

SKILLS 2020

FORMER YUGOSLAV REPUBLIC OF MACEDONIA

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The following organisations and key political actors have been involved in the foresight workshops:

- The Cabinet of the Deputy Prime Minister in charge of economic affairs; the Ministry of Economy; the Ministry of Education and Science; the Ministry of Finance; the Ministry of Labour and Social Policy; the Secretariat of European Affairs; the Centre for Adult Education; the Employment Service Agency; the VET Centre; the Centre of Adult Education; Ss. Cyril and Methodius University; the South-East European University of Tetovo; the Federation of Trade Unions of Macedonia; the Business Confederation; the Economic Chamber; the Organisation of Employers; Mladinski Obvrazoven Forum; Private Recruitment Agency “Vrabortuvanje”; the World Bank; the EU Delegation.

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The full list of names of those who took part in the workshops is provided in Part II of this document.

The Review of Institutional Arrangements (RIA) report of FYROM is the result of a series of interviews with ministries in charge of HRD policy, the implementing agencies and institutions, as well as the partners and stakeholders of HRD policy in the country. The analysis benefited from engaged participation of highly committed and professional representatives from key policy makers, implementers and stakeholders.

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- Cabinet of Deputy Prime Minister in charge of Economic Affairs, Ministry of Education and Science and its structures, Ministry of Labour and Social Policy, Ministry of Finance, Ministry of

Economy, Employment Service Agency, VET Centre, Centre for Adult Education, Schools,
Social partners, Municipalities, EU Delegation

The full list of names of those interviewed is provided in Annex 5.

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List of Acronyms

Abbreviation	Term
AE	Adult Education
AEC	Adult Education Centre
BDE	Bureau for Development of Education
CC	Chamber of Commerce
CSP	Country Strategy Paper
EC	European Commission
EMIS	Education Management Information System
ESC	Economic Social Council
ETF	European Training Foundation
ET 2020	European Cooperation in Education and Training 2020
ESA	Employment Service Agency
EU	European Union
FDI	Foreign direct investment
fYROM	former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
HE	Higher Education
HEAEB	Board for Higher Education Accreditation and Quality Assurance
HRD	Human Resources Development
ICT	Information and Communications Technologies
IIZ DVV	Institute for International Cooperation of the German Adult Education Association
ILO	International Labour Organisation
IPA	Instrument for Pre-accession Assistance
IPA II	Instrument for Pre-accession Assistance 2014-2020
ISP	Indicative Strategy Papers
LAs	Local Authorities
LLL	Lifelong Learning
LMs	Line Ministries
LMIs	Labour Market Institutions
MCEC	Macedonian Civic Education Centre
MoE	Ministry of Economy

MoEPP	Ministry of Environment and Physical Planning
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
Mol	Ministry of Interior
MoIPA	Ministry of Information and Public Administration
MoISA	Ministry of Information Society and Administration
MoLS	Ministry of Local Self-Government
MoLSP	Ministry of Labour and Social Policy
MoES	Ministry of Education and Science
MoTC	Ministry of Transport and Communication
MTEF	Medium Term Expenditure Framework
NCDIEL	National Centre for Development of Innovation and Entrepreneurial Learning
NEC	National Examination Centre
NQF	National Qualifications Framework
OMC	Open Method of Coordination
OPHRD	Operational Programme for Human Resources Development
PEFA	Public Expenditure and Financial Accountability
RIA	Review of Institutional Arrangements
SEE	South East Europe
SEE 2020	South East Europe Strategy 2020
SEEU	South East European University
SEI	State Educational Inspectorate
SNA	Skills Needs Analysis
SSM	Federation of Trade Unions of Macedonia
SSO	State Statistical Office
TWG	Technical Working Group
UN	United Nations
USAID	United States Agency for International Development
VET	Vocational and Educational Training
WB	World Bank
ZELS	Association of Units of Local Self-government of Macedonia

OVERVIEW

Foreword

IPA, the Instrument for Pre-Accession Assistance, offers assistance to countries engaged in the European Union (EU) accession process. IPA II (2014-2020) supports the accession countries in implementing the political, institutional, legal, administrative, social and economic reforms required to bring the countries closer to Union values and to progressively align to Union rules, standards, policies and practices with a view to Union membership. This new programme is more strategic, efficient and better targeted than before, and introduces the 'sector approach'.

The Country Strategy Paper (CSP) 2014-2020, adopted on 19/08/2014, sets out the priorities for EU financial assistance to support the former Yugoslav Republic of Macedonia on its path to EU accession. It translates the political priorities, set out in the enlargement policy framework, into key areas where financial assistance is most useful to meet the accession criteria.

The CSP indicates that the proportion of assistance delivered by means of the sector approach will progressively increase as the beneficiary country meets the relevant criteria. The following three criteria are considered to be essential and must be in place before adopting a sector approach:

- The existence of a national sector policy and strategy and a sector budget or a commitment by government to either elaborate or refine these.
- An institution/Ministry responsible for the sector/subsector.
- The existence of a functional sector coordination framework or a commitment by government that steps will be taken towards its development.

The Government has approved important sector strategies (listed and analysed in Part II of this report) that could guide reforms with respect to the main objectives for IPA II assistance under the respective sectors. However, the country currently lacks a national development plan which could provide overall strategic guidance on how it plans to meet its strategic development objectives. The Government is therefore considering developing a national development plan as an overarching comprehensive development agenda for the country's sector strategies and to guide its European integration process.

The Government has a four-year Programme (2014-2018), with five strategic objectives, which largely coincide with the main objectives for IPA II assistance.

To improve economic growth and employment, the Western Balkan countries have developed a common regional strategy for economic development in South East Europe (SEE 2020), supported by a set of pertinent policy objectives, implementation measures and monitoring mechanisms. The Government of FYROM has set itself a number of ambitious targets for 2020.

In view of the priorities of the latest Enlargement Strategy 2013-2014, the Progress Reports, and the Government, IPA II assistance will focus on the key strategic priorities, one of which for FYROM brings together in one sector: education, employment, social policy and human resources development. The sector approach contributes to joined-up policies and combined efforts of all actors across the indicated policy domains to reach this priority objective of IPA II: socio-economic development.

The sector-wide approach poses a challenge because it requires closer linkage between these previously independent policy areas, towards the development of more coordinated, coherent and evidence-based policy approaches for HRD in line with the EU 2020 Strategy. The introduction of the

sector approach stimulates more effective links of policy and resources, policy planning and budgeting, and implementation and monitoring.

In the CSP 2014-2020, two sectors address various angles of human resources development (HRD):

- Education, employment and social policies
- Competitiveness and innovation

IPA II assistance in Sector 6 - education, employment and social policy – aims to reduce the high rate of unemployment, increase labour market participation in particular of young people and women, increase access to quality education and training, improve matching of skills and jobs, and establish a modern and flexible social protection system. The planned results are:

- A more inclusive and effective labour market
- Improved match between skills demand and supply
- A more modern social protection system
- Increased number of statistical indicators for policy makers
- Improved basic school and higher education

The CSP 2014-2020 indicates that education and training will be strengthened to build skills for jobs and growth through an increase in the quality of education and facilitating access to education for all; by supporting comprehensive EU lifelong learning (LLL), including mobility and support services contributing to a knowledge-based economy; as well as supporting the following; digital training; entrepreneurial learning; the development and implementation of a National Qualification Framework; strengthening and modernising the VET and adult education systems; equal access to quality education and training based on inclusiveness; strengthening the cooperation between educational institutions; and empowering social partners and the private sector.

In this sector, IPA II will provide assistance at horizontal level, aimed at strengthening mechanisms of inter-institutional cooperation at central and local level; mechanisms of cooperation between private sector and the social partners; reforming the legislative framework and supporting capacity building of relevant institutions; and extending the quality and scope of statistical indicators in all areas, in line with EU standards.

Reforms will be supported by the various implementation modalities. The use of sector budget support can be considered, once the conditions have been met.

The HRD sector's readiness to engage in the sector approach is at an early stage. IPA II assistance to this sector will increase considerably and will be programmed along the key relevant national sector strategies. The framework to follow up implementation needs to be strengthened through a coherent monitoring and evaluation policy, as well as the involvement of non-state actors and citizens in reform processes through systematic social dialogue and public-private partnerships.

To help pre-accession countries get the most out of this new approach, the European Commission (EC) (DG Enlargement) has contracted the European Training Foundation (ETF) to launch the 'FRAME – Skills for Future' initiative to help in the development of coherent and coordinated, forward-looking, evidence-based policy approaches for HRD in line with the EU 2020 Strategy. This is required to better align the education and training system with the current and future needs of the economy and the labour market and to strengthen institutional capacities and inter-institutional co-operation to ensure joined-up policy approaches across government. This has required a future-

oriented participatory approach, which brought together all relevant stakeholders involved in higher education (HE) and research, and vocational education in an LLL perspective, including labour market policy, job creation, entrepreneurship and social inclusion, to create a national skills vision 2020 and roadmap that accommodates all HRD-related initiatives in a coherent strategy involving relevant national actors and stakeholders.

In order to make the most of existing experience, the FRAME Initiative consists of 4 interrelated components, which will be treated as unique interventions as they constitute the building blocks of the sector approach in HRD, namely:

- **Component 1 – Foresight:** Implement a foresight approach for vision-building of future skills towards 2020 as an input for designing coherent national HRD strategies in EU enlargement countries, including a set of priorities and roadmap for implementing the vision. The approach has been road-tested in two enlargement countries (Montenegro and Serbia) and is being rolled out in the other beneficiary countries.
- **Component 2 – Review of Institutional Arrangements:** Implement a methodology to review institutional arrangements in the HRD sector in relation to the capacity to achieve the country vision for skills 2020, and consequently to develop capacity-building responses. The methodology developed has been rolled out directly in all beneficiary countries.
- **Component 3 – Monitoring:** Develop a performance-monitoring and indicators-based system to monitor progress and strengthen accountability in implementing the sector-wide approach in HRD in line with the national strategic objectives and EU 2020 goals, as well as headline targets put forward in the South East Europe Strategy 2020 (SEE 2020).
- **Component 4 – Regional:** Facilitate a mutual learning process among enlargement countries in the region through the organization of regional meetings and peer learning activities that allow exchange of results and pave the way for future joint activities.

In 2013, ETF assisted fYROM with the implementation of the foresight component, which involved a process of bringing together key stakeholders in a series of three workshops, to formulate a shared vision for skills 2020, with priorities and a roadmap. Skills are at the centre of the foresight component and stakeholders addressed the following question:

Which skills should fYROM develop towards 2020,
and how can these skills be generated by the education and training system?

In addressing this question, stakeholders are not expected to come up with a qualitative or quantitative list of skills, but rather to elaborate a visionary and strategic orientation to skills development. The aim is to address the following:

- What are possible, feasible and preferred options, based on resources and capacities?
- How should the education, training and lifelong learning system be adapted in order to produce the necessary skills?
- How does the policy system need to be adapted to develop the strategic capacities to design and deliver forward-looking skills and HRD policies on an ongoing basis?

Executive Summary

The European Training Foundation (ETF) has launched this FRAME Initiative in Pre-accession countries, as part of the European Commission's support for the preparation of the second cycle of the Instrument for Pre-accession Assistance (IPA II). In the former Yugoslav Republic of Macedonia, the skills foresight process benefitted from the insights and experiences of the pilots carried out in Montenegro and Serbia and followed broadly the same approach and process. A proactive group of participants engaged wholeheartedly in the foresight process, and produced the country's Skills Vision 2020, with Priorities and a Roadmap.

This report documents the process and the results of the work carried on in relation to the foresight exercise, the review of institutional arrangements (RIA) and the elaboration of the monitoring tool.

In relation to the foresight exercise, the background and context, the foresight approach, process and results are presented in this report. The Skills Vision 2020 is intended first as a reference for national investments in Human Resources Development (HRD) and skills, to encourage joined-up, evidence-based, forward-looking policy approaches across government and with the social partners. It also serves as a preparatory input to IPA II programming, the Country Strategy Paper (CSP) and the sector-wide approach, linking the key policy initiatives related to education and training in a lifelong learning (LLL) perspective, with employment and social inclusion in a single unified framework. Finally, the results from the FRAME initiative contribute directly to the preparation of the new Education Strategy, as the current strategy expires in 2015.

The foresight process was launched in mid-2013 with a number of exploratory visits by the ETF team, followed by three participatory, interactive workshops with lead ministries, government agencies and other bodies, including the social partners. The discussions brought to the four key challenges facing the country, in particular the need to adopt a more proactive approach to EU cooperation and the opportunities which the accession process opens up. The process underlined the need to enhance strategic capacities for policy development on an ongoing basis, covering the whole policy cycle from design and implementation to monitoring and evaluation. The vision building process resulted in a dynamic shared vision for skills 2020, formulated as follows:

In 2020, education and training are the key drivers of our inclusive, innovation-based society and high quality of life, based on a flexible, comprehensive and accessible skills system. This lifelong learning system is highly anticipatory and responsive to the dynamic and mobile labour market, and promotes constructive dialogue of socially responsible stakeholders.

There was strong agreement on the way forward in order to reach the vision and a number of priorities and actions were identified. A key priority was given to resources and ensuring sustained investments in education, in particular enhancing curricula at all levels and investing in a mature skills ecosystem. Finally, special emphasis was given to developing strategic capacities for effective governance and to supporting local capacity-building. This in itself highlights the perceived utility of this process and the need to sustain it beyond the FRAME Initiative's lifetime.

The Review of Institutional Arrangements process started in November 2013, when the first RIA team meeting in Skopje took place, followed by the gathering and analysis of background information. The first few pilot interviews took place right after the team meeting when adaptation of questionnaires emerged as an urgently required activity. After the adaptation of three questionnaires for conducting interviews with all three groups of stakeholders, 40 interviews took place in the period between December 2013 and January 2014. The key results of the findings were compiled in the period January – February 2014. A final validation workshop was carried out at the beginning of 2014 to

validate the preliminary results of the interviews and to complete a joint capacity development plan for institutions in charge of HRD.

The work on the monitoring aspects of the 2020 Skills Vision unfolded during November 2013 – June 2014. The National Technical Team in fYROM gathered representatives of the Ministry of Labour and Social Policy (MoLSP), Ministry of Education and Science (MoES) and the State Statistical Office (SSO), together with the FRAME local experts. The roadmap actions, indicators and targets refer mainly to qualitative aspects (e.g. development of an evaluation system to assess the impact of the strategies; NQF development; curricula innovation). For this reason, the fYROM list of indicators refers to the common set of indicators identified under the FRAME Initiative as a common denominator for skills generation monitoring in the SEET region. All the proposed common indicators were considered relevant, but in terms of feasibility, the challenges relate to lack of data on low achievers in basic skills and public expenditure in upper secondary VET as a percentage of total education spending and the relatively low reliability of data on adult literacy. The main condition for a functioning monitoring system is the adoption of an inclusive approach as the HRD policy sector is complex with an extensive number of institutions and organisations involved in implementation and different data sources.

PART I – VISION FOR SKILLS 2020: THE FORESIGHT VISION BUILDING PROCESS

1. Background and Context

1.1 Economic Backdrop

The population of the country has remained steady since 2001, standing at 2.11 million (2012), whilst life expectancy stands at 72.7 (years) for men and 77 for women. As in other countries in Europe, the population is aging.

Despite improvements in the last few years, labour market indicators in 2012 show that the country continues to face important challenges, notably a problem of underutilisation of human resources, particularly youth.

According to the Labour Force Survey 2012 (SSO, 2013), the working age population (aged 15 years and over) was 1,669,965 persons, of which 56.5% were active and participating in the labour market, while 43.5% were inactive. Among the inactive population, women represent the largest share (64%). The employment rate in the working age population 15 years and over was 39% and 44% for the population aged 15-64 years. The most recent figures show a further improvement of the unemployment rate, which in 2013 declined to 29.1% (no gender difference) (SSO, 2014).

Youth unemployment is particularly high, standing at 53.9% in 2012 for the population aged 15-24. This figure improved in 2013 (51.9%). Female activity and employment rates are substantially worse than among men, but unemployment rates are similar.

The average net wage per employee has remained stable since 2009, and in Quarter IV 2013 it stood at 20,902 in local currency.

Economic trends and indicators reflect a steady performance and stability in the country's macro-economic climate over the last decade, and despite a downturn in 2012 (Gross Domestic Product (GDP) fell by 0.4%), there has been a return to GDP growth in 2013 and an increase in industrial production. The GDP has continued to increase steadily over the last decade (2001-2012) doubling to reach 7,490 million Euros, while the GDP (PPP) per capita has mirrored a similar increase standing at 3,651 Euros in 2012. There has been a gradual increase in the level of imports and exports as a percentage of GDP, with the former rising to 75.9% and the latter to 53.4% in 2012. The stock of foreign investment decreased from 53% to 50% of GDP in mid-2013 as compared to the year before and shifted from being evenly distributed between the manufacturing and services sectors to the more traditional manufacturing sectors. In 2012, the structure of the main gross value added (GVA) sectors of the economy remained unchanged: services (60.3%), industry (28.4%), and agriculture and fisheries (11.3%).

In the Global Competitiveness Index (2013-2014), the country ranks 73 (out of 148 countries), and is classified as an efficiency-driven economy (next stages transition and innovation-driven economy). It performs best in terms of macroeconomic environment and has achieved good progress in the World Bank's 'Ease of Doing Business' ranking, rising from 36th to 25th position (out of 189 economies) between 2013 and 2014. The country performs less well on innovation and business sophistication and labour market efficiency and the topmost problematic factors for doing business are listed as limited access to financing and an inadequately educated workforce.

The Government Programme for 2011-2015 includes five strategic priorities and states a commitment to invest in education, science and information technology as elements of a knowledge-based society (Government of the Republic of Macedonia, 2011).

The impact of education reforms takes time to materialise in terms of an improved skills mix of the population and the country will continue to face the challenge of doing more with less given the growing demands and tight resources. Public spending on innovation and research remains at 0.2% of GDP. The state budget of the MoES stood at 4.44% of GDP in 2012 and represented 17.83% of the total state budget. In building a knowledge society, a key concern is how to find a balanced spending pattern that takes into consideration infrastructure development, but also sustained spending in quality of education, research and innovation and measures in support of job creation and decent employment. Over the last years, greater attention has been given to improve the infrastructure and the quality of education at all levels, including new scientific laboratories for universities, the recruitment of additional teachers for primary and secondary schools, teacher training, and the external assessment of pupils. School curricula (primary and secondary) are being revised to include entrepreneurial learning.

Recent structural reforms in education resulted in young people staying in education on average for more years, following a common trend within the EU. In the 2007/2008 academic year the country increased the duration of lower secondary education to a statutory minimum of nine years, and upper-secondary education was made compulsory the following year. These reforms contributed to substantive improvement of the country's performance with regards to the benchmark on early school leaving (Education and Training 2020).

The overall educational attainment of the working-age population and labour force improved in the 2004-2012 period as the share of the population with tertiary education increased (to reach 12.9% in 2012). The share of those without education or with incomplete primary and lower secondary education fell to 9.6%, while the percentage of the working age population with secondary education (3 and 4 years education) stands at 44.3%. However, access to continuing training and all types of LLL opportunities (for the lower educated adults and for those seeking to upgrade their professional skills) is reported to be difficult due to structural inefficiencies (provision across the country) and the cost of high quality training.

Several studies and social partners' testimonies show a prevailing substantial mismatch between employers' skills requirements and the skills of the graduates and this remains another key challenge for the education system. The policy challenge is shifting from a mere qualitative target (more people with higher levels of education) to a more qualitative one (more people with high quality education and with relevant employability skills). Such a challenge can only be addressed through improved policy coordination among all actors with a stake in education, training, employment and enterprise development, amongst others.

Data and analysis of emerging trends in jobs and skills demand, qualitative analysis of changing content of jobs and information on current and emerging mismatches are fundamental pillars for improving the alignment of education and training with the economy and its needs. Labour market information features certain basic elements, based on employers' surveys (Skills Needs Analysis - SNA) by the Employment Service Agency (ESA) and studies supported by international organisations. But existing data and analysis contribute only partially to policy decisions on skills development.

The VET system's use (at policy and providers' levels) of existing information on trends in the demand for jobs and skills is insufficient and unsystematic. Apart from insufficient technical and resource capacity to deal with such information within the VET system, and the limited coverage of existing

skills studies, there are other constraints of a regulatory nature in adjusting curricula and the supply of formal initial VET to respond to trends in the job market.

Recent analysis (ILO, 2012) confirms in FYROM skills shortages co-exist with a skills mismatch (over and under-education), affecting competitiveness in the food and tourism sectors. In 2012-2013, the EU Twinning project “Support to National Employment Policy” analysed skills-occupations (ISCED-ISCO) matching, and revealed the occurrence of non-negligible under-qualification, as well as over-qualification, with large variations by sector. There is a substantial undersupply of labour with HE across almost all sectors, in particular in health care; as well as in many service and production branches.

Enrolment in VET-four years of education has been increasingly biased towards two occupational areas: economy-law and trade, which absorbs over 25% of students, and health, with approximately 19% of students. The number of cohorts in other occupational areas, such as mechanical and electrical engineering, has undergone a steady decline.

The remarkable rise of student enrolments in HE has been disproportionately high in humanities and social sciences, accounting for almost three quarters of all graduates of first cycle (bachelor) in the last decade. Graduates in medical, technical and biotechnical sciences have stagnated for years. This pro-humanities tendency may contribute to further aggravate the existing jobs-skills mismatch.

The new draft concept of the eight-level National Qualifications Framework (NQF) has high potential of improving the progression and value of qualifications in the Macedonian Qualifications Framework (MQF). The draft concept and the Law (adopted in 2013) explicitly include qualifications acquired through formal and non-formal adult education (AE) pathways, alongside qualifications from formal education.

A number of key strategies have been adopted in the area of education and employment, including the Strategy for Vocational Education and Training in an LLL context. The National Strategy for the Development of Education (2005 – 2015) is aimed at creating opportunities for improving education and training, research, development and promotion of cultural values for young people and adults and aims to increase the university intake. The National Employment Strategy 2015, in line with the EU 2020 strategy, has raised the national targets for employment substantially from 43.5% for 2010 to 55% for 2015. The Youth Employment Action Plan outlines four strategic objectives and a number of key outcomes to be pursued for the promotion of full, productive and freely chosen employment for young people.

In the area of research and innovation, the Law on Innovation, the national strategy on innovation 2012-2020 and the national programme for scientific and research activities for 2013-2017 have been adopted. In line with EU targets, the strategy sets a target of 1.8% for public expenditure on research as a percentage of GDP by 2020, with 50% coming from the private sector. While the research budget has increased slightly in 2013, the budget for technological development has decreased. The strategy also identifies a number of research priorities in line with EU priorities, including food and agriculture, the automotive industry, Information and Communications Technologies (ICT), construction and tourism. The country’s participation in the Seventh Framework Programme for research and innovation has continued to improve, although effective participation in Horizon 2020 will require a strengthening of research capacity. The innovation strategy targets competitiveness and knowledge and innovation based development. The challenge remains in ensuring effective implementation of the strategies and related reforms as the implementation capacity remains weak and greater efforts are required to improve monitoring of progress and evaluation.

A new World Bank (WB) loan for a “Skills development and innovation support project”, worth EUR 17.7 million, and approved in January 2014, will support HE and VET. 54% of total financing will focus on the innovative capacity of enterprises and collaboration with research organisations. This component will support the Fund for Innovation and Technological Development.

Under the Operational Programme for Human Resources Development (OPHRD), new projects in the pipeline will support the NQF, adult education, VET and inclusive education, as well as providing further support to employment policy.

1.2 The Panorama of Skills Related Strategies

An analysis of national strategies which refer or relate to education, human resources and skills, indicates the following core strategic initiatives focused on national development, which are currently underway:

- Government Work Programme (2011-2015)
- Multi-Annual Operational Programme for Human Resources Development (2007-13)

There are a number of strategies which address skills from the perspective of the economy, competitiveness and innovation:

- Strategy for Innovations of the Republic of Macedonia 2012-2020
- Pre-Accession Economic Programme 2012-2014
- Industrial Policy of the Republic of Macedonia 2009–2020
- National Strategy for Information Society Development
- Action Plan on Competitiveness 2012
- National R&D Programme 2012–2016
- Program for Promotion and Support of the Technological Development (2012-2015)

A range of strategies focus on education, including VET, AE and LLL:

- National Programme for the Development of Education in the Republic of Macedonia 2005–2015
- Strategy for Development of the Vocational Education and Training Centre 2010–2015
- Strategy for Vocational Education and Training in a Lifelong Learning Context 2013–2020
- Strategy of Adult Education 2010-2015
- Strategy “Steps towards Integrated Education in the Education System of the Republic of Macedonia”.

