that actors begin implementation; function: policy advice; output: report on progress through roadmap.
- Guide authorities, in particular VNFIL Steering Group, to develop and test VNFIL methodologies; function: policy advice; output: draft methodology on VNFIL.
- Facilitate designation of pilots to test VNFIL methodologies; function: policy advice; output: proposal for pilot projects.
- Information on VNFIL in MK will be disseminated to relevant groups and employers will express interest in promoting and supporting VNFIL processes for their staff.

Objective 2

During 2017 the ETF will assist the country to develop the use of work-based learning (WBL is the country's highest Riga priority) in the VET system. Support will also be provided for the provision of continuous professional development (CPD) of VET teachers and trainers, including in-company trainers.

- Support the national working group on WBL that will help the country to develop policy goals and an action plan for work-based learning;

- Extend the Demonstration Project which involves training vocational teachers at school level and mentoring them to make better use of information technology in their pedagogy;
- Support professional development of vocational teachers and trainers and coordinators of professional development through virtual and face to face networking and the sharing of good practice and materials.

Activities are expected to include:

- training event for teachers to equip them to provide professional development in schools;
- national event to review progress in policy implementation, disseminate innovative practice and sustain networks for CPD;
- pathfinding for virtual networking for CPD;
- facilitation of policy dialogue regarding the development of work-based learning; support the organisation and implementation of meetings of the national working group on work-based learning.

In 2017, the ETF will continue its support to the monitoring and implementation of the Riga Mid-term deliverables and contribution to the strengthening and consolidation of the monitoring system in the country. Specific support will be given in 2017 to the reporting function for the RIGA reporting cycle and the establishment of a reporting mechanisms within the national own institutional framework. Actions will include the follow up to the ex-ante impact assessment carried out in 2016 for MTD1.

Objective 3

Regarding skills anticipation, the ETF will finalise the tracer study analysis and report started in 2016. Considering the challenges faced in the implementation of the first full scale tracer study, lessons learnt will be discussed with national authorities before wider replication, with further support being provided from 2018 onwards.

F. 2018 UPDATES

1. Short update on key country developments in the field of VET and skills and on EU and donor cooperation

On 31 May 2017, the new government was elected. Its economic programme features enhanced measures to lower unemployment and to develop the SME sector, and a commitment to fiscal consolidation and transparency. Many key staff at the ministries and agencies are being replaced as the new government reviews scores of politically-appointed staff.

The fiscal deficit in 2016 was 2.6% of GDP and government debt was 39% of GDP. The new government adopted a budget revision for 2017, based on lower 2017 GDP growth expectations (2.2% vs. estimates of 3%). It reduces capital spending by 10% compared with the original plan, but increases contributions for under-funded pension costs and for social welfare. The 2017 World Bank Doing Business Report recognises continued progress with the former Yugoslav Republic of Macedonia ranked 10th among 190 countries, up from 16th in 2016 and by far best in the region.

Continuing the trend over the past two years, job creation remained dynamic in Q1-2017. Annual employment growth accelerated to 2.7%, compared to 2.1% in the preceding quarter. Labour market participation remained low at 56.7% but higher than the same period the previous year (56.4%). Unemployment stood at 22.9% in the first quarter, down from 24.5% a year earlier. The labour force increased slightly (+0.7%), reflecting a rise in the female participation, which overcompensated a slight decline in the male labour force. Youth (15-24) unemployment dropped significantly compared to the first quarter 2016, by 5.8% to 44.4%. The gradual downward trend increases the importance to reform education and training to better match labour market demand, and serve as underlying justification for the ETF's support for qualification reform, work-based learning and on active labour market measures.

The European Commission assessment of the country's 2017-19 ERP notes that ERP identification of key challenges in education and skills, including the unattractiveness of the VET system, insufficient links to – and lack of cooperation with – labour market needs, and low participation in lifelong learning. The VET system is characterised by the weak capacity of the VET Centre and providers, and a lack of cooperation with the business sector. Development of the qualification system focuses primarily on 60 new occupational standards, but will not increase competitiveness without stronger links to labour market needs.

The ETF coordinates its activities with key human resource development (HRD) donors in the country supporting VET, skills and the employment sector. The primary donors in sectors include the EU/IPA (3-year secondary VET, NQF development and post-secondary VET, and employment services), SDC (youth employment and ramping up a large VET project from the second half of 2017), and the World Bank (4-year secondary VET). Donor coordination in education and training is ensured by the Ministry of Education and Science (MES) education-sector donor coordination group.