The following strategies address equality, social inclusion and demography:

- National Strategy for Reduction of Poverty and Social Exclusion in the Republic of Macedonia (Revised 2010-2020)
- Strategy for Gender Equality 2013-2020

- National Strategy for Equality and Non-Discrimination based on Ethnic, Age, Mental and Physical Disability and Gender Equality 2012-2015
- Strategy for Demographic Development of the Republic of Macedonia 2008-2015

Two strategies focus specifically on employment:

- National Employment Strategy 2015
- Action Plan on Youth Employment 2015

Other relevant strategies include:

- Public Administration Reform Strategy 2010-2015

Table 1: Overview of Strategies and Lead Entities responsible for implementation

Overview of Strategies and Lead Entities responsible for implementation									
	MoES	MoLSP	MoF	MoE	MoIPA	MoLS	MoTC	MoEPP	MoI
Strategy for Promotion and development of Volunteerism 2010-2015									
National Strategy for Reduction of Poverty and Social Exclusion in the Republic of Macedonia (Revised 2010-2020)		L							
National Employment Strategy 2015	C/R	L	C/R	C/R					
Innovation Strategy of the Republic of Macedonia 2012-2020 ¹	R	R	R	R	R				
National Programme for the Development of Education in the Republic of Macedonia 2005-2015	L	R	C						
Strategy for Development of the Vocational Education and Training Centre 2010-2015	L								
Strategy for Vocational Education and Training in a Lifelong Learning Context 2013-2020	L								
Strategy of Adult Education 2010-2015	L								
Pre-Accession Economic			L						

¹ The Cabinet of Vice Prime-Minister in charge of economic affairs is the leading institution for the Innovation strategy

Programme 2012-2014									
Industrial Policy of the Republic of Macedonia 2009-2020				L					
Public Administration Reform Strategy 2010-2015					L				
National Strategy for Information Society Development	R	R	R		L		R	R	R
Strategy Steps towards Integrated Education	L	R				R			
Action Plan for Competitiveness ²	R	R	R	R					

L Indicates the ministry leading the development of the strategy paper and main responsible for the implementation

R Indicates any other ministries responsible for the implementation

C Refers to other ministries consulted during the drafting process

The main Ministries responsible for driving and implementing these strategies are:

- MoES – Ministry of Education and Science
- MoLSP – Ministry of Labour and Social Policy
- MoF – Ministry of Finance
- MoE – Ministry of Economy
- MoIPA – Ministry of Information and Public Administration
- MoLS - Ministry of Local Self-Government
- MoTC - Ministry of Transport and Communication
- MoEPP - Ministry of Environment and Physical Planning
- MoI – Ministry of Interior

1.3 The current priorities and initiatives of major actors

Work program of the Government of the Republic of Macedonia for the period 2011-2015

The skills-related strategic objectives of this Programme include investment in education, science and information technology as elements of a knowledge-based society together with efforts to promote increased economic growth and employment, as a precondition for improved standard of living and improved quality of life. The programme is also concerned with maintenance of good inter-ethnic relations based on the principles of mutual tolerance and respect and implementation of the Ohrid Framework Agreement.

² The Cabinet of Vice Prime-Minister in charge of economic affairs is the leading institution for the Action Plan for Competitiveness.

Multi-annual operational programme for Human Resources Development 2007-2013

The objective was established drawing on socio-economic analysis in the field of the HRD and includes a strategy defining the priorities and objectives as well as a description of the priorities and measures. It aims at addressing the following identified weaknesses: high unemployment, especially among disadvantaged groups, long-term unemployment, the mismatch between relevant educational profiles and labour market needs and demand, early school leaving, the unsatisfactory level of adult literacy and the low level of funding for active employment policy.

1.3.1 Strategies addressing skills from the perspective of the economy, competitiveness and innovation

Strategy for innovations of the Republic of Macedonia 2012-2020

The innovation strategy projects a vision to drive competitiveness and economic development based on knowledge and innovation, thereby creating high value employment and prosperity for all. Its strategic objectives are to strengthen human resources for innovation and to increase knowledge flows and interactions between innovation actors. The business-related objectives include enhancing the business sector's propensity to innovate and creating a regulatory environment in support of innovation.

Industrial policy of the Republic of Macedonia 2009-2020

The aim of the industrial policy is to support through its measures and activities the accelerated development of Macedonian industry through five areas of action: applied research, development and innovation, development of SMEs and entrepreneurship, cooperation in developing clusters and networks, international cooperation and foreign direct investment (FDI) stimulation, and ecological products and services for sustainable development.

Pre-accession economic programme 2012-2014

Whilst addressing a number of identified priorities and challenges related to economic policy, the key skills-related areas on the structural reform agenda, are to promote human capital and ensure stronger links between labour market supply and demand. The programme supports business by focusing on continuous improvement of the business environment, increased support for export promotion and entrepreneurship and SMEs, as main promoters of dynamic economic growth and unemployment reduction.

National Strategy for information society development

The key objectives are to develop the foundations and priority areas to enable sustainability and further development of the information society in the Republic of Macedonia. In the short-term up to 2007, the aim is to establish the basic preconditions necessary for the onset of the information society, whilst in the long-term the aim is to develop the environment for stimulating the development of the country as a knowledge-based economy, i.e. as an economy with a competitive capacity and dynamics based on creativity, inventions and innovations.

Action plan for competitiveness

In order to improve the competitive conditions for doing business in the Republic of Macedonia, the Government adopted in March 2012, an action plan and a set of 72 measures aimed at improving the business environment in the country. The package was designed based on an in-depth analysis of the country's performance and the results of the Global Competitiveness Index (World Economic Forum). In designing the measures, all government institutions and representatives of the business community (chambers of commerce, associations) were consulted.

1.3.2 Strategies focusing on education (VET, AE and LLL)

National programme for development of education in the Republic of Macedonia 2005-2015

The Programme's mission is to develop an education system which allows Macedonia equal and

respected membership in global and European integration processes, by orienting its efforts in the following strategic/key areas: education for all/providing equality in education, raising the educational, cultural and economic competence of Macedonian society, promoting a culture of living, raising social participation, reinforcing international cooperation and change management.

Strategy for development of the vocational education and training centre 2010-2015

The strategy projects a vision for the Centre as an independent public institution with a highly competent staff, achieving excellence in performance and reputation in promoting working partnerships to support strategic development, operational implementation and EU orientation of VET in the Republic of Macedonia. The six priorities relate to developing and implementing a quality system, to improve VET Centre processes, developing an organisational culture and staff development, developing working partnerships and international cooperation, and formulating and implementing a communications strategy and plan.

Strategy for vocational education and training in a Lifelong Learning Context 2013-2020

The strategy projects a vision for VET as a key factor in the development of the workforce and in moving towards a knowledge-based economy which makes better use of human capital, in strengthening individual and social productivity and achieving full social participation. The aim is to strengthen the employability and professional development of young people and adults, and mobility at national and international level. The main pillars of the strategy relate to developing VET's role in strengthening social cohesion and inclusion, enhancing the attractiveness of VET, ensuring quality and relevance as a guarantee for competitiveness and securing good governance, resources, capacities and accountability in the future.

Strategy of adult education 2010-2015

The strategy's mission is to promote a functional, modern and EU-compatible system for AE within the context of LLL. The aim is to ensure that the content and organisation of Macedonian adult education are internationally recognised in terms of theory and methodology. The main goals of the Centre are to contribute to the realization of country's socio-economic needs, in response to the needs of the labour market and to support individuals in their personal growth/development.

Strategy steps towards integrated education

The main objective is to provide significant visible change in the general approach adopted in the educational system in relation to the country's multi-ethnic reality. The main pillars of the strategy include promoting integration through common activities, including learning languages, curriculum and textbooks, teacher qualifications and school management in the context of decentralization.

1.3.3 Strategies addressing equality, social inclusion and demography

National strategy for reduction of poverty and social exclusion in the Republic of Macedonia (revised 2010-2020)

The main strategic goal is to reduce poverty and social exclusion by encouraging better use and strengthening of human and material resources, improving living and working conditions for all, through systemic and institutional synergy with a view to ensuring faster development, higher standard of living, better quality of life and the development of mechanisms for social inclusion of the vulnerable categories of the population in a local context. The main areas of interventions include adapting education to the labour market, employment and strengthening of entrepreneurship, support for vulnerable groups and strengthening local authorities (LAs).

1.3.4 Strategies focusing on employment

National employment strategy 2015

This strategy addresses the economic and labour market situation in the country, identifying key challenges and defining the strategic areas for intervention together with expected results. These include educational, employment and macro-economic and micro-economic policies as well as social inclusion and poverty reduction.

Action plan on youth employment 2015

This plan outlines four strategic objectives and a number of key outcomes to be pursued for the promotion of full, productive and freely chosen employment for young people, namely: strengthening the (youth) labour market governance system; enhancing youth employability; fostering youth employment through private sector development; ensuring the labour market inclusion of disadvantaged youth.

1.3.5 Other relevant strategies

Public administration reform strategy 2010-2015

This strategy projects a vision of an effective, efficient and accountable Public Administration which acts as an effective facilitator for the sustainable social and economic development of the country. The key objectives are to improve the quality of public services including administrative services, through HRD and to strengthen the strategic planning and policy coordination function of the Government's General Secretariat.

Strategy for promotion and development of volunteerism 2010-2015

This strategy which promotes plans and measures to stimulate volunteering and cooperation among all groups in society, focuses on promoting the following values: recognition of traditional humanism and solidarity expressed in voluntary work, social cohesion, further development of social and human capital through voluntary commitment and contribution to permanent social development and access to European and global world initiatives to encourage voluntary work.

2. The Foresight Approach and Process

2.1 Foresight Approach and Rationale

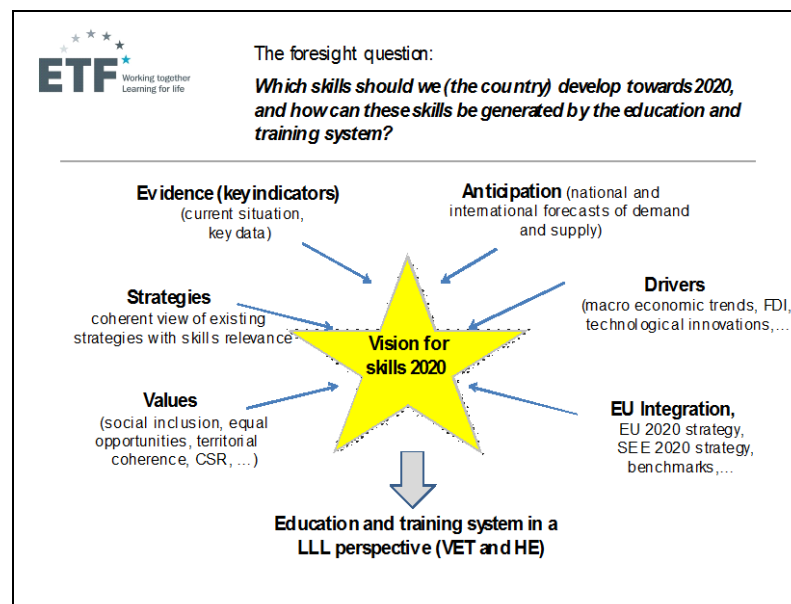
Foresight is a change management tool that helps leaders and those responsible for change to:

- Clarify the challenges they face,
- Elaborate a hopeful vision of what can be achieved,
- Prioritize the actions required, and
- Understand the kind of collaboration needed to succeed.

It anticipates change rather than reacting to it and explores alternative scenarios of the future rather than seeking to predict a single future. It employs techniques that are useful in contexts of complexity and rapid change such as horizon scanning, identifying trend breaks and disruptors, exploring disruption and business as usual scenarios and visioning. It makes use of forecasting to help visualize, understand and analyse trends but it goes beyond forecasting to combine more qualitative techniques such as the analysis of trends and drivers and story-telling and narratives to describe alternative futures. Its distinctive feature is the participatory approach, bringing in a range of insights, perspectives and disciplines as a means for developing a more robust future and in order to create alignment among the key actors, mutual awareness of the interdependence of their actions, the need for coordination and the opportunities for mutual reinforcement and support.

The ETF FRAME project is novel in its scope and focus as it applies a foresight methodology to the education and training sector for the first time in the EU Enlargement region. The approach supports countries to develop their own vision for skills policies in a medium-term perspective (up to 2020), with selected priorities and a roadmap for the adaptation of the national education and training system.

Box 1: the ETF Frame foresight question and related issues



Broader issues and trends are taken into account and existing evidence is used to substantiate decisions. A qualitative approach has been considered to be the most suitable to launch a vision building activity, given the high number of stakeholders involved in skills policies and the availability of

data. The key objective of the foresight exercise is to promote a more future-oriented approach to skills policies, involving key stakeholders (public and private) and bringing together different existing country strategies relevant to education, training, skills development, employment and economic development into a coherent vision on skills for the future. Moreover, the process aims at breaking down silos between ministries in charge of skills development and to develop more joined-up policy approaches for skills development by bringing together the key players in the sector and by identifying the interfaces between the existing strategies related to skills development.

The methodology designed for the project aims at addressing some fundamental questions, such as:

- Which skills should we (the country) develop towards 2020, and how can these skills be generated by the education and training system?
- What would policy leaders like to achieve in the current situation, what can be achieved by the country?
- What are the feasible and preferred options, based on resources and capacities (available and further developed)?
- Which strategic vision for the complexity of skills, in terms of skills levels and technical/generic skills, and for which sectors?

HRD is an area that tackles responsibilities of different actors including politicians, Ministries of Education, Labour, Economy, public employment services, regional authorities, social partners, NGOs, research bodies, international and national donors.

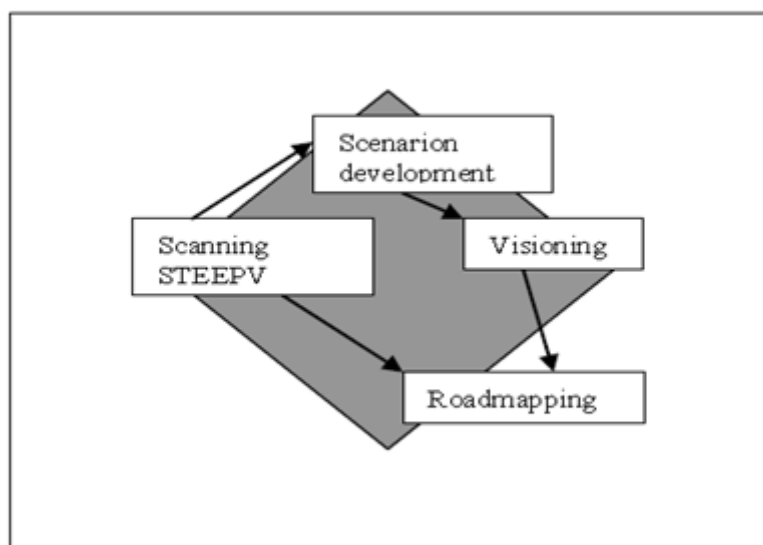
Accordingly, a participatory approach for the strategic development of human resources is necessary for ensuring policy coherence and relevance to the emerging socio-economic challenges of the countries. The active involvement and close cooperation with EU delegations and Commission country desks will be a core principle in conducting the exercise.

An effective and efficient implementation of a sector-wide approach, as planned under IPA II will require a future-oriented strategy for the HRD, with adequate institutional settings and capacities and monitoring systems.

2.2 The FRAME Foresight Process

Given the timeframe and resources available, the foresight process was adapted to FRAME's rationale and needs and the following combination of methods was selected, namely scanning for trends, drivers and trend breaks, scenario development, visioning and roadmapping.

Diagram 2: Future Frame Combination of Methods



In FYROM, the foresight process followed the same approach as in Montenegro and Serbia (FRAME pilots) and entailed four main phases:

- **Pre-Foresight** – in this phase, the groundwork for conducting the foresight takes place. Consultations with the key Ministries and stakeholders in the foresight process took place in the country over the period May-July 2013. The discussions focused on the appropriate scoping of the FRAME and foresight process, given other similar ongoing forward-planning processes underway. Work started on collecting relevant documents, including skills-related strategies and related reports.
- **Engagement of stakeholders** – the consultations and preparatory meetings in the country, also focused on securing the active engagement and commitment of key stakeholders to FRAME, and in particular the foresight process. Discussions focused on identifying the local entity that could take the lead in terms of coordination and the broader set of stakeholders, in particular the key individuals to engage in the process. The aim was to secure the appropriate mix of individuals from Ministries, the private sector and NGOs to participate in the foresight workshops.
- **Foresight Proper** – this marked the actual start of the foresight process with the launch of the first workshop on 4 October 2013. In preparation of the first workshop, efforts focused on scanning for relevant trends and drivers related to skills and the skills system in 2020, which were discussed during the workshop. The discussion on the trends and the drivers shaping the trends was important in enhancing participants' understanding of the factors and events which are likely to shape the context for skills in 2020. Participants were generally aware of these trends and drivers but were encouraged to consider how one trend/driver could impact the other. Participants were also briefed on foresight approaches and tools, and in particular how to identify relevant trends and drivers and categorise them using STEEPV (Social, Technological, Economic, Environment, Political, Values). This helped participants to make sense of the trends and drivers, and, where possible, to map their impact in time. Categorising these trends and drivers and trying to identify which could be more prominent helped to improve their understanding and anticipation of the future context for skills. As an additional task, participants considered trend breaks or disruptors, which relate to events which can create completely new futures, either due to a major (technological, economic, political, social) breakthrough or a major catastrophic event (natural disaster, climate, health-related).

The second workshop (11-12 November 2013) re-visited the results of the first workshop and the discussion on trends, drivers and trend breaks/disruptors. This helped in the identification of future challenges and concerns which need to be taken into account in the next phase of the foresight process, namely in exploring alternative scenarios of the future – business as usual, ideal (utopian) scenario and the transition scenario. Participants were briefed on the scenario development process and the two breakout groups each focused on elaborating a scenario; one group explored a business as usual scenario and the other group elaborated a paradigm shift scenario. These scenarios helped to define the success scenario or vision by bringing to the fore the key features and then the actions required for these features to be put in place. The plenary discussion focused on the key features of the skills system 2020 in these scenarios and the barriers/challenges to achieving these scenarios. This led to the vision-building where the features of the skills system 2020 from the two scenarios were prioritised and used as the basis for developing the commonly agreed vision statement, the descriptors and features of the vision and the pre-requisites for turning the vision into reality.

The third workshop (2-3 December 2013) revisited the vision statement and the discussion focused on the descriptors of the vision in more detail. Since both scenarios were positive in outlook, a plenary session was held to discuss possible obstacles and barriers to this vision materialising. Participants were then briefed on priority-setting which includes defining goals. Indicators and targets (quantitative and qualitative) are to be set for each priority. The baseline (where we stand now) needs to be described and the targets must be ambitious, but also feasible. Three breakout groups focused on 2 descriptors each, covering sustained investments, EU accession and international opportunities, enhancing curricula, mature skills ecosystem, strategic capacities and effective governance and local capacity-building. For each descriptor, the groups defined the priority actions, which needed to be implemented.

This was followed by a plenary discussion and then a briefing on the next and final step, the roadmapping which entails moving from the vision back to the present time and identifying the sequence of key priorities in time for bringing this vision to reality. The same breakout groups continued their work on the priority actions and measures defining them in more detail.

- **Follow-up** – This phase is currently underway and will focus on ensuring optimal use of the results.

The first three phases were implemented in the country over the period October–December 2013 and are described below.

Phases	Tasks/Steps/Tools
A. Pre-Foresight	<ul style="list-style-type: none"> • Scoping phase with basic preparation of the exercise • Preliminary analysis of reference documents in skills development (education, employment, etc.) • Collection and analysis of existing data • Information gathering among a wider group of potential stakeholders
B. Engagement of stakeholders	<ul style="list-style-type: none"> • Securing political and technical support and resources • Engaging stakeholders (bringing on board relevant stakeholders) • Teaming (bringing together different actors)
C. Foresight Proper	<ul style="list-style-type: none"> • Issue analysis, strategic panorama and its skills relevance

	<ul style="list-style-type: none"> • Trends and drivers at global and national level • Developing success scenarios • Developing a shared vision, setting priorities and elaborating a roadmap
D. Follow-up	<ul style="list-style-type: none"> • Lock-in (ensure commitment after the exercise) • Formal debriefing of results for policy makers • Communicating results to a wider audience • Building on this foresight and implementing the high level plan

The pre-foresight phase consultations comprised an information workshop (27 May 2013) and a series of in-depth bilateral discussions with all key ministries and all social partners (1-4 July).

The following three foresight workshops were organised in Skopje:

Workshop 1	Trends, Drivers and Disruptors (4 October 2013)
Purpose	To set the context, to define the terminology and methodology and to launch discussions
Content	Objectives of the workshop: <ul style="list-style-type: none"> • Strategic directions for the country's development: competitiveness, innovation, employment, skills • FRAME project and planning: context, objectives, approach • Group work on Skills future: issues, drivers of change and prospects • EU perspectives and initiatives on skills for the future
Process	The agenda combined a plenary session at the start and several breakout sessions. The agenda was adapted to include more group work since this proved to be effective.
Outputs	Key skills 2020 Features of the skills system 2020 List of trends, drivers and disruptors List of key issues and challenges

Workshop 2	Scenario development and Visioning (11-12 November 2013)
Purpose	To agree on the Skills 2020 vision and draft priorities.
Content	Objectives of the workshop: <ul style="list-style-type: none"> • Results from workshop 1: recapitulation of main results on Trends and Drivers. • Demand for skills: Panel discussion on skills and employment policies from the point of view of employers and employment agencies • Scenario development: introduction and methodology notes • Group work on which scenarios are relevant for the country • Plenary on which features of the scenarios are relevant for the Skills Vision 2020 • Introduction to vision building • Shaping the future: success scenarios for Skills Vision 2020 • Group work on developing a Vision Statement and discuss and formulate

	<p>the key features of the Skills Vision 2020</p> <ul style="list-style-type: none"> • Plenary on Towards a vision for skills 2020 and formulating a commonly agreed Vision Statement
Approach	The workshop included a Panel session with representatives of 2 employers and an employment agency. The workshop combined briefings, group work and a plenary discussion of results.
Outputs	<p>The elaboration of two scenarios: Business as usual and Paradigm shift</p> <p>The formulation of the commonly agreed Vision Statement</p> <p>A list of Descriptors of Skills Vision 2020</p> <p>A list of Pre-requisites of Skills Vision 2020</p>

Workshop 3	Priority-setting and Roadmapping (2-3 December 2013)
Purpose	To agree on the priorities and roadmap, including indicators and milestones, as the basis for the monitoring system
Content	<p>Objectives of the workshop:</p> <ul style="list-style-type: none"> • Recapitulation of results from the previous foresight workshops. Working methods for this workshop • Vision statements on skills 2020 • Orientations for setting priorities • Group work on priority-setting • Developing the Roadmap • Group work on roadmapping • Brief information on FRAME component 2 (Review of Institutional Arrangements)
Approach	This workshop combined briefings, group work sessions and a plenary discussion of results.
Outputs	<p>The vision statement revisited</p> <p>The list of priority actions and measures</p> <p>The Roadmap</p>

2.3 The Partners and Participants

The main partner organisations which were invited to participate in the workshops are included in Annex 2.

2.4 Key Issues and Challenges Identified

The review of strategies and discussion in the first workshop on trends, drivers and disruptors flagged a number of key issues and challenges in the Skills Vision 2020. An overview of these issues and challenges, which served as an input in developing the vision, is provided below.

Skills 2020: Key Trends, Drivers, Disruptors and Challenges

In the first workshop the discussion focused on the following questions:

- What are the key skills in 2020?
- What are the features of the skills system in 2020?

- What are the key drivers of skills and the skills system up to 2020?
- What could be key disruptors of skills and the skills system up to 2020?

Skills in 2020 will feature:

Table 2.1: Skills and Competencies for the Future

Skills and Competencies for the Future		
Necessary Skills and Competencies for the Future		<ul style="list-style-type: none"> • Ability for teamwork, • Skills for data gathering, skills for data analysis, • Encouraging creativity and critical thinking (not criticism), • Problem-solving, • Connection and confidence-building and analysis and thinking about the future • Decision-making, flexibility, change management, HRD • Presentation and communication skills
	Technical skills	Development of concrete and specific knowledge for given areas and economic sectors ICT, new technologies
	General/basic skills	<ul style="list-style-type: none"> • Language skills (foreign languages), mathematics and sciences • Literacy
	Specific/specialised skills	Specialised skills for a specific job, business or craft
	Science and Engineering	Natural and applied sciences and engineering and related skills
	Entrepreneurial skills	Identifying viable innovative opportunities and spotting a market/social trend or need, fund-raising, business planning, feasibility, risk management
	Social skills	Self-esteem, wish for change
	Transferability skills	<ul style="list-style-type: none"> • Skills to transfer knowledge and know how to other sectors or new sectors, developing synergies between areas and converging technologies, disciplines • Ability to re-train and redeploy oneself to new work opportunities
	Lifelong Learning	<ul style="list-style-type: none"> • VET • AE <ul style="list-style-type: none"> • Post-secondary • Informal • Non-formal
Mindset	Flexibility	<ul style="list-style-type: none"> • Adaptability to fast change • Ability to identify new work opportunities and address them

		<ul style="list-style-type: none"> • Prepared to change career during lifetime
	Learning-focused	<ul style="list-style-type: none"> • Gaining/finalizing qualification • Wish to learn • LLL to improve job competencies and support the progression of one's career

Table 2.2: Features of the Skills System 2020

Features of the Skills System 2020	
Learning system	<ul style="list-style-type: none"> • Anticipating, preparing and catering for unforeseen/not yet known skills of the future • New methods of education and training • Significant and continuous teacher training and training of trainers and employed/management • System for training for change • Awareness of need for continuous development
Comprehensive system	<ul style="list-style-type: none"> • Catering for all types of education and specifically for LLL, on the job learning • Need to develop skills system which provides for continuous development and formal and non-formal education • Evening courses • Standardized programs for professions in deficit • Non-formal education: Gaining/finalizing qualification and Requalification; validation of knowledge/skills acquired in life – work
Quality assured system	<ul style="list-style-type: none"> • Quality assurance for all levels of education • Developing a system of quality and control of quality for formal, informal and non-formal education • Systems for standardisation, verification, accreditation, certification including verification of knowledge and skills gained in an informal way • Recognition of prior learning • Involvement, monitoring and evaluation of study programmes by social partners • Validation of non-formal education by all stakeholders • Quality control system for education programmes for the employed and unemployed
Participatory	<ul style="list-style-type: none"> • Networking between all stakeholders • Joint projects with business community • mobility
Linked to workplace and its needs	<ul style="list-style-type: none"> • Development of specific programmes according to labour force shortage • Internships and practical work
Ongoing Capacity-building	<ul style="list-style-type: none"> • Strengthening the system of providers of non-formal education, teacher and trainer training • Building capacities of social partners for creating better

	education (related to helping them to have a more prominent, effective and informed say in related policy-making at national level; possibly to also be in a position to develop and offer training programmes?)
Cost-Efficient	Efficient spending of budget
Attractive and effective for the vulnerable and disadvantaged	Mechanisms for staying in education with focus on: <ul style="list-style-type: none"> • Quality • Opportunities • Promotion • Reducing drop-outs
Attractive to business sector	<ul style="list-style-type: none"> • Presentation of final products • Delivery quality

Key drivers identified included:

Table 2.3: Key Drivers

Key Drivers	
Social	<ul style="list-style-type: none"> • Ageing population • Increased mobility and connectivity, particularly through EU accession – educational force and work force • More young people studying abroad • Brain drain and gain • Changing social trends influencing skills, e.g. social networking • Cultural trends • Migration (inward and outward) bringing new know how, approaches • Changes in quality of life • Changing patterns in food consumption • Changing patterns in health • Movement from rural areas to cities • Changes in family structure – single parents, large families • Increased tourism
Technological	<ul style="list-style-type: none"> • Technological innovation impacting on the key economic sectors including ICT, automobile industry, tourism, logistics (textiles) • EU accession opens up more opportunities for knowledge and technology transfer
Economic	<ul style="list-style-type: none"> • Shifts in demand for jobs • Dynamic and active labour market • FDI • Growth of green economy • Continued economic and financial crisis • Budget deficit • High unemployment • Global trends and trade • Energy sources

	<ul style="list-style-type: none"> • Food production
Environmental	<ul style="list-style-type: none"> • Global warming and climate change <ul style="list-style-type: none"> • Green legislation creates new green jobs
Political	<ul style="list-style-type: none"> • Political stability • EU accession prompts fast and ongoing change in governance, policies, legislation • Migration
Other (education)	<ul style="list-style-type: none"> • Changes in the delivery of education

Key disruptors identified included:

- EU Accession
- Green industries' requirements: companies and organisations must change; new skills requirements
- Demographic trends
- Brain drain
- Climate change
- Infrastructure
- Rise of domestic and international clusters
- Rise of creative industries
- Stagnation of industrial facilities
- Poverty

Key Issues and Challenges envisaged

- The challenge of balancing quality assurance with a system which delivers in a timely manner and is up-to-date and responsive/proactive to emerging needs
- The challenge of balancing non-formal education and standard external quality assurance and accreditation in education
- The main challenge is the development of new methodology in the classroom to meet future needs
- The country has an educational and economic system that responds slowly to change and reforms; weak absorption of the labour market and economic crises have a grave impact on the country and the forecasts for the future, so the challenge is to create bridges and open up the system
- Candidate status and accession to the EU encourages change and stimulates the need to make changes
- In terms of engaging in regional cooperation, the country is no worse or better than its neighbours but EU2020 highlights the need to address regional mobility

- Development of the NQF and how to develop and steer this framework over time
- How to motivate companies to send their employees for training
- How to train people with technical skills and provide the experts needed in specific areas given that bringing in highly skilled specialised persons is very expensive

2.5 Other outputs from the process

The breakout groups each worked on a scenario for skills 2020, a baseline scenario and a paradigm shift scenario. The key features of the two scenarios, as developed by the group members, are outlined below. These formed the basis for the Skills Vision 2020.

2.5.1 Group 1: Baseline scenario 2020 (Business as usual)

Rapporteur: Darko Velkov

Economic growth

The economic situation in 2020 is positive with growth in different sectors. Key growth sectors, which have emerged include:

- Services
- Infrastructure development: gas, roads, bridges
- Healthy food as a business
- Energy: solar panels for energy production, necessitating new skills
- Healthcare facilities and domestic services for the elderly, demand for nurses and doctors and many private hospitals
- Personalized/customized services including delivery to the door, laundry, shopping and related skills
- Tourism

Unemployment has gone down and reflects more the real figure of 12-15%, as more workers from the informal economy are integrated into the formal economy through an innovation mix of incentives and control measures.

Jobs and skills

- There are different categories of employed/unemployed and those ready for change and those not ready. Some are not prepared and not motivated to learn.
- One category, the young generation, is prepared and seeks to develop (migrate, stay, come back and start businesses), but there is a category that remains passive and not prepared (stay, do little to develop). Younger people are more ready for change (up to 70%) and to develop themselves by finding local work or leaving the country. Some of those who left in 2013 are now coming back and running their own companies.
- There are higher levels of self-employment in services and industry (technological development), and there is a growth in self-employment in highly skilled activities (IT-based, virtual businesses). There are new professions where young people own their own business.

- Companies will require a range of technical skills and labour, including people with greater added value, people with general skills, and those working on shop floors and operating machines.
- The professional level of managers and owners has improved and they are ready for international business. There are better skilled managers due to the provision of high quality training for managers and there are also efforts to bring more talented managers from abroad to improve national skills.

Skills Support System

- There has been ongoing improvement in the skills support system up to 2020.
- The skills system is more tailored and flexible, offering fast and decentralised training and is private sector-driven.
- The training offered is of high added value (Cisco), offering international level qualifications, including training for managers.
- The Government's role now focuses on providing financial support, quality control, policy alignment and drive, mobility, career guidance and progression, optimisation of schools.
- Public-state partnerships have developed bringing together all the stakeholders (where there is not yet clear allocation of competences between the state and the private sector): addressing issues like research, innovation and competitiveness, forecasting and anticipation of skills and trends, recognition of non-formal learning, research centres in companies, innovation and competitiveness, analytical centre and sector councils.

Policies

- As a full member of the EU, the country has been addressing the EU2020 agenda, SEE 2020, and this imposes certain pressures and incentive for change, including compliance with EU 2020 benchmarks and targets (e.g. green economy requirements).
- EU membership continues to provide much needed financial support through IPA/EU programmes, with particular emphasis on cooperation in EU programmes for training, research and innovation capacity-building.
- National strategies adopted in 2011-2013 with high expectations, have been aligned with implementation underway. Attention was given in the period up to 2020 to developing the strategic capacity for implementation and updating these strategies.

2.5.2 Group 2: Paradigm Shift Scenario

Rapporteurs: Nadica Kostoska and Gordana Sususleska-Itic

Current Reality

- Sobering fact is that the foresight vision is not so long-term – so far EU2020 has seemed far away.
- Annual projections indicate growing rate of employment and GDP, increase in FDI, employment.
- Dynamic need for new and updated curricula to cater for labour market needs.

- Elements of quality assurance in non-formal education, notably: training of trainers, 15 providers verified out of 500, programmes that lead to partial qualification. The Centre for Adult Education has accredited 40 programmes leading to direct or partial qualification by approximately 15 training providers. The data from the Central Register is that there are around 500 registered training providers, offering a major opportunity for improvement in this field.
- 5 priority sectors have been identified at state level. There will be new opportunities for employment in priority sectors such as the automotive industry or organic food.
- Strategies are in place in relevant sectors (employment, innovation, VET, AE), but implementation should be based on sound monitoring and good practices identified and upscaled to achieve sustainable impacts.

Challenges and Obstacles

- In providing for specialised as opposed to a wider skills sets, there is a need for specialised professionals responding fast to market needs.
- Practical training has been brought into the colleges and practitioners from businesses are invited to teach.
- Which providers can respond to the challenging demands and needs of businesses?
- Skills and learning: languages, IT, science quality and LLL Post-secondary education have become functional and strong. In 3 to 4 months it is now possible to develop new training programs in response to labour market needs.
- There is a need for more specialised technological training required by industry focusing on vocational topics and development for the future and clinical lectures to transfer expertise directly from business to students. In this respect, there is a lack of a strong system of providers.
- In the intermediate phase, professional qualification training is being developed as an activity that will follow in the future.
- Sector strategies should be developed.
- Until 2020, career centres will have a strong and recognisable role in the instruction of youth and adults.
- There is a need for a systematic approach to informal education and its recognition.
- The overall concept of rapid reaction and foresight requires having in place good mathematical skills, literacy in natural sciences, and high quality individuals open to learning throughout their lifetime.
- Coping with new established phenomena that could hardly be anticipated a few years ago: auto industry, organic food.

Scenario 2020

- In 2020, the country is an EU member state. The name issue is solved.
- A stronger need for skills in peaceful communication, mediation, negotiation and conflict resolution has emerged.

- There is an integrated system with the active involvement of employers in skills systems at local and central level (these are currently closed). Local councils for employment are established which include employers that will support career centres. These councils address specific skills, defining skills needs and ensuring organic change of the skills system.
- Legislation will be updated and the employment system will become flexible.
- Primary infrastructure will be in place by 2020 – gasification, corridor 8 and 10 are constructed. This entails more skills for a sustainable system; there is an effort and need to start now, not wait and see; measures need to anticipate facts.
- The rate of unemployed will be reduced to 23%.
- Capacities for research, analysis and strategic planning in public and private sector will be strengthened.
- The mobility of the workforce will become a reality. In order to achieve this, drastic changes in regulations will be introduced and many changes will be needed, with EU MS legislation amended. There will also be mobility out of the public sector (if this sector is downsized, measures must be taken to prepare for this).
- By 2020, we will have a functional sector approach and analysis and planning capacities will be strengthened.
- Demographically we have an ageing population – in 2020 we are thinking in 2 directions, namely to increase the birth rate and to strengthen the LLL system.
- There is an emphasis on green skills for green jobs, ecology, environmental sciences, transfer to education and labour market and successful management of water resources and waste management.
- The employment system offers features of flexibility, benefiting employers and employees, including more part-time jobs and labour mobility to help companies in adjusting to fast change.
- The number of adults in non-formal education has increased.
- Quality in education is a high priority and the basis for quality is the introduction of new methodology including an individualised approach in the classroom (for students and adults). Educational policies will be in place to ensure that quality at all levels of education is provided.
- There is a valid and trustworthy system for evaluation and assessment (linked to international programmes). There is external evaluation allowing a good basis for successful planning.
- The Law on NQF adopted in September 2013 will be effectively implemented.
- There will be a quality umbrella and system for vocational education system, primarily for creation of basic skills, good education at all levels, and VET (2, 3 or 4 years), formal and non-formal education.
- LLL approach and system for providing quality training providers is in place.
- Development of strategic planning and analysis (in both private and public sectors) with all directions anticipated and measures taken.
- Increased absorption of IPA funds and cohesion and structural funds later.
- Inclusion and equality are a reality at all levels and there is equal access to quality education.

The two groups developed a vision statement for their respective scenario:

Paradigm shift Skills Vision 2020

In 2020, the country will have an inclusive developing society based on education and training as key factors for human resource development and as a prerequisite for economic growth and development, competitiveness and quality life. Employability increases and there are created socially responsible companies and socially responsible individuals through the development of a dynamic and mobile labour market and an active tripartite social dialogue.

Business as usual Skills Vision 2020

In 2020, the country will have a competitive sustainable knowledge-based economy supported by an inclusive, dynamic, comprehensive and flexible skills system which is responsive and participatory.

The compromise Vision Statement agreed on at the end of workshop 2 was the following:

“In 2020 education and training are the key drivers of our inclusive, innovation-based society and high quality of life, based on a flexible, comprehensive and accessible skills system. This lifelong learning system is highly anticipatory and responsive to the dynamic and mobile labour market and promotes the constructive dialogue of socially responsible stakeholders.”

At the beginning of workshop 3, the Vision Statement was revisited as follows. Although this version was not validated at the end of the workshop, further dialogue with participants showed that this formulation was worth mentioning as a possible alternative:

“In 2020 quality education and training are the key drivers of our innovation-based, employment growth-oriented society, aspiring to high quality of life for all citizens. This society is based on a flexible, comprehensive and accessible skills system which is highly anticipatory and responsive to labour market needs and decent job creation and enables social dialogue at the level of the partnership.”

3. The Vision, Priorities and Roadmap

3.1 The Vision Statement and descriptors

Vision statement

In 2020 education and training are the key drivers of our inclusive, innovation-based society and high quality of life, based on a flexible, comprehensive and accessible skills system which is highly anticipatory and responsive to the dynamic and mobile labour market and the constructive dialogue of socially responsible stakeholders.

Descriptor 1: Ensuring Sustained Investments

- Sustained investments in education, training and innovation at all levels over a decade have led to the development of a society which is focused on continuous learning and innovation and is open to different perspectives and ways of absorbing and using knowledge.
- These investments initially were in compliance with EU accession, and related principles and priorities, however over time the stakeholders, in particular the employers, have become more informed and aware of the importance of these investments in human capital.

Descriptor 2: EU accession and international opportunities

- With EU accession, as the country has become more actively engaged in international cooperation and networking with other countries in the region and Europe, efforts have been made to focus these links on education, training, research and innovation and the transfer of knowledge and good practices in developing the skills system, improving the quality of education and training and anticipating regional labour market and education/skills needs.
- This has led to proactive participation in key European initiatives related to skills development as well as more targeted involvement in key networks and projects.
- EU accession has thus been used as a key lever for transforming the skills system to European and international standards through strategic use of EU funds.

Descriptor 3: Enhancing curricula and the lifelong learning system

- The primary emphasis on innovation, creativity and entrepreneurship in curricula at all levels of education is evident in the innovation culture and young people's mindset and tendency towards mobility (between sectors and transnational) and self-employment.
- There is also a complementary focus on non-formal education and the provision of high value added training up to international standards in soft skills, which has become popular among the older generation of workers and managers.

Descriptor 4: Investing in a Mature Skills Ecosystem

- The skills ecosystem is now mature and intelligent due to investments which have been made to improve its capacity to be responsive to current and emerging labour market trends, and anticipatory of new skills needs and opportunities which are arising linked to smart specialisation. The skills ecosystem is based on a quality-driven, evidence-based approach.
- An integrated system for analytical and strategic planning and programming has been developed with all the key players (public and private, including local communities) to facilitate sharing information on skills trends, needs and opportunities. The relevant information is accessible to users (the unemployed, under-employed) and they have the opportunity to provide feedback on the system to improve its user-friendliness and usefulness.

Descriptor 5: Building Strategic Capacities

- There have been significant capacity-building efforts to increase the number of qualified staff to develop and maintain the skills ecosystem in the Ministries and other organisations (including the private sector representative bodies, the companies, the training providers and trade unions).
- A substantial investment was also made to develop their strategic capacities for policy co-design and implementation. In particular, there was an emphasis on strengthening the capacities of social partners to allow improved policy development in response to the labour market at local and central level.

Descriptor 6: Towards Effective Governance

- All the players (public and private sector) are coordinated in terms of policy design and implementation, monitoring and fine-tuning of measures.
- Governance structures and mechanisms to support this coordination have been set up and in certain cases these have been institutionalised through the setting up of public-private cooperative initiatives to address particular aspects of the skills development process.
- Where possible, decentralised, open mechanisms have been developed to encourage greater participation and engagement, also due to the fact that government departments have been downsized and more functions outsourced to the private sector and public-private cooperative initiatives.

Descriptor 7: Investing in local capacity-building

- Local communities are now more strongly connected to the skills ecosystem and are more proactively engaged in the design of policies and measures as well as their implementation.
- They have also benefited from training to develop strategic capacities and this has led to improved cooperation and results.
- The Employment Service Agency is working closely with local communities and they have launched a number of innovative joint initiatives to develop the local skills ecosystem.

Pre-requisites:

1. Effective use of resources.

There is a critical mass of sustained national investments (public and private sector) in education, training and innovation. To complement this, a coordinated use of national and international funding was needed to develop a comprehensive set of initiatives to improve the national education and training system and to introduce innovation in the system.

This implies providing personnel with strategic capacities to undertake and develop this kind of cross-ministerial planning as well as the setting up of governance mechanisms which ensure that this type of joined-up policy development and planning takes place.

Access to international best practice is important here. The donor organisations also need to be on board. There needs to be capacity-building to strengthen the strategic, analytical and planning capacities of the social partners.

2. International collaboration.

These investments include the engagement of dedicated and trained persons to promote and implement international collaboration in knowledge exchange and sharing in all aspects of skills development.

This implies skills in EU project development and implementation as well as monitoring and evaluation capacity to ensure effective use of resources.

3. Capacity-building.

The investments need to target experts, local and international, with the competence to introduce innovation in curricula at all levels as well as quality assurance. This has to go hand in hand with (re-)training of teachers and trainers to support an innovation mindset.

There needs to be investment in a project to design, develop and maintain an integrated information system/platform for effective skills development. This will require complementary investments in training, awareness-raising and evaluation/improvement of the system.

4. Awareness-raising and training activities.

There need to be nation-wide awareness and training campaigns for employers and municipalities and other stakeholders to support ongoing investment in LLL and training and innovation.

Training activities and other forms of support need to be made available to young people to encourage them in their efforts towards self-employment and starting their own companies. Similarly, older job-seekers will be supported in their efforts to upgrade their skills, qualifications and competencies with particular incentives to re-orient to new emerging sectors.

3.2 Priorities and Measures

From the descriptors, six key priorities were identified for implementing the Skills Vision 2020, which require joint actions to be implemented by the stakeholders from industry, employment and education.

Priorities
Priority 1: Ensuring sustained investments
Priority 2: Proactive approach to EU accession and international opportunities
Priority 3: Enhancing curricula
Priority 4: Investing in a mature skills ecosystem
Priority 5: Developing strategic capacities
Priority 6: Towards effective governance and local capacity-building

The priorities and proposed actions were elaborated in more detail during the work group sessions, with three groups addressing two priorities each. They were then discussed in plenary and an agreement was reached on them. This was an important step as the priorities build on each other and need to work together in a complementary way. The six priorities and actions are described in more detail below.

Priority 1: Ensuring Sustained Investments

Given the number and range of skills-related strategies which need to be implemented by 2020 in compliance with EU and national commitments, a key pillar of the Skills Vision 2020 is the drive to secure a sufficient and sustained investment of resources over the next decade. This needs to be coupled with efforts to ensure that investments in education are relevant to the country's needs, in particular addressing the areas of national priority which have already been selected as prime for development in the coming years and which will therefore be incentivised by other measures. By linking the outcomes of the education system more closely to areas of social and economic development, a sufficient critical mass of resources can be developed to ensure sufficient scale and progress. This entails efforts on a number of fronts, including the introduction of a multi-annual budget for education, specifying budgetary increases up to 2020 and ring-fencing specific budget allocations for implementing specific strategies relating to employment, VET, and AE, among others. The aim is to ensure sustainability, effectiveness and efficiency of investments, monitored and evaluated over time.

This priority is to be implemented through three action lines, related to ensuring a multi-annual budget for education, matching the education supply to socio-economic development needs and increasing the effectiveness and efficiency of budget implementation.

Action 1.1 Ensure Government commitment for multi-annual budget for education

The aim of this action is to ensure that the Budget for Education increases incrementally every year to reach 20% of the National Budget by 2020 and to develop a mechanism for implementing the sectoral approach. In order to operationalise this approach, a multi-annual programme-based budget for education will be introduced and additional resources will be stimulated through public-private cooperative initiatives. This entails both a political and economic commitment as well as a social commitment since the drive requires not only financial but human and technical resources and efforts

on the part of government, the employers, social partners and those who will benefit from these efforts.

Expected results:

- To programme a Multi-Annual Indicative Planning Document (MIPD) for Education by 2015
- To set up a mechanism for the Sector approach by 2016

Action 1.2: Linking the outcomes of the education system with socio-economic development

The review of skills-related strategies highlighted the importance of skills as a key driver in a range of sectors and a critical mass of efforts and resources is needed to engineer the quantum leap envisaged in the Skills Vision 2020. In order to sustain skills-related investments, it is important to focus on the implementation of relevant national strategies linked most directly to socio-economic development and in particular addressing niches of economic priority already identified and incentivised by government.

Action 1.3: Increasing the efficiency/effectiveness of budget implementation

By encouraging relevant Ministries to work more closely together to address the skills challenge through joined-up policy approaches, it will also be possible to increase efficiency and effectiveness in the use of skills-related resources, avoiding duplication and encouraging synergy and sufficient scale of efforts and resources. In order to ensure that these actions remain on track, evaluations will be undertaken mid-term and in 2020 in order to identify good practices and encourage learning.

The aim of this action is to:

- Secure adequate budget allocations for the specific strategies (employment, VET, entrepreneurial learning³, innovation)
- Undertake mid-term evaluations of the strategies

Expected results:

- Programme-Based Approach (PBB) 2016-2019 for Education
- Evaluation mechanism to assess the impact of the strategies

Priority 2: Proactive approach to EU accession and International Opportunities

EU accession will open up unique opportunities for the country to engage in closer cooperation with member states and to gain access to their know-how, expertise and resources, as well as to attract knowledge-based investments into the country. In preparation for accession, the country needs to follow the example of member states which were able to take full advantage of membership opportunities, and recruit and invest in high quality human resources to support the identification of relevant EU programme opportunities, the preparation of related proposals and effective implementation of the related EU-funded programmes. This will entail training of local human

³ In preparation – adoption foreseen in Quarter I 2014

resources and bringing in high quality experts from overseas for defined tasks over specific period of time to share their expertise and train local experts. At European level there are also opportunities to train local staff through participation in relevant peer learning groups and by joining relevant support actions which guide the open method of coordination (OMC), the process for harmonising member state policies in education and research and innovation.

In this priority, two action lines are envisaged related to capacity-building to support more proactive participation in EU cooperation, in particular the activities of the European Education and Training strategic framework (ET2020) and an enhanced role and ownership in the implementation of the SEE 2020.

Action 2.1 Increasing participation in EU Programmes and cooperation networks under ET 2020

The aim of the first action is to develop the strategic capacities for a more proactive approach to participation in EU programmes and networks, particularly under the new strategic framework for European cooperation in education and training (ET 2020). The approach will focus on identifying the relevant EU initiatives in education, training, research and innovation and skills development and direct efforts on developing a more targeted engagement in key networks and projects of maximum benefit for the country. The aim is to use EU accession as a prime lever for transforming the skills system to European and international standards through strategic use of EU resources. In operational terms, this requires the development of administrative and other capacities to support more active participation and the engagement of dedicated and trained persons to promote and implement international collaboration in knowledge exchange and sharing in all aspects of skills development.

The two key action lines relate to:

- Develop administrative capacities for EU Programmes (national and local level)
- Active membership and participation in the new Working Groups established from 2014 (ET 2020 Working Groups)

Expected results:

- Increased participation in Horizon 2020 and Erasmus +
- National educational policies aligned with EU framework
- Improved national statistics for education

Action 2.2 Enhancing ownership of the SEE 2020

EU accession opens up opportunities for the country to play a more active role on a regional level, in particular the SEE 2020. The second action focuses on efforts to enhance the implementation skills and capacities to play this role, which also entails monitoring and evaluation competencies for timely and effective use of resources. Access to international best practice and knowledge sharing, for example for improving the quality of education and training and anticipating regional labour market and education/skills needs highlight the importance of investing wisely in international cooperation.