The current €2 million IPA project (Enhancing Lifelong Learning through modernising VET and adult education) runs through 2017 and includes the following components: 1) strengthening 3-year VET in cooperation with the private sector and social partners by reforming the curricula based on labour market needs; 2) strengthening adult education at the local level and preparation of new strategic document on Adult Education; and 3) the development of a Strategy for Lifelong Learning with specific attention on VET and adult education, including strengthening the capacity of the national institutions and other stakeholders develop and manage a national system. The AD for the IPA II (2017) project support will provide approximately €2.3 million for various aspects of VET and adult education

including VET Centres of Excellence, but also limited support for teacher training and continuous professional development (CPD) and work-based learning.

The USD 24 million World Bank Skills Development and Innovation Project has a component which support increasing the relevance of 4-year vocational education and training (VET) focussing on activities to build modern and efficient secondary VET, with sub-components on quality, labour market relevance and school-industry collaboration.

The new Swiss Agency for Development and Cooperation (SDC) project allocates CHF 14.5 million for vocational skills development. Helvetus and the Macedonia Civic Education Society are part of the inception phase. The Swiss Federal VET Institute and the Economic Chamber will also participate, with implementation starting in March 2018. The first priority will be non-formal VET for vulnerable groups, including women. There will be at least 20 non-formal programmes developed in 20 schools. Another component is incentives for companies to provide internships, coordinated with the ETF's support to the national working group on work-based learning.

2. Assessment of the progress towards achievement of ETF mid-term objectives and results with horizon 2020

Specific Objective 1: Qualifications

In qualification systems, the ETF's support to national authorities targets the country's developing validation of non-formal and informal learning (VNFIL) system, moving from conceptual to structured stage and supporting the development of new tools and methodologies. The focus in 2017 has been preparing a guide for implementation of VNFIL procedures addressed to VNFIL institutions, including instruments, forms and templates, drafts of bylaws and accreditation criteria for providers. Advice has also been offered to authorities on operationalising the VNFIL roadmap towards implementation.

The ETF support is closely coordinated to complement donor support, which in 2017 featured an IPA twinning project (Further improvement of the system for development and implementation of the NQF) with Slovenia, Poland and the UK, addressing NQF development and implementation. The objective of is to strengthen national capacities, including of social partners, for an effective and efficient system for the NQF by supporting fine-tuning legislation, developing quality assurance of qualifications, analysis of labour market needs, and developing new qualifications to meet these. NQF support is also provided, indirectly, by the IPA Lifelong Learning and World Bank Skills Projects, as they support development of more outcomes-based, and labour market relevant, qualifications.

In 2018, the ETF will support authorities in completing the handbook and methodology package in VNFIL; function: capacity-building; output: handbook and methodology package.

Specific Objective 2: Provision

In 2017, the ETF focused on supporting the country to develop the use of work-based learning (WBL is the country's highest Riga priority) in the VET system. Support was provided for the provision of continuous professional development (CPD) of VET teachers and trainers through a virtual network and face-to-face networking to share good practice and material.

In close cooperation with the ETF, the national working group on WBL was created in Q1-2017 and subsequently supported two meetings. The goal is to support the country to identify specific policies, policy gaps and an action plan for work-based learning. Progress has been satisfactory with the main result a gap analysis developed by national stakeholders outlining critical elements to achieve quality WBL in the country including: governance; participation of (and support to) employers; role of teachers and in-company trainers/mentors; financing of WBL; quality assurance; working and learning conditions of those in WBL; and responsiveness to the labour market. The support is well-coordinated and designed in consultation with the project leaders with the two main donor projects in VET (i.e. IPA

Lifelong Learning and World Bank Skills Projects). The projects participate actively along with national actors in the national working group. Emerging donor support on WBL from Switzerland and the German Chambers of Commerce is also coordinated, supported by regular briefings on ETF support and work of the national working group.

Specific Objective 3: Employment

Regarding skills anticipation, the ETF finalised support (with both in-house and contracted expertise) fully coordinated in the context of the World Bank Skills and Innovation Project for the tracer study analysis and report, which began in 2016. Considering the challenges faced in the implementation of the first full scale tracer study, lessons learned were discussed with national authorities before official publication and dissemination during the summer of 2017. The ETF's expertise and comments were reflected in the study. Support continues in 2018 as follows:

3. 2018 Action Plan

Upon request from the European Commission or EU Delegation the ETF will provide support to:

- the IPA programming and project cycle;
- the EU – former Yugoslav Republic of Macedonia bilateral policy dialogue:
 - Inputs to the EC assessment of the national Economic Reform Programme;
 - Inputs to relevant bilateral sub-committee meetings;
 - Input to EC Progress Reporting.