The two key action lines are to:

- Strengthen the coordination mechanism for implementation of the SEE 2020

- Support the Smart Growth Pillar

Expected results:

- Timely delivery of reports
- Achieving specific targets for the Smart Growth Pillar

Priority 3: Enhancing Curricula

The discussion on trends and drivers highlighted the need for greater investment in necessary skills and competencies for the future, including basic, technical, entrepreneurial, specific/specialised, science and engineering, social and transferability skills, together with LLL. It was considered that there is still a shortfall in the delivery of this range of skills at national level both in quantitative and qualitative terms. The adoption of the NQF legislation constitutes an important first step; however, the challenge is now to ensure that all that is required to implement the NQF in a timely and comprehensive manner by 2020 is in place. Often the capacities and resources required for such undertakings are under-estimated, as is the need to keep the NQF process and approach updated to cater for changes which may be required over time, due to changes in the context and learning generated on what works. Considerable investment in updating curricula at all levels is required if the education system is to cater for the range of skills for the future identified above. Effective roll-out of such a process will require the garnering of capacities at all levels, strategic and operational as well as monitoring and evaluation. The updating of the curricula envisaged in the second action will require a substantial investment in training and re-training of teachers and trainers in formal and non-formal education. This will be undertaken in the third action.

This priority will be implemented through three actions relating to implementation of the NQF, the updating of the curricula at all levels and the training of teachers and trainers.

Action 3.1 Implementation of the NQF Concept and Law

As a first fundamental step in enhancing the content of national curricula at all levels, this action gives priority to efforts to ensure effective and timely implementation of the NQF. In operational terms, this requires the setting up of a dedicated lead entity to coordinate efforts and an investment in human resources and skills at all levels, both to drive the process and to develop capacities in the other organisations involved (including schools, colleges, training centres). Monitoring and evaluation will be required to track progress and promote learning and international good practice.

The key action line is:

- New entity/body to drive and support implementation of the NQF is established according to the NQF Law

Expected result: Action plan and Roadmap for the NQF developed and implemented

Action 3.2 Innovating curricula based on technological development and modularization

The second action addresses the need to promote an innovation culture and mindset at national level, with particular priority on children and young people, to encourage them to become more innovative and entrepreneurial. The fast changing economy and workplace highlight the need for an education and skills system which helps young people to adapt quickly to different work contexts including self-

employment. There is also a complementary focus on non-formal education, particularly in high value added training in soft skills up to international standards. In order to operationalise this, a comprehensive approach is needed and four complementary measures have been identified, addressing standards, curricula based on learning outcomes with a focus on practical training for formal education, methodology and roll out of curricula and modular programmes for practical training in non-formal education.

The four main action lines are:

- Developing standards for occupations/qualifications
- Developing and updating the curricula based on learning outcome with focus on practical training in formal education/apprenticeship in formal education
- Developing a methodology for preparation of modular programs/curricula for non-formal education
- Developing programs with focus on practical training/apprenticeship in non-formal education

Expected results:

- Standards for qualifications developed
- Innovated curricula with focus on practical training in formal education developed (for HE, secondary VET and post-secondary VET)
- Methodology for innovated/modular curricula developed for non-formal education
- Programmes with a focus on practical training in non-formal education developed

Action 3.3 Training of trainers and teachers for the innovated curricula

Introducing an extensive range of skills and competencies to meet envisaged requirements in 2020, calls for a considerable investment in training/re-training teachers to meet the challenge of delivering a potentially complex set of curricula. This will entail bringing in trainers from overseas and sending local trainers and teachers for training abroad so that training in the latest skills and competencies can be acquired and provided. The training will extend to both formal and non-formal education and efforts will focus on keeping the curricula updated in response to emerging needs and to take advantage of new developments in the education field.

The two main actions lines are:

- Training in formal education
- Training in non-formal education

Expected result: Trainers and teachers trained

Priority 4: Investing in a mature skills ecosystem

A key pillar of the Skills Vision 2020 is the development of a skills ecosystem which is mature and constantly learning and improving itself to cope with new challenges in a dynamic and fast changing economy and society. In designing a skills system for 2020, a number of key features were identified which were considered as weak or deficient in the current system. The 2020 skills system needs to be

a comprehensive, quality assured, participatory and cost-efficient system which is strongly linked to the workplace and the business sector, and is attractive and effective for the vulnerable and disadvantaged. Above all it needs to be a learning system which undergoes capacity-building on an ongoing basis. Delivering such a system constitutes to be a major challenge.

This is termed a skills ecosystem due to the fact that it evolves over time and its players (Government, industry, knowledge providers, the community) are well-networked and co-evolve to anticipate and respond to current and emerging skills needs. This smart skills ecosystem requires substantial and sustained investments over time to transform a fragmented set of institutions and dispersed resources and efforts into a coordinated system and process, with the capacity to be responsive to current and emerging labour market trends and anticipatory of new skills needs and opportunities which are arising linked to smart specialisation. Underlying this smart skills ecosystem are a set of principles which are adopted by all the players, namely to strive for quality and excellence in the education system and to base policies on evidence-based, joined up approaches.

This priority will be implemented through four action lines related to having in place an integrated labour market information system, strengthening the career guidance system, and building networks and online platforms to promote innovation.

Action 4.1 Building integrated labour market information and analysis system for skills needs

The basis of the smart skills ecosystem is the development of an integrated system for analytical and strategic planning and programming, which feeds on inputs from all the key players (public and private, including local communities) and makes accessible up-to-date information on skills trends, and current and projected skills needs and opportunities. The first action of this priority focuses on the setting up of an integrated system for pooling labour market information at national (and regional) level and providing yearly analyses of this information to project short to long-term skills needs. The relevant information is made accessible to users (the unemployed, under-employed) and they have the opportunity to provide feedback on the system to improve its user-friendliness and usefulness.

The two main action lines are:

- Preparation of new methodology for conducting yearly analysis of the labour market (foreseen to be implemented in 2014 according to the VET Strategy)
- Conducting yearly analysis of labour market needs and anticipating long term needs

Expected results:

- New methodology developed
- Analysis conducted; long-term labour market needs anticipated

Action 4.2 Strengthening the career guidance system and raising awareness to a wider audience

The enhanced information service provided through the integrated labour market information system allows the deployment of a new enhanced lifelong career guidance system (for students, unemployed or employed for their future career progression). This requires an investment in qualified human resources who are able to provide more professional services using latest information on career opportunities. While this service is primarily available to students preparing for work and those

actively seeking work, advisory and information services are also made available to a wider interested public, including parents and entrepreneurs.

Expected result: Increased level of awareness of career opportunities through the career guidance system

Action 4.3 Building networks of skills-related stakeholders

The aim of this action is to encourage the setting up of bottom-up networks which bring together stakeholders keen to address a particular skills challenge or opportunity, including for example a gap or weakness in skills delivery, or identifying and addressing training needs in a particular sector or niche. These networks can develop at different levels, local, regional, national and international level or can be used to connect different levels, depending on the challenge or opportunity being addressed. The aim is to connect institutions and people and to encourage them to share relevant information and news on a daily basis. The networks, as they mature over time, can be used:

- As springboards for launching public consultations on new skills policy initiatives
- To pilot new initiatives
- For joining relevant EU programmes and projects

Expected result: Network and extent of stakeholders and the extent to which the network is used

Action 4.4 Developing online platforms for innovation in skills development

As part of the effort to promote a more future-oriented and innovation-focused curriculum, this action line targets the setting up of a national programme to support the development of online platforms for innovation in skills development. The focus of this initiative is innovation in skills development in relation to:

- Instilling creative and innovative thinking in children and youngsters
- Promoting entrepreneurship and self-employment among young people

The aim is to encourage interested stakeholders to submit proposals for the launch of online communities to discuss and exchange insights, experiences and ideas on creative thinking in skills development (for example, online applications for students, business plan competitions).

Expected result: Online platform for innovation and creativity developed

Priority 5: Developing Strategic Capacities

The Skills Vision exercise itself has highlighted the benefits of investing in foresight processes which help to build strategic skills, while at the same time underscoring the need for ongoing efforts to enhance strategic competencies and capacities at national level, particularly on the part of policy makers, business leaders, employers and the social partners. The implementation of the other priorities has implications for the specific orientation of such strategic capacities; for example, priority 1 (sustained and effective use of resources) and priority 2 (more proactive approach to EU accession) require a more coordinated deployment of national (cross-ministerial) and international funding. This implies providing Government personnel with strategic capacities to undertake and develop this kind

of cross-ministerial planning as well as the setting up of governance mechanisms which ensure this type of joined-up policy development and planning takes place covering national and international initiatives.

Similarly, priority 4 (mature skills ecosystem) requires significant capacity-building efforts to increase the number of qualified staff to support the development and maintenance of the skills ecosystem in the Ministries, other government agencies, regions and local communities. A substantial investment is also needed to develop the strategic, analytical and planning capacities of social partners (including the private sector representative bodies, the companies, the training providers and trade unions) for policy co-design and implementation, in particular to allow improved policy development in response to the labour market at local and central level.

A number of action lines were discussed here but given the strategic nature of this priority and its links to the FRAME Review Component, it was decided to recommend to start with the setting up of a pilot group which will focus on developing strategic capacities linked to new or emerging sectors. The aim is to use the pilot group as a springboard for reviewing needs and developing specific proposals for taking this initiative forward.

Action 5.1 Study to set up a Pilot Group on Strategic Capacities

This action will entail the launch of a study for the setting up of a Pilot Group on Strategic Capacities in skills development in new/emerging economic sectors. The study will be undertaken over a period of three months by a small team made up of representatives of the four lead Ministries (MoE, MoLSP, MoES, Ministry for Local Self-Government (MoLS)) and social partners. Its tasks will be to carry out a preliminary analysis of the needs of the Ministries, social partners and local communities for developing strategic capacities, co-designing evidence-based policies and monitoring and evaluation of policies. The study will come up with recommendations for training and awareness activities, infrastructure required, thematic and sectoral focus.

Expected results: Approval of report and launch of Pilot Group

Action 5.2 Launch of Pilot Group and its activities

This Action will mark the launch of the Pilot Group on Strategic Capacities in skills development in new/emerging economic sectors. The Pilot Group will bring together key representatives from Ministries, social partners and local communities and will work on designing and implementing its programme of activities. The Group will meet at least every 3 months up to 2020 and in 2015 there will be a mid-term evaluation of the programme to review progress and decide on priorities for the period up to 2020.

Expected results: sector/niche targeted, number of training and awareness activities organised, number of persons trained.

Priority 6: Towards effective governance and local capacity building

To complement the drive to strengthen strategic capacities in government and among social partners, this priority is aimed at developing the structures and capacities for effective governance at all levels, with particular emphasis on the local community level. The aim is to ensure that all the players (public and private sector) are coordinated in terms of policy design and implementation, monitoring and fine-

tuning of measures. Local communities will be provided with the tools and capacities for being more strongly connected to the skills ecosystem and to be more proactively engaged in the design of policies and measures as well as their implementation. In operational terms, this means that governance structures and mechanisms need to be introduced and/or strengthened to support this coordination. Where possible, more decentralised, open and accessible policy coordination mechanisms have been developed to encourage greater participation and engagement by a wide range of stakeholders to address particular aspects of the skills development process. This approach will benefit the Government's envisaged need to downsize its departments and agencies in the coming years by outsourcing more functions to the non-governmental local players and public-private cooperative initiatives.

In this priority, three actions are currently envisaged related to strengthening the capacities for effective governance of the MoLS and of the regions and local communities, linking local communities to the central labour market information system and developing community-led cooperative public private initiatives for addressing priority economic sectors and niches.

Action 6.1 Training activity for effective regional and local governance

Based on a review of existing human resources and their level of capacities for policy design and implementation and effective regional and local governance, this action will focus on the design of a training programme to strengthen related capacities. It is envisaged that the training will also focus on developing effective responses by local communities and region to emerging economic opportunities.

The review will address:

- The Ministry for Local Government
- National agencies concerned with regional and local governance
- Regional and local communities
- Other local stakeholders

This training activity can be concentrated in the first year and then continue as an ongoing activity up to 2020. The activity will undergo a mid-term evaluation to review progress and decide on new orientations in response to emerging needs as necessary.

Expected results: number of new staff recruited, number of persons trained

Action 6.2 Linking local communities to central labour market information system

This action builds on Action 4.1 (building an integrated labour market information system) and is aimed at addressing the need to connect local communities to this system. The aim is to help local communities develop the analytical capacities to access national labour market information and assess its importance for the local community in terms of skills trends and needs. Local communities will be able to benefit from two levels of training: the first will be related to developing analytical capacities and the second will focus on training to input regional labour market information. Those local communities which undergo and successfully complete the training will be able to benefit from the second level of training.

Two action lines are envisaged:

- Training in analytical capacities and for inputting regional labour market information

- Setting up regional nodes

The setting up of regional nodes/platforms could be organised by bringing together the local communities/municipalities and selecting one local community (the best placed) to represent the regional node and undertake the tasks of inputting and analysing regional labour market information.

Expected results: Number of persons trained and number of regional nodes set up

Action 6.3 Scheme for cooperative mechanisms to address economic niches

This action is aimed at encouraging regions and local communities to identify and address opportunities emerging at the local level linked to local strengths (for example, local university specialisation, local industry). The proposed government scheme will explore the current level of capacities, infrastructure and facilities at regional level for setting up such cooperative mechanisms and will invite proposals for developing such cooperative mechanisms.

Expected results: Report and Number of proposals for cooperative mechanisms

Overview of Priorities and Actions
<p>Priority 1: Ensuring sustained investments</p> <p>Action 1.1 Ensure Government commitment for multi-annual budget for education</p> <p>Action 1.2 Link the outcomes of the education system with socio-economic development</p> <p>Action 1.3 Increase the efficiency/effectiveness of budget implementation</p>
<p>Priority 2: Proactive approach to EU accession and international opportunities</p> <p>Action 2.1 Increase participation in EU programmes and cooperation networks under ET 2020</p> <p>Action 2.2 Enhance ownership of the SEE 2020</p>
<p>Priority 3: Enhancing curricula</p> <p>Action 3.1 Implement the document and ILaw for the NQF</p> <p>Action 3.2 Innovate curricula based on technological development and modularization</p> <p>Action 3.3 Train trainers and teachers for the innovated curricula</p>
<p>Priority 4: Investing in a mature skills ecosystem</p> <p>Action 4.1 Build integrated labour market information system for skills needs</p> <p>Action 4.2 Strengthen the career guidance system and raise awareness to a wider audience</p> <p>Action 4.3 Build networks of skills-related stakeholders</p> <p>Action 4.4 Develop online platforms for innovation in skills development</p>
<p>Priority 5: Developing strategic capacities</p> <p>Action 5.1 Study to set up a Pilot Group on Strategic Capacities</p> <p>Action 5.2 Launch Pilot Group and its activities</p>
<p>Priority 6: Towards effective governance and local capacity-building</p> <p>Action 6.1 Training activity for effective regional and local governance</p> <p>Action 6.2 Link local communities to central labour market information system</p> <p>Action 6.3 Scheme for cooperative mechanisms to address economic niches</p>

3.3 The Roadmap and Indicators

Action	Activities	Results	Actors		What should be achieved by 2020		
			Lead agency	Together with	Indicator	Baseline 2013	Target
Priority 1: Ensuring Sustained Investments							
1.1 Ensure Government commitment for multi-annual budget and training	To ensure that the Budget for Education increases incrementally every year to reach 18-20% of the National Budget by 2020 To develop a mechanism for implementing the sector approach	To implement a Multi Indicative Planning Document (MIPD) for Education by 2015 To set up a mechanism for the Sector approach by 2016	MoES	MoLSP, MoF, ESA, Social Partners, LSGs	Budget for education as a percentage of GDP	Budget of MoES is 4.44% of GDP and approximately 18% of total State Budget in 2012	2017 -> 17% 2020 -> 18-20%
1.2 Linking the outcomes of the education system with socio-economic development	To focus on the implementation of the relevant strategies which are linked most directly to socio-economic development and in particular addressing niches of economic priority already identified and incentivised by the Government						
1.3 Increase the efficiency/effectiveness of budget implementation	To secure budget allocations for specific strategies (employment, VET, AE, innovation, Entrepreneurship) To promote joined-up policy approaches in Government To undertake mid-term evaluations of the strategies	PBB 2016-2019 for Education To set up evaluation mechanism to assess the impact of the strategies	MoES (especially VET Centre, AEC) and MoF	MoLSP	Evaluation mechanism Multi-annual planning system		2017 -> Evaluation mechanism available 2020 -> Multi-annual planning system
Priority 2: Proactive Approach to EU Accession and International Opportunities							
2.1 Increasing participation in EU programmes and cooperation networks under ET 2020	To develop administrative capacities for running EU programmes (national and local level) To develop the strategic capacities for a more proactive approach to participation in EU programmes and networks, particularly in TWG and others for OMC under the strategic framework for European cooperation in education and training (ET 2020)	Increased participation in Horizon 2020 and Erasmus+ National educational policies aligned with EU framework Improved national statistics for education	National agency for EU programmes and mobility MoES	Universities, schools, SEA	Current level		2017 -> 50% 2020 -> 100%
2.2 Enhancing ownership of the SEE 2020	Strengthen the coordination mechanism for implementation of the SEE 2020	Timely delivery of reports Achieving specific targets	MoFA, MoE, MoES				

Action	Activities	Results	Actors		What should be achieved by 2020		
			Lead agency	Together with	Indicator	Baseline 2013	Target
	Support Smart Growth Pillar	for Smart Growth Pillar					
Priority 3: Enhancing Curricula							
3.1 Implementation of the NQF Concept and Law	To set up a dedicated new entity to coordinate efforts and an investment in human resources and skills at all level, both to drive the process and to develop capacities in the other organizations involved (including schools, colleges, training centres) Monitoring and evaluation Budget: IPA II, British Council, ETF, National Budget	Action plan and Roadmap for the NQF developed and implemented	MoES	VET Centre, AEC, Statistical Office, MoLSP, ESA, Chambers, Trade Unions			By the end of 2014 and ongoing
3.2 Innovating curricula based on technological development and modularization	3.2.1 Developing standards for occupations/qualifications Budget: IPA II, WB, National Budget	Standards for qualifications developed	VET Centre	MoES, BDE, MoLSP, Chambers, Trade Unions			By the end of 2015 and ongoing
	3.2.2 Developing and updating the curricula based on learning outcomes with a focus on practical training in formal education/apprenticeship in formal education Budget: IPA II, WB, National Budget	Innovated curricula with a focus on practical training in formal education (developed for HE, secondary VET and post-secondary VET)	VET Centre	MoES, BDE, MoLSP, Chambers, Universities, schools			(after 3.2.1) 2016 until 2020
	3.2.3 Developing a methodology for preparation of modular programs/curricula for non-formal education Budget: IPA II, donations, National Budget	Methodology for innovated/modular curricula developed for non-formal education	AEC				2015/2016 start to last 1 or 1.5 years
	3.2.4 Developing programs with a focus on practical training/apprenticeship in non-formal education Budget: IPA II, National Budget, donors, large companies	Programmes with focus on practical training in non-formal education developed	AE Providers				2016 start to last 1 to 2 years
3.3 Training of trainers and teachers for the innovated curricula	3.3.1 Training in formal education 3.3.2 Training in non-formal education Budget: National Budget	Trainers and teachers trained	VET Centre, AEC, AE Providers, BDE				(after 3.2.2) 2016 and ongoing

Action	Activities	Results	Actors		What should be achieved by 2020		
			Lead agency	Together with	Indicator	Baseline 2013	Target
Priority 4: Investing in a Mature Skills Ecosystem							
4.1 Building integrated labour market information system for skills needs	4.1.1 Preparation of new methodology for conducting yearly analysis for labour market (foreseen to be implemented in 2014 according to the VET Strategy) The first action of this priority focuses on the setting up of an integrated system for pooling labour market information at national (and regional) level and providing yearly analyses of this information to project short to long-term skills need	New methodology developed	MoLSP ESA	SSO in collaboration with companies, unions, chambers, research/ expert groups			2014-2015
	4.1.2 Conducting yearly analyses of labour market needs and anticipating long term needs The relevant information is made accessible to users (the unemployed, under-employed) and they have the opportunity to provide feedback	Analysis conducted; long term labour market needs anticipated	ESA	SSO and network			(after 4.1.1) 2015 (pilot phase); implement action in 2016 and ongoing
4.2 Strengthening the career guidance system and raising awareness to a wider audience	The enhanced information service provided through the integrate labour market information system allows the deployment of a new advanced career guidance system (for students, unemployed or employed for their future career progression)	Increased level of awareness of career opportunities through career guidance system	ESA MoES	VET Centre AEC Universities			2014-2015
4.3 Building networks of skills-related stakeholders	To encourage the setting up of bottom-up networks which bring together stakeholders keen to address a particular skills challenge or opportunity, including for example a gap or weakness in skills delivery, or identifying and addressing training needs in a particular sector or niche These networks can develop at different levels (local, regional, national and international) or connect different level, depending on the challenge or opportunity	Network of stakeholders developed and used	Social partners MoLSP MoES	ESA AEC VET Centre			2014-2015 (network built) and ongoing (for daily usage)
4.4 Developing online platforms for innovation in skills	To set up a national programme to support the development of online platforms for innovation in skills development	Online platform for innovation and creativity developed	MoES	VET Centre AEC			

Action	Activities	Results	Actors		What should be achieved by 2020		
			Lead agency	Together with	Indicator	Baseline 2013	Target
development	The focus of this initiative is innovation in skills development in relation to promoting creative and innovative thinking in children and youngsters and entrepreneurship and self-employment among young people						
Priority 5: Developing Strategic Capacities							
5.1 Study to set up a Pilot Group on Strategic Capacities	To launch a study for the setting up of a Pilot Group on Strategic Capacities in skills development in new/emerging economic sectors The study will be undertaken over a period of three months by a small team made up of representatives of the four lead Ministries The study will come up with recommendations for training and awareness activities, infrastructure required, thematic and sectoral focus	Approval of report, identification of key actions, and launch of Pilot Group	MoE, MoLSP, MoES, MoLS	Social partners; Cabinet of the VPM for Economic Affairs			Launch of Pilot Group by the end of 2014
5.2 Launch of Pilot Group and its activities	To launch the Pilot Group on Strategic Capacities in skills development in new/emerging economic sectors The Pilot Group will bring together key representatives from Ministries, social partners and local communities and will work on designing and implementing its programme of activities	Enhanced level of strategic capacities throughout Government and among social partners	MoE, MoLSP, MoES, MoLS	Social partners	Sectors/niches targeted, number of training and awareness activities organised, number of persons trained		The Group will meet at least every 3 months up to 2020 and implement a range of activities In 2017, there will be a mid-term evaluation
Priority 6: Towards Effective Governance and Local Capacity-Building							
6.1 Training activity for effective regional and local governance	Based on a review of existing human resources and their capacities for policy design and implementation and effective regional and local governance, this action will focus on the design of a training programme to strengthen related capacities It is envisaged that training will also focus on	Enhanced capacity of the Ministry and local communities for effective local and regional governance	MoLS	ZELS; National agencies concerned with regional and local governance,	Number of new staff recruited, number of persons trained		Start-up in 2014 ongoing up to 2020 The activity will undergo a mid-term

Action	Activities	Results	Actors		What should be achieved by 2020		
			Lead agency	Together with	Indicator	Baseline 2013	Target
	supporting local communities and regions to develop effective responses to emerging economic opportunities			regional and local communities , local stakeholders			evaluation (combined with and follows after 4.1)
6.2 Linking local communities to a central labour market information system	<p>To connect local communities to the central labour market information system by developing their analytical capacities to access national labour market information and assess its import for the local community in terms of skills trends and needs</p> <p>Two actions are envisaged:</p> <ul style="list-style-type: none"> • Training in analytical capacities and for inputting regional labour market information • Setting up regional nodes <p>The setting up of regional nodes/ platforms could be organised by bringing together the local communities/ municipalities and selecting one local community (the best placed) to represent the regional node and undertake the tasks of inputting and analysing regional labour market information</p>	Enhanced capacity of local communities to access and use central labour market information system	MoLSP, ESA, MoLS	National agencies concerned with regional and local governance, regional and local communities , local stakeholders	Number of local communities trained Number of regional nodes set up		
6.3 Scheme for cooperative mechanisms to address economic niches	To encourage regions and local communities to identify and address opportunities emerging at the local level linked to local strengths (for example, local university specialisation, local industry)	Enhanced level of capacities, infrastructure and facilities at regional level and setting up of cooperative mechanisms	MoLS	National agencies concerned with regional and local governance, regional and local communities , local stakeholders	Number of cooperative mechanisms		

PART II – REVIEW OF INSTITUTIONAL ARRANGEMENTS: THE CAPACITY DEVELOPMENT PLAN TO ACHIEVE THE VISION FOR SKILLS 2020

1. The RIA approach and process

The FRAME Project is intended to contribute to the identification of reforms and policy measures that can support growth and jobs in the medium term, e.g. the capacity of Human Resources and Labour Market Institutions (LMIs) to develop and accompany sectors reforms. The financial support provided by the EU in the period 2014-2020 through IPA II will be utilised to this end. Enlargement countries need to ensure a more coherent and evidence-based policy approach concerning HRD and improved institutional and inter-institutional co-operation. Strengthening evidence and capacity for better institutional performance will lead to a better alignment of the education and training system with the needs of the economy and the labour market.

A review of institutional arrangements (RIA) has an important role, specifically for the planning of IPA II, for a number of stakeholders. On the one hand, national institutions (managing authorities, in the case of candidate countries, Line Ministries (LMs) and National IPA Coordinators) will have an interest in the review. They will be judged by IPA programming absorption rates and, in the longer-term, by the overall quality, impact, and sustainability of the actions funded by IPA. On the other hand, EC services and Delegations will have an interest and should be involved, at least in a consultative or advisory role, since reviews and capacity development actions will have a direct impact on the ability of beneficiaries to apply for, and effectively utilise IPA funds. Moreover, it may be possible to utilise IPA funding to address capacity gaps that are identified through the review process. This highlights the need for the involvement of a key central body to ensure that the results of the review are acted upon.

1.1 Sector assessment criteria and linkage to RIA

The RIA component complements the Foresight component, by reviewing institutional arrangements in the HRD sector and setting up a monitoring and reporting system for measuring progress against the Skills Vision, the priorities and the roadmap/milestones. The key assessment question for the RIA component is:

What are the capacity needs of institutions to achieve the 2020 Skills Vision?

This includes the institutional capability to manage the policy cycle – including planning, implementation and monitoring - and the capability to use Foresight as a forward-looking policy-making approach. The review also includes a section on “budget planning and execution capacities”, linked to the capacity of institutions to work within a Medium Term Expenditure Framework (MTEF) (and, more specifically, the effectiveness and efficiency of institutional arrangements to deliver and contribute to sound policies in the area of HRD).

1.2 Capacity-building focus – capacity-building actions – linkage to Country Skills Vision Document

The review aims at identifying the necessary institutional arrangements for achieving a shared Skills Vision by 2020 and implementation of the related roadmap identified under FRAME Component 1 –

Foresight. In particular, the review aims at providing preliminary information on the *status quo* related to the Skills Vision and gathering suggestions for shared capacity development plans. These shared ideas and plans can be used by relevant institutions in order to enable them to implement the roadmap attached to the vision.

2. Overview of the HRD sector in the country

2.1. The institutional framework⁴

- The Ministry of Education and Science (MoES)

The MoES is the leading policy body covering all levels and sectors of education, as well as science and research. An Education Management Information System (EMIS) was established and is currently in the process of being upgraded and integrated into the policy cycle in its capacity as a source of information and evidence. The country has stepped up reforms and measures across the entire system and there is a need for the systematic collection and analysis of feedback among the many public institutions involved. EMIS has the capacity to play a vital role in improving the monitoring and feedback system.

- The Ministry of Labour and Social Policy (MoLSP)

The MoLSP is the institution responsible for policy-making in the area of employment, while implementation of employment policies, including active labour market policies and passive employment policies, is the responsibility of the ESA that operates under the auspices of the Ministry.

The Department for Labour, also within the Ministry, is responsible for labour legislation and monitoring developments in the labour market. That department has recently been trying to develop a skills needs forecasting mechanism for the labour market. It has 14 experts working on the task, but additional staff is required.

The Ministry also prepares the national employment strategy and action plans. The National Employment Strategy for 2005-2010 had been drawn up around the EU Integrated Guidelines for Growth and Jobs and EU objectives and targets for employment. The planned target for the employment rate to reach 48 % in 2010 was not achieved.

- Employment Service Agency (ESA)

The ESA (ESA) structures comprise 30 local employment offices. Skopje's local employment office is the biggest. The portal of the ESA has been modernized with enhanced features and services: <http://www.avrm.gov.mk/>.

The ESA produces on a regular annual basis reports on "Skills needs analysis", based on employers' surveys. These surveys are mainly concentrated on small and medium-sized enterprises and tend to focus on lower-medium level of skills) and are by nature, oriented to the short-term.

- The VET Centre

⁴ HRD Governance matrix is presented in Annex 4

The VET Centre, established as an independent institution in 2007, having formerly served as the VET sector within the BDE, was entrusted with the role of strategic and operational leadership for this sector. The National Programme for the Development of Education in the Republic of Macedonia 2005-2015 envisaged a broader strategic role for this institution, but the 2006 Law on Vocational Education and Training revised the original vision to a narrower operational role. The VET Centre operates on a five-year organizational development strategy for the 2010-15 period, articulated around the six priorities of staff development, processes, quality assurance, communication, partnership and international cooperation.

The VET Centre is established in accordance with the Government of the Republic of Macedonia⁵, as a public institution for accordance and integration of public interests and the interests of the social partners in VET⁶. The Centre performs specialised supervisions, evaluation, studies, promotion, research and development of VET, and other tasks in accordance with the Law and the Statute.

The VET Centre performs the following activities:

- analysis and study of structure in our vocational education system and analysis of the separate levels of types of vocational education;
- projecting new system and conceptual solutions for vocational education and other types of vocational education;
- innovation and suggesting new solutions in given education components (programmable, processed, organizational, technological, human resources, norms, etc.);
- research on developing trends in vocational education;
- research on human resources;
- preparing, supervising work in the development of standards for trades;
- development of national framework for vocational qualifications;
- development of education standards (education profiles, plans and programmes);
- supporting the social partnership at all levels and phases of planning, development and realization of vocational education;
- supervision of implementation of education programme;
- teacher training for vocational classes;
- counselling and mentoring for teachers; and
- cooperation with international institutions, etc.

In 2013, the VET Centre recruited an additional staff (7), a much-needed decision to fill vacant positions in the organizational structure. This is expected to boost the Centre's capacity and responsiveness in fulfilling its major functions in the VET system.

■ Adult Education Centre

⁵ Official Gazette of Republic of Macedonia issue 87/06.

⁶ Article 31 from the Law for Vocational Education and Training, from Official Gazette issue 71/06 and 117/08).

The goals of the Adult Education Centre (AEC) are to harmonize and integrate AE services in the public interest as well as in the interest of AE social partners. In addition, it is responsible for cooperation with international providers in the AE field and in the area of LLL.

The AEC has operated for years under strong budgetary constraints and with insufficient staff. As a result of new recruitment, staff increased to 12 by the end of 2011, and to 18 during 2013. According to the Act of Systematizations, the full staff should include up to 43 posts.

- Bureau for Development of Education

The Bureau for the Development of Education (BDE) leads and coordinates curriculum development as well as teacher professional development programmes in primary and secondary education. Teacher training programmes are implemented by accredited training providers and by BDE staff. International partners co-operate with the BDE in various areas of professional development for teachers and their programmes reached almost 50,000 primary and lower secondary teachers in 2010, mostly on short courses of five to eight hours' duration.

- State Examination Centre

The State Examinations Centre was established in 2009 to develop the national assessment of students' achievements, including the State Matura and external students' assessment for primary and secondary education. The Centre is involved as well in international studies for assessment of students' achievements. The Centre became independent from the BDE in 2009, and is still strengthening its autonomy and methodologies. The Centre's activities also encompass programmes for directors in primary and secondary schools.

- Secondary schools

Secondary VET is part of secondary school education and has the following levels: (i) Technical VET: VET-4 years; (ii) VET-3 years; and (iii) VET-2 years⁷.

The important question is whether these profiles and levels of qualification meet current labour market demand and whether the VET system is sufficiently open to adjust and diversify its offer to meet both the needs of enterprises and the LLL possibilities of employees and job seekers. Existing evidence from labour market statistics reveals that this is not the case, as the VET system is characterized by high centralization, lengthy procedures (e.g. introduction of new occupational profiles, modernization of existing courses and programmes) and non-sufficient practical training to make VET learners job fit.

Initial VET (technical education) is accessible for a large share of youth, since the country initial VET system is dominated by public school-based VET-four years of education (NQF level 4), in which over half of all upper-secondary students are enrolled. However, other levels of VET, in particular VET-three years (NQF level 3), post-secondary non-tertiary (NQF level 5) and

⁷ Secondary education is carried out in 99 public (10 state schools, 21 schools of the City of Skopje, and 68 municipal schools) and 13 private schools. According to the type of secondary education and curricula delivered in the public schools, 16 are general education schools and 40 vocational schools, whereas 34 schools offer both general and vocational education; 4 are vocational schools for students with special education needs and 5 are art schools. The number of secondary vocational schools by occupational areas is as follows: agriculture veterinary 11, forestry-wood processing 8, geology-mining and metallurgy 7, machine engineering 25, electro-technical 20, chemistry-technology 15, textile-leather fabrication 17, graphic 4, personal services 9, construction-geodetics 8, traffic 11, catering-tourism 12, economy-law and trade 17, medical 16, sports general school 3, and art education 6. 13 private secondary schools operate in the country, of which 6 offer vocational education (in the fields of economy-law and trade, medical, personal services, and traffic and catering-tourism occupational areas).

vocational HE absorb very low shares of students, due to insufficient career information and guidance and of the limited number of modernized, relevant programmes and pathways.

- Private training providers

There is a vast variety of private training providers in the country. The majority are those providing foreign language training and ICT training. The Macedonian Association of Quality Language Services, an NGO founded by 16 foreign language schools, has its principal purposes, the promotion of quality in language teaching and the structure and introduction of highly professional standards.

Other training providers are offering different capacity building programmes tailored in accordance with the requirements of the specific organization or specific project's requirements. There is a recognized need to compile a database of trainers with their fields of expertise.

By mid-2014, the MoES accredited approximately 11-12 providers of AE. A total of 58 programmes leading to qualifications (small size – duration approximately 5 months) have been verified (and approved) by the AEC. The verified programmes and the respective providers are published in the Catalogue which can be accessed from the web site of the AEC⁸.

- Workers' Universities and People's Universities

Workers' Universities and the People's Universities derive from the oldest structures that were original providers of AE in the country. Nowadays, they are independent training providers. For some of the training courses, such as in craftsmanship, they provide certificates.

- Municipalities

The territorial organization of fYROM consists of 84 Municipalities and the City of Skopje, with a special status, as the Capital of the State. Each Municipality is a unit of local self-government. The City of Skopje is a separate unit of local self-government, whose territory consists of ten Municipalities.

In 2002, the Law of the Local Self-Government was promulgated defining the new competences of the municipalities. On 1 July 2005, the Municipalities and the City of Skopje started functioning according to the new Law and with new competences. In order for the Municipalities to undertake these competences, forty laws were modified. In this way, normative conditions were created for the transfer of a large part of the competences which until the 1st July 2005 were implemented by the respective Ministries (transport and communications, education, culture, labour and social policy, environment, health, economy, interior and finance).

Municipalities are responsible for the provision of resources and legal compliance, but uneven institutional and financial capacity among these entities has an impact on their performance. The actual competences of the Municipalities in the sector of education remain limited to implementation (school maintenance and administrative tasks), while participation in policy planning needs to be enhanced.

- Unions, Chambers, Confederations

Most of the relevant stakeholders, including social partners, are invited to participate in designing the national action plans on employment. Although social partners have been involved in the

⁸ <http://www.cov.gov.mk/portal/index.php/en/directory/registerprograms>.

preparation of strategy papers and action plans, the timing and intensity of their involvement has been reported as insufficient. Their contributions could also be very valuable at times, such as in the preparation phase, when they could submit sector analyses or help monitor the effects of employment policies.

On the trade union's side, according to the principle of majority trade union defined in the Labour Relations Act of 1993, the Federation of the Trade Unions of Macedonia (FTUM) has been the sole workers' organisation which participated in tripartite social dialogue with the government and employers on the one hand, and in collective bargaining with employers on the other between 1991 and 2005. The FTUM is a federation of 18 trade unions organized by branch. The Congress of the Federation of Trade Unions of Macedonia (SSM), according to the Statute, is the highest body and has been held every 5 years. The Council is the highest body in the federation between two Congresses. Elected members of the trade unions by branch are representing the Council. The Council's work focuses on: economic and social development, collective bargaining, communications and media, labour relations, education of the staff of trade unions and international cooperation.

Today, in FYROM there are 3 registered Chambers of Commerce: the first one is the traditional Chamber of Commerce (CC) established in 1922. The members of the CC are the largest companies. The second one is the Union of Chamber of Commerce which was established in 2003. The members are SMEs. The third CC is the North-West Chamber of Commerce.

On the employer's side, according to the MLSP, three associations of employers were registered in 2006 in accordance with the Labour Relations Act as follows: (i) the Confederation of Employers of the Republic of Macedonia (CERM); (ii) the Organisation of Employers of the Republic of Macedonia (ORM); (iii) the Associations of Employers in Traffic and Communications.

The first association was established in 2001 and was registered as a Citizen's Association. It claims a membership of 152 enterprises and this number is said to be increasing. It represents SMEs and is a member of the South Eastern European Employers' Forum (SEEEF). The second association of employers, representing large companies, was established in 2004, however started to function only in 2006. The Association of Employers in Traffic and Communications was established in 2006.

In 2010, the Agreement establishing the Economic Social Council (ESC) was signed. Signatories are the Government, the FTUM, the CC, the Confederation of Free Trade Unions of Macedonia and the Employers' Organisation of Macedonia. The establishment of the ESC represents the start of a new stage in the conduct of social dialogue, following a period characterized by unclear positions, disunion among the Trade Unions and lack of political will.

■ NGOs (Civic Society Organizations)

Non-governmental organizations are active in the country. Most depend on projects and funds from international donors, but some have developed sustainable working modalities. Usually, NGOs implement activities on a local level, participating in the development of municipal concepts and strategies and closely collaborating with governmental institutions such as the Agency for Youth and Sports. Generally, NGOs implement capacity building activities for their own members and participants.

■ International donors

Major international partners and donors involved in the broad HRD area are the EU, the agencies of the United Nations (UN), the United States Agency for International Development (USAID) and the WB. The OSCE is active in the area of social inclusion, notably in Roma inclusion activities.

British Council and Kulturkontakt Austria are amongst the active bilateral international partners in VET, and have developed long-term cooperation with the VET Centre.

The United Nations Development Bank (UNDP) actively supported the MoLSP in drafting the National Employment Strategy for the period until 2015 and the National Action Plan for Employment 2011-13, taking EU employment objectives and 2020 targets into consideration.

The United Nations Children's Fund (UNICEF) contributes to analysis and policy advice on topics related to social inclusion aspects of education, pre-school education and the quality of teaching and curriculum for improved literacy and numeracy.

USAID implements the following projects in the field of education and training and labour market⁹.

Projects supported by the EU, the International Labour Organisation (ILO), USAID and the WB have carried out new analyses of the workforce and skills mismatch, and contributed to reinforcing national institutional capacities for skills anticipation.

- The **EU Twinning project “Support to National Employment Policy”** supported the establishment of a model for long-term forecast at MLSP and analysed skills-occupations (ISCED-ISCO) matching, and revealed the occurrence of non-negligible under-qualification, as well as over-qualification, with large variations by sector. There is substantial undersupply of labour with HE across almost all sectors, in particular in health care; as well as in many service and production branches.
- The ILO presented in 2013 the results of the study “Labour market transitions of young women and men in FYROM”. In 2012 the ILO conducted a study for Skills Policies for Economic Diversification in the Food and Tourism Sectors.
- USAID developed these activities within the framework of the Macedonia Competitiveness project that recommended a number of activities targeting the supply and demand side, beginning in 2009.
- The WB carried out the Skills Toward Employment and Productivity (STEP) research in 2012-2013. The final report is forthcoming.

A major Education Modernisation project funded by the **WB** completed activities in January 2011, having contributed to important reforms of the education system and to enhanced capacity and

⁹ interethnic education, Roma education, Open the Window – for children with disabilities, My Career – to match unemployed young people with available opportunities and encourage the development of internships in the business community, YES Network – aiming to increase the employability of young people and to provide support for career guidance in VET schools as one of the main components, Teachers' professional and career development, Institutional performance improvement – for the VET Centre on partnership working. In early 2010, the USAID Business Environment Activity provided support for the ESA to launch an Integrated Software Solution that provides job-seekers with the ability to: access information on the jobs available; seek information on the types of employees currently in demand in the labour market; research a variety of professions; find out which are the skills currently required by employers and the level of average current salaries; and seek guidance on career development. The system also shortens and eases the recruitment process for employers as they will be able to post job advertisements and access résumés online. This software will effectively operate as a central information source for both employers and jobseekers in a way that contributes to an improved matching process.

quality at school level. The State Matura, external assessment of lower level education, the EMIS system for monitoring performance and teacher training programmes were all developed through this project. Although the implementation was considered satisfactory, the final project report highlighted a likely under-funding of teacher training and aid materials in 2011. In 2014, the WB approved the Skills Development and Innovation Support Project of US\$24 million. The Project aims to improve transparency of resource allocation and promote accountability in HE, enhance the relevance of secondary technical vocational education, and support innovation capacity. The project is designed to foster education and skills relevant to the job market, and enhance the country's innovation capacity.

In 2013, two **EU** Twinning projects concluded activities in the areas of VET and AE, having contributed with practical outputs relevant for reforms of VET programmes (standards, curricula, methodologies, and teacher professional development), quality of AE, and reinforcement of human and institutional capacity of the VET Centre and Centre for Adult Education.

Under the **Operational Programme (IPA)** new projects in the pipeline will support the NQF, AE, VET and inclusive education, as well as further support to employment policy.

In 2012, the ETF supported the development of the VET strategy and Action Plan (adopted by the government in 2013) in close collaboration with the government bodies, VET schools, and social partners. In 2012-2014, the ETF continues this cooperation at level of strategic planning, notably in supporting the government's efforts to develop the Entrepreneurial Learning Strategy (finalized and ready for government procedure) and to design the Concept Paper for Non-Formal Learning and the Roadmap for implementation (forthcoming). The ETF will contribute to implementation of the NQF.

2.2 A brief overview of key actors involved in policy-making and policy delivery in the HRD sector

At the level of Vision Building and setting of the political HRD agenda there is no legal framework setting requirements.

The following are the key actors involved, albeit with differentiated roles:

- Ministry of Education and Science
- Ministry of Labour and Social Policy
- Social partners: unions, chambers and employers' confederation
- VET Centre
- Adult Education Centre
- Bureau for Development of Education
- Employment Service Agency
- The Association of Units of Local Self-Government of Macedonia (ZELS)
- Municipalities
- Social-economic Council

They are assisted by the Municipal governments and the sectoral branch unions spread across the country.

The vision and policy agenda is implemented and communicated via secondary schools, training providers, civil society organizations, universities and companies.

At the level of Strategy Development,¹⁰ the same institutions as above are responsible and accountable at national, intermediate, sectoral and provider levels, within the legal framework.

From the demand-side perspective, two institutions provide information through regular surveys under the umbrella of their legal mandate:

- Employment Service Agency – annual SNA
- SSO

The forecasting of labour market needs is undertaken by the ESA – with a short-term perspective (1 year). The MoLSP has been implementing since 2013 a new system of long-term labour market forecasting, although more efforts will be required to stabilize the model and its effective use.

Other special studies and analyses have been initiated by LMs (e.g. the Ministry of Economy (MoE), for important sectors or clusters), and by (chambers (e.g. Chamber of Crafts) and by business organisations (e.g. Organisation of Employers, Business Confederation).

International partners (ILO, WB, USAID, EU) carry out surveys and analyses of skills demand and jobs as part of their projects and use specific methodologies that are in general resource-intensive.

At the intermediate level, the most capable Municipalities do some analysis. At the sectoral level, interested associations (e.g. the Network of ICT companies) publish the results of their studies on trends in the sector.

From the supply-side perspective, the MoES, the SSO, the VET Centre, the AEC, the Bureau of Development of Education, in cooperation with international partners contribute to the analysis and assessment of internal supply. They are assisted in the collection of information on supply side capacity by municipalities, the VET Centre on Statistics, and secondary schools, civil society organizations and certified Adult Education Providers.

Quality assurance and monitoring is undertaken at national level by the MoES, the MoLSP, unions, and chambers, confederations, in close partnership with international donors, the VET Centre, AEC, BDE and National Councils. They are supported by municipal governments, sectoral branches of unions, companies and at the provider level the quality assurance and monitoring system is implemented in secondary schools, by training providers, and in civil society organizations, by the State Educational Inspectorate (SEI), within an existing legal framework.

Financing of HRD is undertaken at national level by the Ministry of Finance (MoF) and the MoES. The MoLSP and the ESA have a direct input in supporting and financing labour market training and internships for unemployed youth, as part of active labour market policies. At the intermediate level this is undertaken by municipalities, at sectoral level by the sectoral branch unions, and at the provider level by the chambers of commerce, the chamber of crafts, the universities and the training providers. A legal framework exists for the Division of Finance.

¹⁰ Brief description of HRD strategies is presented in Annex 2

Evaluation of HRD activities at national level is undertaken by the MoLSP, the MoES, and in some cases also by the international donors, the VET Centre, the AEC, the BDE and the National Councils. At the intermediate level this function is undertaken by the municipal governments, at sectoral level by the sectoral branch unions and the companies, and at provider level by secondary schools, training providers, civil society organizations and the SEI.

2.3 Link between the RIA exercise and the Country Skills Vision Document

As mentioned earlier in this report, the Country Skills Vision Document is a result of joint reflection in three consecutive workshops (in 2013) with appointed participants from the three target groups of FRAME.

Notably, the Vision is based on seven descriptors (Descriptor 1: Ensuring Sustained Investments; Descriptor 2: EU accession and international opportunities; Descriptor 3: Enhancing curricula; Descriptor 4: Investing in a Mature Skills Ecosystem; Descriptor 5: Building Strategic Capacities; Descriptor 6: Towards Effective Governance; Descriptor 7: Investing in local capacity-building).

In descriptor 6, *Towards Effective Governance*, three main points have a particular importance for the RIA process:

- All the players (public and private sector) are coordinated in terms of policy design and implementation, monitoring and fine-tuning of measures.
- Governance structures and mechanisms to support this coordination have been set up and in certain cases have been institutionalised through the setting up of public-private cooperative initiatives to address particular aspects of the skills development process.
- Where possible, decentralised, open mechanisms have been developed to encourage greater participation and engagement, also due to the fact that government departments have been downsized and more functions outsourced to the private sector and public-private cooperative initiatives.

From the descriptors, six key priorities were identified, along with key actions, for implementing the Skills Vision 2020, requiring joint actions.

Overview of Priorities and Actions
<p>Priority 1: Ensuring Sustained Investments</p> <p>Action 1.1 Ensuring Government commitment for multi-annual budget for education</p> <p>Action 1.2 Linking the outcomes of the education system with socio-economic development</p> <p>Action 1.3 Increasing the efficiency/effectiveness of budget implementation</p>
<p>Priority 2: Proactive approach to EU accession and International Opportunities</p> <p>Action 2.1 Increasing participation in EU Programmes and cooperation networks under ET 2020</p> <p>Action 2.2 Enhancing ownership of the SEE 2020</p>
<p>Priority 3: Enhancing Curricula</p> <p>Action 3.1 Implementation of the Document and Law for the NQF</p> <p>Action 3.2 Innovating curricula based on technological development and modularization</p> <p>Action 3.3 Training of trainers and teachers for the innovated curricula</p>
<p>Priority 4: Investing in a mature skills ecosystem</p> <p>Action 4.1 Building integrated labour market information system for skills needs</p> <p>Action 4.2 Strengthening the career guidance system and raising awareness to a wider audience</p> <p>Action 4.3 Building networks of skills-related stakeholders</p>

Action 4.4 Developing online platforms for innovation in skills development

Priority 5: Developing Strategic Capacities

Action 5.1 Study to set up a Pilot Group on Strategic Capacities

Action 5.2 Launch of Pilot Group and its activities

Priority 6: Towards Effective Governance and Local Capacity-Building

Action 6.1 Training activity for effective regional and local governance

Action 6.2 Linking local communities to central labour market information system

Action 6.3 Scheme for cooperative mechanisms to address economic niche

Specifically in Priority 5 and in Priority 6, a number of specific actions are outlined to ensure that all players are included, and have the capacity to bring about a coordinated approach to HRD in the country. The Roadmap specifically addresses each of the activities proposed, the parties to be involved, the envisaged results and the achievement goals by 2020.

3. Review of Institutional Arrangements: Key findings

3.1 The RIA process

The interviews of the RIA process addressed three groups of institutions (see annex 2):

- Institutions in charge of policy making
- Institutions engaged in policy delivery
- Stakeholders involved in the policy cycle

The findings of this information collection are presented following the same groups of institutions.

The following steps have been carried out in the RIA, by making use of specific methodological tools, matrixes and questionnaires, which have been adapted to the national context.

1. Map stakeholders: identification of key actors in the sector of interest and their key functions in relation to the policy cycle phases. Especially in HRD, which is cross-sectoral by definition, all relevant key stakeholders have been taken into consideration in order to have a full picture of the governance of the country. The review has specifically focused on some of the key stakeholders. A methodology anticipating different phases was adopted (e.g. started with some stakeholders and then, in a second phase, enlarging the review to other actors).

2. Examine and analyse previous findings: available reports and strategic documents have been analysed and the key findings included in the review report.

3. Mobilise and design: stakeholders have been engaged and the objectives of the exercise have been explained in depth, so as to ensure a successful review:

- Capacity for what reason? (sector support)
- Capacity for whom? (HRD sector stakeholders)
- What capacity? (improved capacity to design, implement & monitor sector support approaches)

4. Conduct the review: during the review, data and information have been collected on desired and existing capacity. This data and information was gathered by a variety of means, including interviews, focus groups and workshops.