Specific Objective 1: Qualifications

In 2018, ETF qualifications support continues to focus on VNFIL, in particular addressing implementation gaps. The ETF will deepen VNFIL implementation via piloting and producing handbooks and methodologies for dissemination, so that validation is applied and learners use it to obtain qualifications. ETF support will also focus on the development of an assessment guide in the context of VNFIL and on the training of assessors.

The ETF will conduct an analysis of the VNFIL system, contributing to an inventory of VNFIL systems in South Eastern Europe and Turkey (SEET), to be co-published with Cedefop. The ETF will support SEET partner countries' participation in the European Qualifications Framework (EQF) Advisory Group, including advice on referencing processes and reporting.

Specific Objective 2: Provision

In 2018, the ETF will continue its support to the national working group on work-based learning, quality assurance of VET through support to national participation in the ETF annual forum, e-platform and Quality Assurance (QA) workshop for QA in VET. As other candidate countries, the former Yugoslav Republic of Macedonia will also be supported to participate in the European Alliance for Apprenticeships, for example through participation in a SEET regional seminar organised in cooperation with the Directorate-General for Employment. The main focus to the national working group on work-based learning develop concrete policy options and a roadmap to introduce more, and higher quality, work-based learning in VET.

Specific Objective 3: Employment

In agreement with national authorities and the EU Delegation, the ETF will provide expertise input to the design of new generation of IPA-supported projects in the area of employment and employability. The focus will be on active labour market measures targeting low educated and vulnerable groups on the labour market. The ETF will share the results of skills mismatch analysis completed in 2017 with

four pilot countries with national stakeholders. Upon request, the ETF will provide advice and updates on skills anticipation tools, VET relevance labour market needs, employability/activation programmes and labour market monitoring to national authorities and the EU Delegation (e.g. in the context of country's strategies updates or IPA planning).

The ETF is also contributing expert input regarding capacity for tripartite social partnership in VET, during the implementation of the EU-funded Employment and Social Affairs Platform (ESAP) in 2017-2019, addressing the SEET countries.

Other areas of intervention

The ETF will continue its support in the area of evidence-based policy analysis and system wide progress monitoring. This will involve targeted assistance to candidate countries in the context of the RIGA reporting and monitoring, in particular supporting the annual monitoring and reporting exercise through expertise input, and ensuring communication with candidate countries on RIGA related policy dialogue at EU level. Furthermore, all countries will be invited in early 2018 to kick off preparations for the 5th Round of the Torino Process, with the scope of agreeing on terms of implementation by the end of 2018. The preparation phase will involve countries primarily through online consultations and capacity building activities involving appointed national coordinators and key working group members. All countries will be invited to join the kick-off meeting in Q4 of 2018 in Turin. Countries aiming at implementing the Torino Process at the sub-national level will have specific activities in 2018 to prepare regions and cities for the round of analysis. A new national data collection exercise aimed at acquiring more in depth data and mapping in the area of VET and skills will be launched in 2018.

In 2018 all SEET countries will also undergo an SBA assessment, comprising of a revised SBA assessment questionnaire elaborated in 2017, and with dedicated focus group meetings in all countries addressing three areas: lifelong entrepreneurial learning, women's entrepreneurship and SME skills. Conclusions and recommendations from country assessments will be published in 2019. Intelligence from the assessment drive will be used for wider policy tracking arrangements (e.g. entrepreneurship key competence as part of the Riga monitoring) as well as inputs to the Economic Reform Programmes.

The ETF supports the participation of actors from the former Yugoslav Republic of Macedonia in European platforms and dialogue processes, including DGVT/ACVT meetings⁴, ET2020 working groups, and the European Alliance for Apprenticeships. The country will also participate in the ETF Forum for Quality Assurance in VET as well as the ETF virtual platforms for work-based learning, continuing professional development of teachers and trainers in VET and digital skills and online learning in VET.

⁴ meetings of Directors General for Vocational Training and/or the Advisory Committee for Vocational Training with participants from EU members states and candidate countries