5. Summarise and interpret results: the comparison of desired capacities against existing capacities determines the level of effort required to bridge the gap between them and informs the formulation of a capacity development response. A workshop with relevant stakeholders was organised to discuss the preliminary results of the review and to elaborate a joint capacity development plan.

3.2 Brief description of the review focus and indicators

This review focuses on collecting and interpreting experiences drawn from several sources on the institutional arrangements for human capital development in fYROM. It has four main target areas (and the respective players):

- Inter-ministerial coordination and stakeholder engagement

- Policy design
- Policy implementation
- Policy review and evaluation

The review will elucidate gaps, drawbacks, and challenges, that still exist in institutional arrangements for an optimal realisation of the vision and strategies.

3.3 Key findings on capacities in HRD for single review focus

3.3.1 Inter-ministerial coordination and stakeholder engagement

a. Main findings

The main document for inter-ministerial and stakeholder coordination is the *Strategic Plan of the Ministry of Education and Science 2014-2016*. The plan has 4 common development features: Decentralisation, HRD, Internal Audit and Enhancement of the Department of Strategic Planning, which will all require a close dialogue across ministries and with key stakeholders in education. A specific forum for coordinating a part of this dialogue is the Council for monitoring the Implementation of the VET Strategy, a coordination forum established in the autumn of 2013. The Council has had to date four sessions, and according to its mandate as defined by the Government of Macedonia (GoM) is tasked with monitoring implementation.

From responses received during the interviews, it appears that the process of developing the Education Strategy was regarded as transparent, participatory and engaged. The dialogue could be further strengthened, as some stakeholders were involved at later stages and sometimes without a clear mandate, i.e. no preparatory distribution of roles between education institutions.

The legal basis for inter-ministerial coordination is:

- For the NEC, Law on NEC, Official Gazette of the RM No 142/2008
- SEI: by the Law on State Education Inspection, Official Gazette of the RM No 52/2005 and subsequent amendments (2008, 2009, 2010, 2011, 2013)
- Law on Establishing a National Agency for European Educational Programmes and Mobility (“Official Gazette of the Republic of Macedonia” No 113 from 20.09.2007)
- Law on VET (Official Gazette of the RM No 71/2006, amendments 2008, 2009, 2011) prescribes roles and responsibilities of all partners in VET
- ZELS: Law on VET for HRD, it specifies the responsibilities of all stakeholders.

According to the respondents, all the education agencies participated in defining the sector policy objectives, with some being more regularly involved than others. Other organisations involved are AEC, ESARM, various chambers of commerce and crafts, schools, and employer organisations. Communication was on the whole seen as good and very frequent communication and good collaboration with most partners.

The 2012 Torino Process evaluated that the governance setting in education and training features several specialised public agencies, under the leadership of the MoES. Decentralisation towards the municipal level has mixed results, as is also confirmed by the ZELS above, partly due to varying capacities and resources of municipalities. There is some institutional fragmentation, combined with a

degree of overlap in responsibility for certain areas, notably, for secondary VET (VET Centre) and AE (AEC). Social partnership benefits from a legal base, but implementation remains weak and ineffective. The NQF has the potential to foster closer articulation of these departments and agencies. If effectively put in place, the planned National Qualifications Board can represent a much-needed bridge in the system.

The institutional setting for VET policy remains fragile despite the establishment of the VET Centre in 2007, and the adoption in 2010 of its strategy for institutional strengthening covering the period 2010-2015. The institutional setting (MoES, BDE and VET Centre) allocates competences (decision making, advisory and executive) in a manner that limits effective leadership by the VET Centre. Moreover, the current setting compromises the operational (budgetary and management) capacity of the VET Centre to lead and take action. Reflecting this state of affairs, the state budget for the VET Centre in recent years has not complemented the development needs of the sector. It appears that the role and responsibilities of the BDE and SEI are distinct in that the BDE has more of a developmental and advisory role in the education system, whereas the SEI ensures compliance with the legislation and standards and can apply penalties.

There is ample ground for potential interaction between the VET Centre and the Adult Education Centre (AEC) due to the focus on LLL in both their remits. Closer collaboration between the two bodies could result in more and better outcomes and should be established on a more systemic and organised basis. Both centres have been gradually reinforcing their capacities, but both are under-resourced in terms of budget and human capacity for the scale and scope of their functions and activities; a context that impacts adversely on a collaborative work culture.

All agencies linked with HRD in the country participate intensely in defining the sector policy objectives relating to HRD/skills development/education and training, including participation in various consultation events (roundtables, meetings and workshops, comments to documents, information sharing) organised by the MoES.

The ZELS has played a coordinating role in the process, as focal point for communication and the involvement of LAs in debates, consultations on education and HR issues. It represents LAs in commissions, councils, steering groups, etc., acting as a two-way communication and information channel.

b. Main capacity development recommendations emerging from interviewees

Suggestions for improvement mentioned by the interviewed organisations are to:

- formalise tasks in the job descriptions of appointed persons, make them personally responsible and give them direct responsibility for task areas thereby avoiding frequent turnover of representatives;
- anticipate the need for dedicated personnel, earmarked funds, more precise legislation (tasks linked with positions not only with the organisation) and ensure more focus on continuity and commitment.

3.3.2. Policy design

Ability to manage and interpret comprehensive situation analyses of the country's HRD institutional arrangements

Policy design institutions

a. Main findings

The architecture of the public agencies or centres in charge of various aspects of education and training has changed in recent years, moving toward greater specialisation and, in certain cases, more autonomy.

The MoES is the leading policy body covering all levels and sectors of education, as well as science and research, although it shares responsibility for innovation with the MoE and for pre-school education with the MoLSP.

At central government level, primary and secondary education is supported by the following public agencies accountable to the MoE:

- the BDE – in charge of curricula, standards, professional development for teachers;
- the State Examination Centre – established as an autonomous centre for student assessment in 2009, having previously operated within the structure of the BDE;
- the State Education Inspectorate – responsible for quality control of schools and other education and training providers;
- the Pedagogical Service – established by Law in 2011 to strengthen the child-raising skills of parents and to work with and counsel parents;
- the Directorate for Development of Education in Minority Languages;
- the National Commission for Textbooks – responsible for ensuring the quality of textbooks.

Data collection across agencies

The State Examinations Centre collects data on examinations and testing, State Matura results/student achievements, but doesn't collect data directly related to skills demand and supply.

In SEI Data is collected on work of schools (students, staff, infrastructure) and it stems from Self-evaluation reports of schools and external inspection (regular, extraordinary-upon request and corrective-to review implementation of recommendations). In addition, they use data from EMIS and E-class registry.

The VET Agency draws on Eurydice data on education (standards across EU); data is provided currently by experts, as it is a new activity; data is presented in short reports, hyperlinked to sources (SSO, ESARM, EMIS, national and international documents). Data collection will become a regular task to be updated and maintained, accessible to all stakeholders as an open resource. In addition, questionnaires will be collected and analysed by experts, made widely available.

In the VET Centre, SNA from ESARM is partly useful, but too short to plan formal education, so it is only an indication. Schools submit information on local needs (informal data collection and analysis) when proposing and requesting new or amended profiles.

SSO publishes data on employment and Labour Force Survey. Informal data and information are available through presence of representatives of the business sector in management bodies of VET and of the VET Centre. This data is used when deciding on development of new curricula and positive opinions on requests from schools for opening new profiles. Also, all policies developed by/in participation with the VET Centre contain an analysis section.

At the local level, Municipalities are responsible for the provision of resources and legal compliance, but uneven institutional and financial capacity among these entities impact on their performance.

The EMIS was recently established and is in the process of being integrated into the policy cycle as a source of information and evidence. The country has stepped up reforms and measures across the entire system and there is a need for the systematic collection and analysis of feedback among the many public institutions involved. EMIS has the capacity to play a vital role in improving the monitoring and feedback system.

Tensions can arise from unresolved expectations linked with the issue of shared competences between various entities. Fragmentation of tasks and restricted communication flows and information dissemination lead to inefficiencies in the diffusion of good practices and other vital aspects.

Tension exists in many areas within this architecture, primarily in relation to the capacity and autonomy of institutions, budgets and coordination and the autonomy of certain agencies overcritical functions, for example the State Examination Centre that separated quite recently from the BDE, still lacks the independence and autonomy it needs for decision making.

A number of gaps in information collection were identified. These were:

- Data collected and analysed in international testing (PISA 2015, TIMSS 2011) should be used to contribute to a broader picture of skills acquisition by students in the context of key competences;
- EU standard data requirements will probably require collection and presentation of targeted skills supply and demand data;
- Reports and data with longer-term projections on demand are not available; without them, it is difficult to plan formal (3 or 4-year) skills supply;
- In addition, there are no systematic tracer studies of graduates to define their destinations, which would provide evidence of employability/ability to study.

b. Main capacity development recommendations emerging from interviewees

Recommendations proposed by the policy design institutions for improvements to the data collection for skills demand and supply were to:

- Put measures in place to allow the business community to take the lead in the coordination and setting of demands/needs; to make the business sector more proactive; to involve the MoE to a greater extent (establish the Unit for Skills);
- Enhance coordination, transparency and recognition of available and missing skills through the Da Vinci Programme, Erasmus +, NQF process, Europass, diploma supplements for HE and certificate supplement for VET;
- Establish Occupational/Sectoral Councils as fora for bringing employers and providers together;
- Involve more local and regional players in HRD policy design and planning, such as the Local Economy Development Units of LA, the ESC;
- Establish a tracking mechanisms in the VET Centre;

- Increase the responsiveness of secondary VET schools to local skills needs through the introduction of a mandatory evidence-based section in school reports and plans (annual report, self-evaluation, etc.) addressing local skills needs (in cooperation with municipalities).

Policy Implementation Institutions

a. Main findings

According to the recent HRD Report (ETF, 2012) there are no systematic mechanisms in place at VET school level to dynamically orient VET programmes to emerging labour market skills requirements.

Although dynamic VET schools maintain communication with local employers, these initiatives can only be partially effective while they remain sporadic in nature.

A regular annual skills needs survey of employers known as the National Report on Skills Needs Analysis has been performed by the ESA since 2006, in order to provide short-term information on the hiring forecasts of employers in the following 12 months; however, the methodology and sampling basis used means that the results of the survey are likely to be biased towards low-skilled jobs.

According to responses received during the RIA process, data collection has different approaches among the policy implementing institutions. Data collection is often haphazard; the national labour market data are not regarded as useful. VET institutions undertake direct inquiries and obtain indirect data. The institutions often have their own portal and HE institutions have alumni organisations that provide feedback on labour market needs and how they are matched. There is officially no mandatory tracking system of student destinations; and there is no formal data collection on companies' mid-term or long-term needs.

While often not influencing the elaboration of new profiles, which are mostly based on ad hoc information coming from projects, data on skills supply and demand are used by the implementing institutions to:

- provide information to employers for specific tailor-made training and to students for enrolment into courses
- inform study programme development according to the interest of companies and students
- plan enrolment places and revenues
- take decisions in relation to school enrolment proposals/requests
- guide delivery of study programmes, especially practical training of students in companies

Examples of data collection

Non-formal communication with current partner companies takes place. Different universities and schools reported different ways of data collection:

- A university stated that they collect themselves some information, not standardised data, usually through non-formal communication; the university takes into account interest of students and trends in secondary education.
- A VET school has direct contact with employers; information from ESA is used in regard to employment trends but do not have input into external policy planning.
- A general education school states that no data is used; the City of Skopje defines the enrolment quotas; schools make proposals, but enrolment is mostly historical.

- The National Centre for Development of Innovation and Entrepreneurial Learning is currently working on a project, on methodology for collection and processing of data for higher and secondary education focusing on skills, employability.
- The Macedonian Civic Education Centre has no focus on skills development, except for teachers and school pedagogues, psychologists, education authorities. Teacher training needs are addressed within the project on Interethnic Integration in Education Project, whilst the Teacher Career and Professional Development (both funded by USAID) is developing a comprehensive legal system and financial schemes for a TCPD model and professional competences and standards for teachers and school support staff.

A number of gaps in the coverage of data on skills demand and supply were identified by the respondents:

- all available data (their use and in general) is very short-term and there is a lack of data on the longer-term economic performance of the country and the economy
- data on future skills needs is not readily available, and there is also no feedback on employer satisfaction beyond existing partnerships
- no mechanisms for presenting general demands of the business sector, at local, regional and national level, beyond the current pool of employers with whom the school collaborates
- establishment of a centralised source of information to guide long-term study programme planning
- lack of official reliable data on the mismatch - on both sides

b. Main capacity development recommendations emerging from interviewees

Respondents propose to:

- promote marketing and advertising of services;
- formalise existing good non-formal collaboration, provide incentives to employers to seek and maintain collaboration with schools;
- build on the experience of one municipality (Tetovo) member of the LA, that has started regular coordination between the stakeholders in education;
- promote and improve vertical permeability opportunities and benefits;
- establish a regular mandatory forum for exchange of needs and direct communication;
- stimulate universities to set up a Centre for providing support to companies, both as an income generation tool and as a mechanism for improving the flow of information on skills demand that could help improve the design of study programmes and practical training;
- Strengthen foresight capacities, as institutions are not yet ready for foresight;
- Reinforce the role of the MoE so as to take a proactive role to orient industrial and economic policies which guide supply and demand of skills.

Stakeholders

a. Main findings

The main consumer of data analysis results on the country's HRD institutional arrangements is the CC. Realistic expectations from education and training are a first step for long-term skills forecasts but companies are not aware of the benefits of such a system.

The CC mostly uses data from the SNA by ESARM, but does not participate in its preparation. The CC collects data from its members for its own needs, participates in roundtables and contributes to the elaboration of national documents such as the VET Strategy. It also conducts regular research activities focused on: 1. List of companies from relevant sector/activity; 2. Collecting companies' data per sector/activity; 3. Companies – exporters abroad; 4. Scarce products analysis; 5. Research on certain assortment of products on the market.

The SSM uses data from the SSO and provides information on their web site. Private employment agencies, such as the "Partner" Agency for Temporary Employment stores over 17,000 profiles of job seekers, whereas the Chamber of Crafts has direct feedback from members on available places and job offers. The CLLL has an established network of experts on AE, the YES Business-start-up Centre has communication with government institutions (MoE, MoES, Ministry of Information Society and Administration (MoISA)), with business and IT faculties (public and private). The system is thus characterised by a high level of fragmentation, with no central data storage facility that all stakeholders can refer to or feed data into.

The gaps identified by the respondents in the coverage of data on skills supply and demand are:

- fluctuations in the economy make predictions difficult, and make the SNA ineffective;
- only short-term data is available;
- capacities are lacking in all organisations for sound assessments and forecasts – this could be addressed through information campaigns; often organisations blame each other and this could be addressed through a better definition of responsibilities;

b. Main capacity development recommendations emerging from interviewees

Respondents propose to:

- provide better career services through professionalised career centres;
- pay due attention to the protection of teachers, to increase their motivation and ensure students are adequately prepared for the labour market;
- support greater involvement of the business community in schools' work and activities, including the assessment of students' skills and the revision of curricula to include more practical training and less general subjects;
- set up on the job opportunities for youth as a means to facilitate the transition from school to work.

Policy design institutions

a. Main findings

The concept of strengthening cooperation between education and the business sector is present in a number of strategy and policy documents, including the National Strategy for Employment 2015 and the National Action Plan 2011-13. These recognize the fact that more systematic cooperation with social partners and better articulation of education and employment policies are needed to address the persisting skills mismatch between the education system and labour market demand.

Cooperation between VET and the business community is formally regulated under the Law on VET (2006). This regulation includes for the first time provisions pertaining to VET organisations and defines the rights and obligations of education institutions and employers.

In June 2009, the MoE and the MoES signed a Declaration for the Promotion of Entrepreneurial Learning stating that both parties will: promote entrepreneurial learning at all levels of education; stimulate entrepreneurship and self-employment; and develop entrepreneurial education in national HE policy. While the stated intentions are pertinent, implementation is problematic and will be inefficient without the support of structured collaboration between the policy institutions.

As part of the efforts to better structure social partnership in 2010, the VET Centre signed a number of Memoranda of Understanding and Cooperation with business confederations, the ZELS, the ESA and other key organisations and chambers, before going on to produce an overarching Protocol of Social Partnership co-signed by the MoES and the MoLSP.

b. Main capacity development recommendations emerging from interviewees

Recommendations for the respondents suggest that action is needed to:

- develop a strategy or a high-level policy for HRD at the level of Prime Minister or Deputy Prime Minister, defining the roles and responsibilities of all actors and introducing mechanisms for monitoring of performance of all institutions and staff;
- develop a general (or “commonly accepted”) understanding of HR;
- develop the capacity of key organisations/agencies to provide information on trends and requirements, and provide assistance in their training and the organisation of HRD;
- strengthen the presence of the VET Centre at local level;
- build the capacity of staff in LAs;
- reinforce the capacity of the ZELS Committee on Education and Sport so as to improve its contribution to policy development, implementation and especially monitoring (including the provision of information and feedback on local practices and achievements).

Policy Implementation institutions

a. Main findings

Among the main problems linked to policy implementation institutions are the gaps between VET-4 (school-based and essentially theoretical) and employment; and, the current vacuum in the provision of flexible and well-targeted post-secondary training, developed in closer articulation with enterprises, leading to meaningful professional qualifications and enhanced job fit. In today's system the learners have no alternative but to go from the school-based and rather inflexible VET-4, which is poorly connected with practical learning to academic studies in tertiary education. Students' career choices in HE lead three quarters of them into social sciences and humanities, while the technical and other sciences that would stimulate more innovation and entrepreneurship continue to lose ground.

The share of learners in the VET pathways that are more oriented to employment is very low. Moreover, reforms of these pathways have only just started. As the weight of low education (no education and lower secondary) remains significant, with statistics showing that the low skilled are much more vulnerable to long-term unemployment, and tend to exclusion from developments in technology and economy, the country's policies need to address more specifically the needs of this part of the population. This low-education vulnerability is particularly accentuated among women and ethnic minorities, calling for better targeted policies.

This inefficient skills distribution calls for a wider and more flexible diversification of the VET offer, in terms of pathways, duration, flexibility, and combination of formal and non-formal forms of VET for all population groups. However, VET policy continues to focus mostly on formal secondary VET, especially, VET-4.

The current education policy recognizes the importance of an LLL approach in view of the country's socio-economic needs and demographic challenges. In this context an adult learning law was adopted in 2008 and the AEC was established, and initiated courses in regions stricken by low adult literacy. However, access to adult training (employees in companies as well as unemployed) remains limited.

The level of cooperation and coordination between business, employment and the education world is generally low, according to the responses received. In the university sector good cooperation exists between private HE institutions, but not with public institutions; they share common problems and apply similar strategies and are not generally involved in state run activities. Private institutions are focused on their own work. VET schools have their individual networks with industries. As expressed by one VET school it is not always clear, if strategies are coordinated by ministries and their agencies; schools are not involved, they implement decisions.

The National Centre for Development of Innovation and Entrepreneurial Learning (NCDIEL) participates in numerous strategy processes and monitoring bodies; and through interaction with various international actors develops the abilities of members to participate in policy design, not only dialogue.

b. Main capacity development recommendations emerging from interviewees

A number of specific recommendations were proposed, often linked with the individual institutions, but recommendations were also given of a more general nature on how to improve the institutional arrangements in relation to policy design in HRD:

- strengthen the funding base of the Open Citizens Universities (OCUs) that would enable them to be more sustainable partners in policy development (OCUs have an excellent collaboration with the Institute for International Cooperation of the German Adult Education Association (IIZ DVV) and as a network they could become a strong partner to design and implement policies, especially in the area of non-formal and AE;
- provide incentives for the private sector to encourage its participation in policy development;
- include mandatory consultation of schools in the elaboration of strategies that impact their work;
- enhance specialisation of schools (e.g. make them more focused, not offer all possible occupational areas), therefore supporting their transformation into regional centres of excellence and providing more than formal IVET; some schools already offer a number of post-secondary courses and short trainings;
- strengthen the role of general secondary schools so to allow their greater contribution to the development of competencies and soft skills, of entrepreneurial skills by promoting student social responsibility and creativity and enhancing the guidance of students towards further education;
- take into account best practices existing in some education institutions and examples of good international practices in policy design and integrate them into the national system;
- introduce a formal tracking system of destinations of graduates from VET and tertiary education “and possibly feedback on the skills and competences they learned (or failed to acquire)”;
- give serious attention to inter-ethnic cooperation and language learning in schools.

Stakeholders

a. Main findings

In 2010-2012, the stakeholders continuously developed conceptual and analytical work, leading to the VET strategy (2013-2020).

According to the results of the *Torino Process* (ETF 2012), social partnership benefits of an acceptable legal base, including a number of Memoranda of Cooperation were signed between the VET Centre and chambers, associations and other partners. However, implementation remains ineffective, due to insufficient communication with users in the business community and other social partners.

The two main social partnership councils (VET and AE) tried to develop some pertinent activity, but they lack support, including consistent membership representing many of the state bodies involved. The NQF has the potential to foster closer articulation of these departments and agencies. If effectively put in place, the planned Qualifications Council (Agency) can represent a much-needed bridge in the system.

Since the country engaged in processes of reform in education and the labour market, the need for further analysis and evaluation shows no sign of abating.

None of the stakeholders interviewed for the RIA have been involved in the development, implementation or evaluation of tools for skills anticipation. However, they produce data or information as a basis for national HRD policy making. The CC produces a collection of information only for internal needs, currently focused on the establishment of their training centre, and also for joint

projects and activities where they participate as a partner. The Partner Agency for Temporary Employment on request provides information on the temporary employments they broker. The Chamber of Crafts has data on their membership; they are also mandated by Law to maintain a register of students on practical training among their members.

b. Main capacity development recommendations emerging from interviewees

The following recommendations were made by the respondents on the participation of the stakeholders in policy design of HRD:

- for the CC, formalise collaboration mechanisms, with dedicated roles and personnel;
- use Social Economic Councils to enhance the communication between employers and those responsible for education and training, strengthen and formalise communication and coordination;
- strengthen the involvement of experts and practitioners and their representatives to ensure the protection of their rights and focus cooperation of stakeholders on implementation and monitoring of policies and legislation.

Capacity to use foresight in the policy making process

Policy Design Institutions

a. Main findings

According to the RIA respondents, the foresight method is not yet fully known and recognized as an instrument of planning. Additional capacity building will be needed within institutions and especially dedicated personnel should be assigned for this work which involves collection of data and information, preparation and dissemination of reports and monitoring of the follow-up.

b. Main capacity development recommendations emerging from interviewees

Recommendations for the further development and implementation of the Foresight methods are to:

- collect specific information on the different types of learning institutions (OCUs, different types of schools, HE institutions, public and private training providers);
- conduct capacity building activities for staff of institutions (agencies, schools, universities) on EU programmes; implementation of EU policies and requirements;
- establish formalized channels of communication between the business sector and the education sector as a necessary means of developing foresight capacity.

Policy Implementation Institutions

a. Main findings

Responses clearly point towards an active role of the policy implementing institutions, but not in a leading role. The implementing institutions recommended that changes to laws and a more pro-active

attitude by ministries would be helpful when implementing institutions are to run a foresight exercise. Knowing about the foreseeable changes will make the implementing institutions better equipped for foresight exercises.

b. Main capacity development recommendations emerging from interviewees

Main recommendations pointed at the need to:

- find elements of common interest for State and institutions and foresee specific and well defined contributions from the side of private institutions;
- explain foresight concepts, the process and rationale to schools and provide them with data that they can use as a basis for planning;
- define a clear role for VET schools in setting other than occasional consultations and create ad hoc fora for their involvement.

Stakeholders

a. Main findings

When specifically asked about which role the individual responding institutions could foresee for their institution in setting long term policy options for the HRD sector, the following points were given:

- **Chamber of Commerce of the RM** could have a major coordination role in collecting information (already maintains a register of companies for practical training); good experience in collaboration with policy institutions and representing the business sector;
- **Federation of Trade Unions of Macedonia (SSM)** could take part in debates and provide feedback from membership, and continue to contribute to the work of the ESC;
- **"Partner" Agency for Temporary Employment** could contribute through their knowledge of what employers seek and what unemployed (mostly youth) are willing to engage in and accept;
- **Centre for Lifelong Learning** will continue to support the AEC and adult learning institutions at policy and project levels (including new AE strategy);
- **Association of Independent and Autonomous Trade Unions (UNASM)** could further pursue the protection of rights and needs of workers; rights also involve ensuring they have the necessary skills to perform their work and support to obtain and develop these skills;
- **Chamber of Crafts of the RM** could use communication with 10,000 craftsman-members, providing direct input on their needs and potentials for offering training;
- **YES Business Start-up Centre** could support the process through its solid knowledge base of the IT SME sector and what works for young entrepreneurs; low-risk business, low start-up costs, but excellent opportunities working domestically and for foreign companies.

3.3.3 Financial planning and budgeting

Ability to develop planning and budgeting frameworks and tools supporting the defined policies

Policy Design Institutions

a. Main findings

As stated in the Torino Process Report (ETF 2012), there is widespread dissatisfaction with the system of financing of VET, most often focused on the lack of resources for development, equipment and consumables in VET schools.

In 2012, although it increased in absolute figures, the budget of the MoES was at its lowest level as share of GDP (4.44%) since 2009 (when it was 4.94%).

Budgeting in the HRD policy design institutions is based on historical data. Institutions under the MoES, including schools, submit annual plans along with the annual report from the previous year to the MoES in December. Since its inception, the VET Centre has been operating with less than a third of the planned number of staff and it has never actually operated within the planned functionality. In 2013, the VET Centre recruited an additional seven staff, reinforcing the initial core group of 16 employees. The VET Centre's budget for operation of the Centre is developed on a historical basis - last year's expenditures. However, the VET Centre has certain independence in relation to EU funds; the MoES provides the contributions to EU programmes - evidence of the State's commitment. In the VET Centre, assignments are projected within the annual plan to be approved by the Management Board and the GoM, together with the budget for the following year. The VET Centre's advisers have experience in planning budgets on a modest project level.

The AEC has also always operated under strong budgetary constraints and with insufficient staff. By the end of 2011, new recruitment had brought total staff numbers to 12, still far short of the planned number of 43 posts. In addition, the temporary status of the majority of the staff does not contribute to motivate their performance at work.¹¹

The analysis underlying the VET strategy (2013-2020) (MoES and ETF, 2013) identifies the financing of VET as one of the most important concerns for all stakeholders. The current public VET financing system, merged with financing of general education, does not allow the estimation of cost of initial VET per student (nationally and by sectors), which compromises the taking of informed decisions regarding changes and shifts in supply of various types of VET courses.

The municipalities receive block grants from the MoES, which are in general used for salaries, student transportation and heating costs, while school development is not always given the necessary priority. VET schools themselves cover part of the operational costs, from revenues of service provision. Municipalities are likewise dissatisfied with this methodology and are in favour of changes likely to better respond to specific features of VET institutions, the local context, and the diverse ranges in the costs of training.

The umbrella organisation of the municipalities, the ZELS, is an independent body. It generates its own income through the provision of centralised services to municipalities, which is difficult for them to undertake on their own. Municipalities pay for the service (e.g. software for application for permits, transformation and use of construction land and other services). The ZELS organises many training events for LA. It also receives donor funds and participates in the design of the formula for funding schools.

¹¹ Torino Process Report 2012, p. 18

In addition to state funding, VET receives additional funds through projects, most often implemented by international donors, and special funds from different Government ministries. Some schools organize income-generating activities, such as training for outside users, provision of diverse services and the production and sale of products. Such practices are not widespread though.

Recommendations for improvement of the institutional arrangements in relation to financial planning and budgeting were:

- capacity building in terms of preparing proposals for funding by donors; these proposals could involve a group of stakeholders;
- not all municipalities have capacities for planning and budgeting of HRD, therefore the regional approach could be more efficient.

Policy Implementation institutions

a. Main findings

As was the case with group 1, here historical based budgeting is the prevailing standard budgeting method. All efforts are made to meet salary costs and maintenance of building; expected results are short-term, linked to the expectation of paying companies or users (often learners attend courses which provide skills that are in demand abroad - immediate benefits are evident in employment). Annual planning links the budget proposal, regular (historical) work plan and recommendations made from integral evaluation and from contacts with the BDE and the VET Centre in their capacity of providing support to teachers; to also generate a modest income from training and services offered to companies, with the law prescribing how these funds can be used. Standard procedures are implemented as required by law and the MoES.

HE depends on state financing; with a small income from student fees, project work and services to clients is added; funds are deposited on separate accounts; additional funds are available for training provided in collaboration with institutions (BDE, APPRM, AEC).

Private schools, such as the Yahya Kemal Secondary General School, are funded through user fees; it provides scholarships (28-35% of students receive scholarships); as this is a private institution, planning and monitoring of budget are carried out by the owner in Turkey.

The Macedonian Civic Education Centre (MCEC) is supported by donors (USAID, UNICEF, etc.); in this sense, their procedures are used in planning, monitoring and accounting of resources.

b. Main capacity development recommendations emerging from interviewees

The respondents gave the following recommendations regarding improvements of the institutional arrangements related to financial planning and budgeting:

- establish training providers as income generation entities focused on providing services to clients;
- provide capacity building to the MCEC as representatives of NGOs are active in the provision of training services.

Policy stakeholders

a. Main findings

Key points of the stakeholders on VET financing are:

- processes according to the Law on State Budget
- State Budget is historical
- not informed
- tools are presented in Law on State Budget
- no open discussion or consensus
- no consultations
- no open debates
- stakeholders show no involvement or even knowledge on how state government produces financial planning and budgeting.

3.3.4 Implementation

Ability to manage and implement appropriate policy responses to skills needs

Policy Design Institutions

a. Main findings

Following the adoption of the VET strategy 2013-2020, the Council for Monitoring the Implementation of the VET Strategy was convened in the autumn of 2013. The Council is chaired by a State Advisor of the MoES. Five sessions were held since November 2013. All institutions responsible for delivery of measures/activities in the Action Plan of the VET strategy are members of the Council. In addition, the MoE and the MoF are included in the Council as well.

The Council has developed and adopted Rules of Procedure, and a draft schedule of regular meetings, held every second month. Extraordinary meetings can be convened, such as the donors' conference in March 2014.

As stated in the *Torino Process 2012 Report – former Yugoslav Republic of Macedonia*, the **external efficiency of VET** in FYROM is mixed. In responding to **labour market needs**, available evidence shows a low degree of external efficiency, with unfavourable employment and unemployment rates associated with secondary education (general and vocational-technical), in comparison with HE.

Although the country experiences high levels of unemployment, modern enterprises often experience difficulties in recruiting personnel with the right skills, as well as difficulties in finding adequate levels of transversal and soft skills among job seekers. Should this issue continue unaddressed, it will hamper the modernisation process and limit economic productivity in the country.

The formal education institutions have yet to adopt VET-specific quality indicators, and introduce approaches to build a culture of quality. The governance setting in education and training features several specialised public agencies, under the leadership of the MoES. Decentralisation to the municipal level has provided mixed results, partly due to varying capacities and resources of municipalities.

There is some institutional fragmentation, combined with a degree of overlap in responsibility for certain areas, notably, secondary VET (VET Centre) and AE (AEC). Social partnership benefits from a legal base, but implementation remains weak and ineffective. The NQF has the potential to foster closer articulation of these departments and agencies. If effectively put in place, the planned Qualifications Council (Agency) can represent a much-needed bridge in the system.

The institutional setting for VET policy remains fragile despite the establishment of the VET Centre in 2007, and the adoption in 2010 of its strategy for institutional strengthening for the period 2010-2015.

The institutional setting (MoES, BDE and VET Centre) allocates competences (decision making, advisory and executive) in a manner that limits effective leadership by the VET Centre. Moreover, the current setting compromises the operational (budgetary and management) capacity of the VET Centre to lead and take action. Reflecting this state of affairs, the state budget for the VET Centre in recent years has not reflected the development needs of the sector.

The National Examination Centre (NEC) has tasks stipulated in the Law on the NEC related to planning of national exams and testing and international testing, training of persons involved, development and distribution/publishing of questions, collection and presentation of results, and reporting to the GoM on results. The SEI ensures that schools follow legal requirements in their work and provides recommendations for improvement. Schools and teachers' own work is evaluated based on their annual report. Inspectors are assigned to inspections randomly, without any specialisation, to ensure objectivity, and this make logistics easier as they cover the entire country. The VET Centre ensures that institutions deliver activities according to the Law on VET and annual work programme. In addition, the GoM and the MoES give instructions on activities to be performed in the short-term, according to GoM priorities. Within the institution, each adviser is responsible for the work in his/her occupational area.

Policy Implementation Institutions

a. Main findings

According to the Torino Process 2012, the performance of the VET system is considered generally not yet up to the challenges. The use by the VET system (policy and providers' levels) of information on trends in jobs and skills is insufficient and unsystematic. Existing resources and studies are as yet sporadic and partial in their coverage of economic sectors and regions, dependent as they are mainly on donors' projects. The exception is the annual employers' survey conducted by the ESA.

In formal public education, schools work according to law and there the roles and responsibilities are precisely defined; if new policies are made, the MoES issues requirements specific to the work of the school (e.g. external testing). The roles are defined by the function each employee has in school; the school delivers a centrally defined curriculum; all school activities are presented in an annual plan approved by the school board and submitted to the municipality and the MoES. Schools deliver the curriculum; this is their role. They also deliver extracurricular activities, including career the centre; inspection checks whether the school works according to law and plans; roles are divided according to job descriptions. Private schools are subject to the same practices as state ones: external assessment; integral evaluation; State Matura. Quality is defined in the rulebook on integral assessment and indicators for quality of work of school. This is centrally defined for all schools through indicators for quality assessed in integral evaluation and quality of work of teachers assessed through external testing of students. Schools are evaluated according to indicators for quality through integral evaluation; also, external assessment of students is reflected in the assessment of teachers

(rewards and punishments). The school development plan is based on the need for delivery of curriculum and extracurricular activities, taking into account additional requirements by the MoES and recommendations from the SEI with regard to integral evaluation.

Universities deliver accredited study programmes; in their design, the business sector is analysed to justify the need for the respective programme and qualification. Faculty is guided by national requirements for public universities in the accreditation of study programmes, inspection and external evaluation, submission of data and reports. For example, the NCDIEL working on projects follows donor requirements. Quality is the top priority of universities such as the South East European University (SEEU), evident in continuing collaboration with companies, student satisfaction and high employment rates - 53% are employed in the first year upon graduation; the quality policy has established a culture of quality; quality assurance focuses on teaching and learning, with support from student services and the career centre.

In AE/LLL centres, training is tailor-made according to direct requests from companies or beneficiaries; as an example, OCU offers courses, but if no candidates apply, training is not conducted; lately there is collaboration with ESARM, but not in the desired scope yet. Quality plays apparently a minor role, as unfortunately “learners are not always interested in quality, in the country diplomas are still the reason for learning” (as stated by Koco Racin Skopje Open Citizens’ University for LLL).

Donor funded institutions, such as the MCEC, manage according to programme/project plans, annual work plans, annual budget plans, as per donor standards and requirements. Project implementation is monitored and impact evaluated, as per donor requirements and arrangements.

Stakeholders

a. Main findings

Steps were taken to institutionalise social dialogue and encourage closer practical cooperation between education and business, with the Government approving the establishment of several consultative Councils (VET Council, AEC) made up of stakeholders from a range of Government bodies and non-governmental and private organisations. Student internships have been regulated by new legal acts and enterprises are now entitled to tax incentives that encourage greater investment in training. Finally, a new inter-ministerial initiative was launched in 2011 to support the creation of university spin-off companies.

A few examples of stakeholder involvement in HRD policy implementation

- The CC is involved in a collaboration with the MoES, the VET Centre and the AEC; maintains register of companies offering practical training/internships; agreements of cooperation with the VET Centre; CC members involved in clinical instruction (mandatory 10% of practical classes in all HE);
- Chamber of Crafts is also involved in a number of management bodies in HRD;
- SSM takes part in work of various bodies (in particular the ESC) and projects;
- "Partner" Agency for Temporary Employment has cooperation with Career Centres;
- Association of Independent and Autonomous Trade Unions (UNASM) participates in the ESC - national and local levels.

The following weaknesses were identified in the present education and training system:

- education and training could improve by increasing the motivation of teachers and reducing the administrative burden on teachers;
- no incentives are in place to reward better teachers; career advancement of teachers through external assessment of students puts pressure on teachers to do well in tests, not to learn what is needed on the job market; all teachers should be exposed to company practice to integrate knowledge and skills across the curriculum;
- hidden private costs for families deter them from further education;
- programmes remotely relevant to the needs of LM, not focused on LM, too many unnecessary subjects; weak inputs coming from the business community;
- too much focus on HE;
- greater focus on practical training in VET by the GoM;
- too much focus on general subjects - more practical training and vocational subjects are needed; the awareness is slowly beginning to grow.

Ability to develop and deliver training to labour market needs

Policy design institutions

a. Main findings

The VET system is still a main contributor to the stock of human resources in the country with 58% of upper-secondary students following VET study courses¹². VET-4 courses are essentially based on technical-theoretical learning and they supply more entrants for HE than for the labour market. Despite the convincing arguments expressed in favour of VET-3 courses in the National Programme for the Development of Education 2005-2015, these have not been given priority in the reforms, and therefore the small share of students they attract is unlikely to increase in the near future.

Overcoming these issues is a challenge and a responsibility that requires the application of capacity at all levels in combination with a **governance structure** built on systematic dialogue with economic and social stakeholders. The interaction that exists between the VET Centre and the VET Council is hampered by a low level of mutual trust and a somewhat ambiguous understanding of the potential role of this interplay.

The concept of strengthening cooperation between education and the business sector is present in a number of strategy and policy documents including the National Strategy for Employment 2015 and the National Action Plan 2011-2013. These recognise that more systematic cooperation with social partners and better articulation of education and employment policies are needed to address the persisting mismatch between the education system and the skills needed in the labour market.

In the VET Centre, information is collected from schools and contacts with the business sector using existing collaboration channels (various commissions, committees, councils, projects, policy consultations). Each adviser is responsible for his/her occupational area. Other responding institutions have no actions in this area. The VET Centre has undertaken evaluation in the last years

¹² Former Yugoslav Republic of Macedonia - Review of human resources development, ETF 2013

related to development of concepts, evaluation of 4-year VET, VET strategy, project for modernisation, but no formalised methodology exists.

The NEC performs surveys related to student acquisition of knowledge (annual external testing of all students in 2 subjects and State Matura in 4 subjects for all secondary school graduates) and international testing; the SEI performs surveys only in relation to integral and other forms of inspection, according to the *Rulebook in Education Inspection* and the prescribed *Quality Indicators for School Performance*.

According to the ZELS, municipalities employ education inspectors, they work according to law on inspection and perform supervision of implementation of legal requirements regarding staffing, funding, documentation, and are not involved in review of quality or achievements (that is done by state agencies (SEI, SEC, BDE, VET Centre)).

Policy Implementation institutions

a. Main findings

Cooperation between VET and the business community is formally regulated under the Law on VET (2006). This regulation contains for the first time provisions pertaining to VET organisation and also defines the rights and obligations of education institutions and employers.

Under this law, employers are entitled to some financial and tax relief when taking on trainees, and they also have the right to propose changes to existing VET schemes of learning and curricula and even to create new courses. The law also states that a training agreement must be drawn up between the VET institution, the employer and the student prior to any placement being accepted.

Unfortunately, this framework has not been sufficiently effective given the systematic references to insufficient collaboration between VET schools and employers and to the difficulties encountered in attempts to renew the VET curriculum.

The adaptation of GE and VET schools to labour market needs mostly takes place on an informal basis, through non-formal channels of collaboration with partner companies and clients, used to orient future enrolment quota proposals and requests for new profiles, non-formal inquiry among companies they work with and following evident trends in economic development in municipality; no formal process is in place.

The direct contacts with employers pursued by more proactive and engaged schools ensure good familiarity with the overall picture of what employers require and offer; this also applies in the school organised post-secondary VET, which is delivered according to needs of business sector. The following examples of training opportunities adapted to skills needs are given:

- area of skills delivered within non-formal training provision is rather narrow and focused on company management. alumni organisations and regular communication with partner organisations (Telecom, Macedonian TV, Alkaloid, MZT - all large public and private companies); however, this process provides direct insight into the needs of the business sector (Vlado Tasevski, Skopje)
- efforts for developing innovative responses are limited to introduction of new profiles, with differing effects: on one hand, new construction profiles were offered to students without an interest on their part due to low salaries and the companies hiring unqualified cheap labour; the same disinterest is true for profiles required by the labour market in general - cook and car mechanic; on the other hand the new profile, mechatronic, generated interest; student and company interests do not always coincide (Mosa Pijade Secondary VET School, Tetovo)

- there is good work done in terms of individual development and national and international affirmation (conferences, competitions); this increases national and international mobility, and thus also employability, and attracts students (Lazar Tanev Secondary VET School)
- training in general secondary education is tailored to national curriculum; a two-day equivalent of extra-curricular activities aimed at development of student skills are planned and the plan is sent to the BDE for approval (Rade Jovchevski Korchagin Secondary General School)

The university sector is exemplified through the SEEU, which was established as an international initiative, constituting the first Albanian language university, receiving substantive USAID funds and user charges; it designs study programmes in line with its areas of activity, as needed at local and national level, largely orienting itself to public administration and management in private companies. The SEEU promotes research and has a research department; study programmes submitted to the Board for Higher Education Accreditation and Quality Assurance (HEAEB) must include a section on justifiability and impact on the community. The Faculty is informed of student destinations through alumni groups and feedback from partner employers; and evaluations provide information on quality performance. Significant numbers of students seek employment abroad, and are very well accepted and sought.

The following examples of training opportunities adapted to skills needs are given:

- training methodology involves substantive practical training in collaboration with companies (60% theory 40% practice); scholarships from companies; international lecturers; close collaboration with the Chamber of Commerce of North-western Macedonia (South-East University, Tetovo)
- Johnson Control established a laboratory for student training; excellent collaboration with companies; cooperation with the MoE on provision of specialised training for textile cluster; the business community is involved in the evaluation processes (NCDIEL - Faculty of Machine Engineering)

The following examples are given for LLL institutions on how they adapt training opportunities to skills needs:

- New law on transportation of hazardous materials required drivers to be trained and licensed - upon adoption of new law, the OCU designed a course and final tests and offered the training;
- new law on accounting requires certification of chartered accountants - course designed and offered;
- interest among individual candidates for hairdressing/beauty technicians - new places offered and new contacts - especially attractive nail design (all three examples by Koco Racin Skopje Open Citizens' University for LLL);
- All training events provided are based on previous assessment of needs, whether as part of project preparation, or defined in collaboration with schools and BDE/MoES (MCEC).

Stakeholders

a. Main findings

There are no systemic mechanisms in place at VET school level to orient VET programmes to labour market skills requirements. Although dynamic VET schools maintain communication with local employers, these initiatives can only be partially effective while they remain sporadic in nature.

The educational profiles and curricula available are, according to the stakeholders, outdated and urgent change is needed through more flexible and frequent updating; there is no systemic communication between the worlds of work and education; cooperation with HE institutions, municipalities and enterprises is weak; improved and reinforced support is needed from the VET Centre. Employers are inadequately informed of reforms in the VET system and they recognise that cooperation with VET schools is insufficient. As a result, they are calling for adjustments to educational profiles and the network of VET providers.

From the RIA Report responses, it is clear that most of the stakeholders do not consider it as their role to detect skills deficiencies on the labour market. They only carry out skills needs surveys when they have a direct intention to start up an internal course, e.g. in management. Some organisations, as part of project development, carry out specific surveys, but this is in no way institutionalised.

3.3.5 Monitoring and evaluation including reporting and learning

Ability to report, monitor and evaluate

Policy Design Institutions

a. Main findings

The mechanisms for measuring the effects/results of policy initiatives and strategies in the interviewed institutions are mainly the annual reports to the Management Boards of each institution, often combined with next years' planning documents.

In the case of evaluation of specific projects, the rules of the donors apply. EU programmes are subject to strict monitoring and evaluation by the EU, within regular reports submitted on each of the programmes; indicators are also provided by the EU. Participation in evaluation of projects and initiatives is usually performed by external experts. Regarding the regular work of institutions, annual reports provide both narrative and financial information together with the following year's work programme and budget to the Management Board and then to the GoM. Dissemination is not widely used, as most reports are internal. However, in the case of projects, external expert reports are published by those commissioning them; operational web pages contain documents and reports.

The NEC submits annual reports on its work to the Management Board and the MoES (containing also the following year's planning). Reports are also submitted to the MoES on the State Matura results and the results from external student testing.

The SEI used to operate a web page, but that is no longer the case. Quarterly and annual reports are regularly submitted. An evaluation of the Quality of the Educational Process in the Primary and the Secondary Schools has been supported by USAID, but the report is not available yet. The SEI submits quarterly and annual reports to the MoES and the Government and can provide additional reports and data upon request of the GoM.

The VET Centre submits annual reports to their Management Board, which forwards them to the GoM. In addition to standard reporting applied by all national agencies, the National Agency for European Education provides regular reports to the EU, including quarterly and annual reports by programme, as well as audits. Reports to the EU are confidential and the EC replies by providing recommendations; dissemination is provided through the web-page which contains information on future activities and reports on past ones. The ZELS submits annual reports to the Management Board, for onward submission to the General Assembly of Mayors and Committee of Municipal Councils.

Policy Implementation institutions

a. Main findings

In the formal GE and VET education area the mechanisms for measuring the effects/results of policy initiatives and strategies in the institutions interviewed are mainly the annual reports to the Management Boards of each institution, often combined with the following year's planning documents. Integral evaluation assesses the quality of the school's work against an annual plan and requirements from the MoES; self-evaluation is done in preparation and the MoES integrates policies at national level and instructs schools on specific actions. At school level, reports are used to improve aspects of school work that were identified by the SEI in their recommendations from the integral evaluation; schools put these recommendations into the plan of the following year. Results are used by institutions for their own improvement.

The SEEU develops three years' strategies, outlining learning and research objectives and strategies; this is used as a baseline in reports. Evaluation of achievements and implementation of priorities for improvement carried out through Faculty and Departmental Action Plans are validated and monitored by senior managers. The Law on Higher Education (2008) requires submission of an annual report to the founder and also foresees to make it available to the SEI. Internal and external (by EUA) evaluation/report findings are used in preparation of the next strategic/departmental plans.

Policy Stakeholders

a. Main findings

Annual reports are the usual media for monitoring and evaluation of activities in the stakeholder organisations, which are answerable to either a board or an assembly, e.g. in the case of the SSM, the Congress, as highest body of the SSM, is held once every 5 years; it adopts the Working Programme and Statute, and reviews and adopts activity and financial reports. The Council of the SSM is the highest body between Congresses, adopting annual activity programmes, income and expense plans, analysing annual reports of Supervisory Board and proposing corresponding measures. In the case of a project funded organisation, annual reports are fed back to the donor organisations, as in the case of YES Business Start-Up Centre, which submits annual reports to the Board of Directors (international boards, as founders are Norwegian MIR and SINTEF foundations); donor reports are made for specific projects.

Reports are usually the basis for yearly planning and are internal.

Donor funded institutions have regular reporting procedures, including annual reports, project final reports, evaluations, monitoring protocols, as per donor requirements. For example, the MCEC follows national legislation in reporting procedures. Annual reports are submitted to the General Assembly and Executive Board. Donor reports are submitted to donors focusing on individual projects. Reports are often used to organise internal institutional learning; the MCEC strongly believes in organisational learning and implements and promotes it as part of the programmes for partner and beneficiary organisations; also, subsequent projects are often the result of identified needs in various reports produced.

b. Main capacity development recommendations emerging from interviewees

The following recommendations were given as to specific actions proposed for improving the institutional arrangements in relation to monitoring and evaluation:

- Better regulate the involvement of stakeholders in monitoring and evaluation of policies and programmes, including the definition of specific roles and responsibilities of all those involved;
- Foresee revisions in legislation, as needed, to allow good cooperation among partners (companies, schools) in view of greater involvement in students' orientation and evaluation of performance of job seekers;
- improve the involvement of ESARM and MoLSP in work on AE; make the work of the AE Council more systematic (earmarking funds for their professional work and commissioning expert inputs);
- include the business sector to a greater extent in the evaluation of policies and work in educational institutions, especially in relation to HE and secondary VET;
- standardise and formalise effective school initiatives and pilot programmes for development as a vehicle for institutional and individual improvement.

Ability for organisational learning and the impact of policy initiatives

a. Main findings

From the limited responses on how reporting is used as a means for new policy design and strategy formulation, it may be concluded that a gap exists here. EU reports and subsequent EC recommendations are taken into account in future planning in EU funded programmes; the GoM uses reports to guide the work and expectations from agencies (same as other institutions). In the case of municipal policy design, different bodies (General Assembly of Mayors and Committee of Municipal Councils, 13 committees/commissions, networks) provide venues for initiatives and ideas.

Present policies are upgraded in the following ways:

- At the request of the MoES, the SEI submits information or participates in activities for the design of new policies and/or performs specific tasks, e.g. it has been ascertained that current indicators on the work of schools are not suitable or sufficient for supervision of VET schools, as only one indicator out of over 80 addresses school collaboration with parents & the local community, and no indicators for VET or quality of skills exist. Currently, the MoES has mandated the SEI to working on defining new indicators specifically for VET schools. At the decision of the GoM, the MoES instructs and requests the VET Centre to formulate or participate in the drafting of new policies; the individuals involved are designated by the MoES or by VET Centre Management; and recent policy focus has followed the Parliament adopted National Programme for Development of Education 2005-2015 and other Government priorities and projects.

b. Main capacity development recommendations emerging from interviewees

A number of recommendations were given by the respondents:

- Strengthen the presence of the SEI in schools so as to improve continuous communication;

- Create a separate budget for the VET Centres, which contains budget lines for visits to schools, regular consultation and seminars with teachers (within occupational areas) and school managers (on general VET issues);
- elaborate new mechanisms to enhance collaboration between schools, municipalities and the AEC.

3.4 Key findings on capacities on MTEF (Medium-Term Expenditure Framework) and programme budgeting (MTEF-specific questionnaire)

The Medium-Term Expenditure Framework (MTEF) represents a strategic instrument used in the public finance policy domain to balance efficiently the available resources with the spending priorities of the government. It represents therefore an essential tool of performance budgeting that reconciles the top-down allocation of resources with the bottom-up demand for funding the sectoral priorities.

Due to its complexity, the MTEF is implemented gradually, starting with the adoption of a Medium-Term Fiscal Framework (MTFF), which consists of the top-down setting of expenditure ceilings, followed by the introduction of the Medium-Term Budgetary Framework (MTBF), which complements the MTFF by the bottom-up planning of spending needs at the level of budgetary users. The last stage of the MTEF process is the implementation of the Medium-Term Performance Framework (MTPF), which is a result-oriented tool for the evaluation of performance in using resources.

a. Main findings

Financial planning and budgeting

With the adoption in 2005 of the Budget System Law (BSL), the country started to implement the first elements of an MTFF in its budgeting process. The law sets the principles for elaborating the annual budgets within a three-year framework, which contains both the expenditures projections proposed by the budgetary users and the revenues projections estimated by the MoF, together with the corresponding expenditure ceilings.

The BSL requires that the annual budget is elaborated on the basis of clear strategic priorities defined by each budgetary user (BU) for the next three-year period. These priorities should at the same time form part of a specific strategy¹³ and the overall government strategic objectives. Currently, the country has an impressive number of sectoral strategies (see Annex 1 for a selection of the most important strategies, programmes and action plans under implementation, which have a direct or indirect link with HRD).

The BSL also requires the preparation of a macro-fiscal framework for a three-year period, containing the forecast economic conditions as well as the projected budget revenues. This is prepared by the MoF through a specific macroeconomic model developed by a specialised department.

The budget process involves all the BU institutions of the Government. Each budgetary user has a Finance/Budget Department, which is in permanent cooperation and coordination with the Budget Department of the MoF – in particular, in the process of budget preparation, which starts with the expression of financing needs by the agencies. To be considered for financing, the activities have to form part of the overall governmental strategic directions approved by the Council of Ministers for the

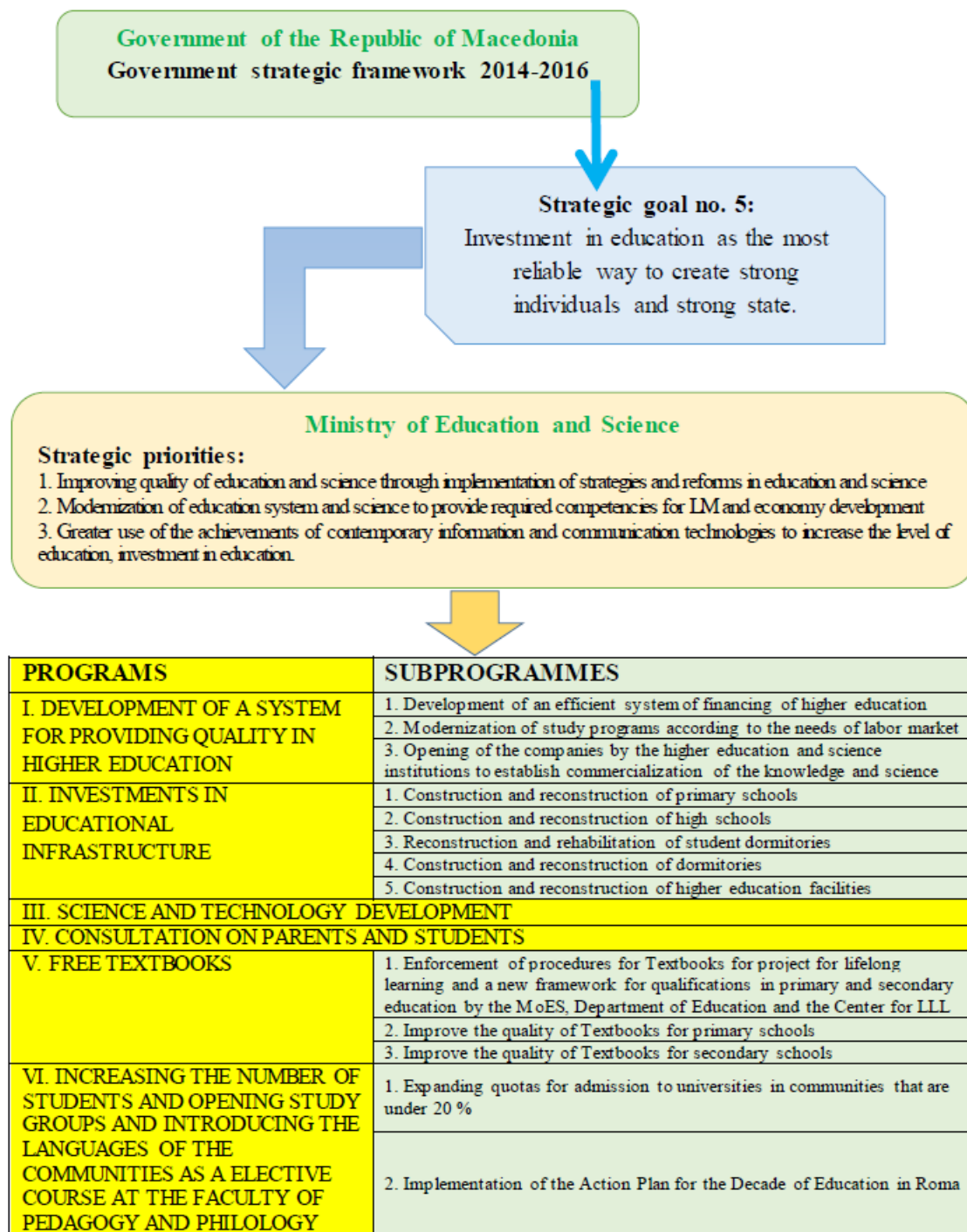
¹³ A strategy can focus either on a specific sector (education for example) or a specific issue (youth employment for instance).

corresponding period. These directions are in fact general policy objectives and practically any strategic measures proposed at sectoral level could be considered as being in line with the overall governmental strategic vision (see Box 1). The overall Government strategy is translated at sectoral level into programmes and items, accompanied by a work plan for their implementation. For example, the first objective of the Government strategy (Increasing economic growth and competitiveness on a permanent basis, a higher rate of employment growth and the standard of living and quality of life) is translated by the MoLSP into a specific programme on Active Labour Market Policies, which is then disaggregated into sub-programmes such as the Youth Employment Programme 2015, or National Employment Strategy 2015, for example Box 2 shows how the general government objectives in the field of education are translated at sectoral level into strategic priorities, programmes and sub-programmes.

However, in the case of certain budgetary users the programmes are in reality sub-sectoral elements corresponding to a department in the structure of the institution. The items of the programmes, on the other hand, represent GFS economic classification type of expenditures (wages, maintenance costs, investment, etc.).

The Department of Strategic Planning from the MoF collects these sectoral strategies and uses them for elaborating the Fiscal Strategy (FS) for the next three-year period. The FS comprises the macro-fiscal framework (forecasted revenues and planned expenditures, both at aggregate level) and the macro-economic framework on which the expected revenues are based. As compared to the requirements of an MTEF, the document lacks the programme budgeting elements, the mechanism of prioritisation of expenditures, and the performance budgeting principles. Although the top-down formulation of ceilings and bottom-up expenditure proposals exist, the two elements are not set according to the spending classification required by the MTEF process.

Box 2: Translation of the general government objectives into strategic priorities, programmes and sub-programmes in the Ministry of Education and Science



Source: diagram constructed on the basis of Ministry of Education and Science: 3-year Strategy for Education (2014-2016).

Box 2: Government strategic framework for the 2014-2016 period

The Government of the RM has identified the most important strategic priorities defined by the Strategic goals of the Programme for the work of the Government of the Republic of Macedonia for the period 2011-2015:

- a) Increasing economic growth and competitiveness on a permanent basis, a higher rate of employment growth and the standard of living and quality of life;
- b) Integration into NATO and the EU on the basis of achieving the planned reforms and resolving the dispute with Greece on the principle of preserving the national identity;
- c) Continuing the fight against crime and corruption and effective law enforcement;
- d) Maintaining good inter-ethnic relations and cohabitation on the principle of mutual tolerance and respect and equal application of the law and completion of the implementation of the Framework Agreement;
- e) Investment in education as the most reliable way to create strong individuals and a strong State.

Source: Government of the Republic of Macedonia. Fiscal Strategy of the Republic of Macedonia 2014-2016

The expenditures side of the macro-fiscal framework represents the aggregate spending ceilings by GFS economic classification. The main criterion for setting those ceilings is the historical trend, altered by policy changes when this is the case. As compared to 2013, the overall planned envelope of budget expenditures in 2014 is higher by 6.32%, while the revenues are expected to increase by 6.65% compared to 2013; taxes will represent the major source of revenue (56% of total) in 2014, followed by social contributions (28%).

Once the Fiscal Strategy is elaborated, the MoF prepares the Budget Circular (BC), which is then sent to all budgetary users as guidelines for preparing their budget proposals. The BC contains the aggregate expenditures ceiling for each user over the coming three-year period. The ceilings are compulsory only for the first year and indicative for the remaining two years. Higher ceilings may be requested when the allocated envelope is considered insufficient; this necessitates a negotiation process with the MoF, which is not always successful because additional resources for one budgetary user imply a reduction of initial allocations for the others.

The budget is then sent to the Parliamentary specialised commissions for prior analysis before voting. The Parliament may suggest changes in the proposed allocation of resources; in this case the draft budget is returned to the MoF to restart the negotiations with the BU for revising their corresponding ceilings.

In the process of budget execution each user allocates its envelope of resources between sub-sectors/programmes according to specific criteria of importance. For example, the current medium-term budget of the MoES (2014-2016) is built on three strategic priorities (see Diagram 1). These are, however, general strategic directions. The prioritisation of resource allocation for specific purposes (activities rather than projects or programmes) is based on emergency criteria; for instance, the construction of a sports hall is postponed and the corresponding funds redirected to the reconstruction of an existing school that was damaged by a storm (example provided by the Ministry).

According to the law, the funds received by each BU can be reallocated within a limit of 20% between spending items but not between programmes. This shift takes place in general towards the end of the fiscal year, when underspending is observed in the case of certain items. Since the budgetary users are not allowed to transfer the unused resources to the next budgetary year, they shift them from underspent items to other purposes.

Budget rectifications can also take place during the fiscal year; they happen relatively often, in general when the revenues collected prove to be lower than the initial MoF projections. The rectifications imply a cut in allocations to budgetary users, thereby bringing to a revision of initial ceilings. This

translates into postponing certain planned activities or projects at the BU level; given the fixed character of most expenditure items, the investment part of the budget is usually the most affected by such rectifications.

The monitoring of performance is carried out at ministerial level and reported periodically to the MoF. Specific indicators of performance are specified by the budget law, but they are in fact aimed at checking if spending by items takes place according to the planned figures.

Monitoring of budgetary spending is therefore an audit process, with less focus on management and accountability corresponding to the Public Expenditures and Financial Accountability (PEFA) framework. No PEFA assessment has been carried out until now in the country; the only evaluation of public expenditures management was carried out by SIGMA in 2012, which urges the Government to accelerate the process of full MTEF adoption.

The budgeting mechanism at the level of spending agency

At the level of spending agency, the process of budget preparation, execution and monitoring follows the same rules as the one applied to the State Budget, as the BSL provides the legal framework and principles for the process at all levels.

The MoES prepares the budget according to the sub-sectors (programmes) under its subordination: Primary and secondary education, HE, and Science and technical development. Specific programmes also exist in parallel to those sub-sectors (Pedagogical service, Directorate for the education of children belonging to ethnic minorities, State Education Inspectorate). Several other transversal sectors (departments in the organisation structure of the Ministry) support the activities of the three specialised ones: Financial affairs, Legal department, etc. In addition, several agencies (with separate budget) are attached to the MoES – such as the BDE. Some of those institutional structures are constituted as independent budgetary users receiving their allocations directly from the MoF (Pedagogical Service; BDE; Administration for Development and Promotion of Education in Languages of Members of Communities; State School Inspectorate).

The budget preparation process is a combination of horizontal and vertical identification of financing needs. Horizontally, the needs are expressed by sub-sectors and programmes; vertically the corresponding departments/units of the ministry collect the requests from municipalities, which receive them from each school or other type of education unit. This is because the system of financing education combines the centralised and decentralised schemes: primary and secondary education is partially financed by LAs (principally the staff wages), while HE and special schools (music/ballet, for disabled children) are funded directly by the Ministry. However, the financial control remains centralised at Ministry level.

The needs collected at central level by the Ministry are negotiated with the sub-sectoral users. The planning of expenditures is always based for the next three years. When the MoF aggregate ceiling for the education sector is inferior to the needs – which is practically always the case – the envelope of available resources is redistributed between sub-sectors according to specific priority criteria, and subsequently allocated to municipalities (for further distribution to schools in the case of primary and secondary education), and respectively to universities and other education units directly subordinate to the ministry. The allocations are made according to block-grant schemes, based on expenditure standards. If the public education institutions record revenues from own sources (donations, grants, loans, services delivered to third parties), they are obliged to hold special accounts with the State Treasury for each source of own income.

The budget process of the MoES has therefore a horizontal (inter-sectoral) component (across sectors) and a vertical (intra-sectoral) component both in terms of expressing the needs and allocation of resources. The process is therefore relatively complex and consequently the budget preparation is initiated very early; preparation of the 2015 budget started on January 1st 2014 by planning for public procurement.

There is no public financing for private education in fYROM. However, the MoES provides scholarships to students in private institutions on the basis of the same criteria as in public ones.

The monitoring of performance of the education sector is regulated by the Budget System Law, which specifies the indicators to be used in this respect. They refer mostly to the quantitative evaluation of the sector (number of scholarships granted, number of students hosted in campuses, etc.). Audits also take place to check if the funds were used according to their destination. The detailed reporting is only for internal use and publicly disclosed information refers only to aggregate spending by main sectors (health care services, unemployment benefits, subsidies to agriculture, etc.).

The VET strategy and Action Plan and the 3-years plan of the Ministry of Education and Science

Apart from general education, the MoES is equally responsible for formal VET. The Ministry's role in this domain is to provide policy leadership and coordination, on the one hand, and of overall support and oversight over schools, which deliver formal VET, on the other. The VET Strategy and Action Plan (2013-2020) was adopted in 2013, and represents an essential programmatic document for the Government in the field of VET. To steer and coordinate the implementation of the VET strategy, and in line with the Action Plan, a multi-stakeholder Council was appointed by the end of 2013, led by the MoES.

The three-year strategic plan of the MoES (2014-2016) does not mention the VET Strategy and Action Plan as one of the underlying policy documents. The Ministry's plan does not include programmes/measures/activities explicitly related to the VET Strategy and Action Plan. The Ministry's plan mentions general VET-related activities integrated in the overall portfolio for the development of secondary education (e.g.: Programme for Quality of secondary education: support to vulnerable groups, improved mobility, reformed curricula in line with EU standards, teacher training). Given the fact that these are generic types of activities, they would have been included in any case in the Ministry's plan, with or without the VET Strategy.

In future planning, the Ministry could target more specifically the measures formulated in the approved Action Plan of the VET Strategy, and possibly introduce a specific *Programme for VET in an LLL perspective*.

Public funds for activities related to the VET strategy are dispersed in the plans and budgets of other relevant budget-users (e.g.: BDE, VET Centre, MoLSP, ESA), named in the VET strategy as leaders or contributors to the various measures. The effects of this dispersion could be compensated by the introduction of a monitoring function by a focal coordinating point (perhaps within the VET Strategy Steering Council) with a mandate to gather and follow up information from the various budget users (to the extent possible, without infringing institutional autonomies) of activity implementation (and if possible also the related spending) specifically related to the action plan of the VET Strategy. Such initiatives would contribute to enhanced coherence in addressing the aims of the VET Strategy, of spending and implementation of activities allocated under the responsibility of the various concerned budget users.

In parallel, the government works to secure international financial support for the VET strategy. One of the important pledges is the WB 5-year project approved in January 2014 (“Skills Development and Innovation Support Project”), which contains a component fully dedicated to reforms of VET-4 years of education. This project can be considered a good example of how an important international donor aligned its project design with the country’s sector strategy.

The MoLSP follows the same rules in the budget process, which is based on two strategic documents: the Employment Promotion Strategy, covering the period 2011-2015 and the Social Inclusion and Poverty Reduction Strategy. Both documents are concretised into a three-year action plan. However, the major part of the MoLSP budget is allocated to a social insurance component – particularly pensions – while the Active Labour Market Policies part receives an insignificant share of resources.

The requests for budgetary allocations are based on previous appropriations; as a rule, the Ministry receives the same amount of funds as the previous year. If new policy measures are initiated in a particular fiscal year, and if they are approved by the Government, the Ministry receives additional resources. The allocations for that particular year will represent the basis for the following year’s funding, from which the corresponding budget for completed policy measures is deducted.

When preparing the budget, the Ministry consults the social partners, in particular the Trade Unions, which in general are very cooperative and agree with the large majority of actions proposed.

The ex-ante evaluation of policy measures is made through two extreme scenarios (best-case versus worst-case situations). The impact assessment is measured by the number of newly employed persons. For example, the Internship Programme evaluated in 2011 showed that after its completion 18% of participants became employed after 6 months, 31.6% after one year, and 42.6% after 17 months.¹⁴

The MoE carries out its activity through 13 sectoral departments. Some of them have transversal responsibilities (Legal, Finance, IT, Human Resources), while others are specialised by economic area: Industrial Policy, Foreign Trade, SME Sector and Entrepreneurship, Internal Market, Tourism and Mineral Resources. Each of these economic sub-sectors has its own strategy on which the budgeting process is based. This complex structure requires the existence of specialized internal units for coordination of strategic plans (the Unit for Strategic Planning), the budget preparation (the Budget Coordination Unit), and the budget execution and monitoring (the Unit for Budget Control and the Unit for Accounting and Payments). The expenditure ceilings come at aggregate level and they are disaggregated by sub-sectors through inter-sectoral negotiations. Although the yearly spending envelope is considered by the ministry as being well below the needs, in 2013 only 90% of the overall allocated resources were used. Under-spending was recorded by some sectors (Tourism and Energy in principal), which received additional funding at the beginning of the year but were unable to entirely spend those supplementary resources.

The monitoring of budget implementation is carried out by the Unit for Budget Control, which checks on a weekly basis if the resources are spent according to the planned purposes. Annual reports on achievements are prepared by each “productive” department; these are financial reports on the effective use of resources as compared to planned purposes.

¹⁴ Assessment carried out by the EU Twining project “Support to the National Employment Policy”: Evaluation Report on the Implementation and Effects of the Internship Programme in 2011.

b. Main challenges in financial planning and budgeting

■ Full implementation of the MTEF

By adopting some of the elements of a MTEF (SIGMA, 2012), the country made the first step in the MTEF implementation process. However, the full adoption of the MTEF requires significant progress to be made in the budgetary process. To achieve this objective of a complete MTEF, the next phase will entail adopting the Medium-Term Budgetary Framework (MTBF), an instrument particularly important in the case of a pro-cyclical fiscal policy as in FYROM (IMF, 2010). Once the MTBF is fully functional, the country can enter the last phase of the MTEF process – the adoption of the Medium-Term Performance Framework.

■ Improvement of the current medium-term framework

In order to go forward with MTEF implementation, the country needs to improve the existing fiscal framework. The first measure to be adopted in this direction is the reduction of the number of budgetary users. At present, more than 80 such entities exist, which complicates very much the negotiation process for allocating the resources. According to the definition of the Budget System Law, budgetary users are: first-line users in the field of legislative, executive and judicial authorities from the central Government; funds; municipalities; users established by law that are awarded special public authorizations. Consequently, apart from the LMs there are numerous entities with their own budget (independent bodies, administrative organisations, independent units/agencies within LMs, special commissions, etc.).

One possibility to decrease the number of budgetary entities is to integrate the budget of some of the existing agencies into the budget of a line ministry. Separate administrations and independent bodies could become indirect budgetary users by integrating their budgets into the budget of a line ministry, while keeping their independence in terms of administration, spending, etc. The Agency for Emigration, for example, can have its budget with the Ministry of Foreign Affairs (MoFA). This is in line with the principle of focusing on central budgetary units and away from intervention in line units' day-to-day operations, which characterises the reforms in many OECD countries, towards a clear trend to differentiate policy making from the delivery of that policy (Diamond, 2005).

Secondly, the medium-term macro-economic framework on which the budget is prepared needs to be revised to increase its accuracy in estimating the future evolutions of the economy. The EU will soon start the implementation, through a twinning project, of a macro-model for forecasting the main economic indicators and the budget revenues, which will improve considerably the quality of projections. However, it is important that the government acquires full ownership of this tool and ensures long-term sustainability in using it by preserving the human capacity trained in running and updating the model. In 2000, a similar model was implemented (MAKMODEL¹⁵) but after several years it was abandoned because the staff trained for this purpose left the institution. Consequently, it is important to ensure that the institutional memory persists after EU assistance ends. One option is to create a specialised agency/unit in charge of macro-forecasting or to entrust the model to a research institute; this will also ensure the independence and neutrality of the work.

¹⁵ De Haan et al (2012).

- Adoption of programme budgeting

In the budget preparation process, it is important to adopt a real programme classification, as the current allocation of resources is not based on this element but is simply an economic classification of expenditures. Concretely, a program budgeting structure must incorporate at least two classification schemes: program classification and organizational unit classification. Once the adequate classification is adopted, the next step is to properly define the programmes at the level of each organisation, instead of spanning them over several LMs and/or agencies, because experience shows that programmes need to have clearly designated “owners” with responsibility for their performance. This implies that all the activities of an organisation are combined according to program objectives regardless of revenue source. Then the appropriate scope and number of programmes can be defined, together with their corresponding activities. The number of those activities should be limited in order to facilitate in-depth, policy-oriented analysis.

However, the implementation of programme budgeting is a long and difficult process. The OECD countries where the tool was adopted necessitated several years of preparation and a relatively long period for implementation. In the Balkan region, Serbia tried to implement programme budgeting in a pilot form (in 5 ministries), but the results are not yet conclusive.

Box 3: Types of budgetary classification

There are two kinds of budgetary classifications. The first is used for analytical purposes and is based on a single criterion that subdivides public expenditures systematically on the basis of this criterion. The functional classifications COFOG (Classification of Functions of Government) and COFOG-Special for instance, classify expenditures according to purpose, such as defence, justice and public order, or social protection. The economic classification classifies expenditures according to economic character as defined in the national accounts, such as compensation of employees, intermediate consumption and subsidies. Data from the COFOG classification and the economic classification are also collected and published by international financial organisations such as the International Monetary Fund (IMF) and OECD. This classification is therefore used by OECD countries.

The second classification is used for the authorisation of the budget in appropriations laws and defines the line items of the budget. Line items have a legal status which implies that ministers cannot shift resources from one line item to another or can only shift them under strict conditions described in the budgetary legislation. Each country can have only a single classification of line items. Usually, the classification of line items is based on a mixture of institutional, economic and functional criteria.

Source: Kraan, 2007.

The adoption of programme budgeting will allow for a proper evaluation of spending performance. Currently, the monitoring is limited to the financial reporting, and therefore to the verification of effective versus planned spending by economic items (salaries, maintenance, etc.). The adoption of programme budgeting will therefore ensure a substantial improvement in the use of resources.

- Revision of the methodology for setting expenditure ceilings

The ceilings are currently set on the basis of previous allocations and therefore there is practically no room for concentrating the spending efforts on real socio-economic priorities. On the other hand, the budgetary users are not allowed to keep unspent resources for the next budgetary year. This generates over-spending towards the end of the year for purposes that are often unrelated to the most urgent priorities. By allowing the spending agencies to transfer unused funds to the next budgetary year, the effectiveness in using resources will improve considerably, while important savings become possible. This is the case, for example, in Turkey, where the MTEF is practically full implemented; LMs are allowed to carry out the appropriations to the next budgetary year with

the approval of the Turkish Ministry of Finance. This is actually one of the rules of budget transparency that apply in OECD countries (Kraan, 2007).

- Introduce a mechanism for policy evaluation and monitoring

The adoption of a mechanism for the assessment of policies in terms of their expected and effective impact is equally very important for the implementation of a results-oriented budget. An ex-ante mechanism of assessment is therefore necessary for evaluating the expected impact of the measures proposed for financing by the budgetary users. The currently used list of strategic priorities that determines the allocation of funds has to be accompanied by a set of quantified results expected to be achieved through the implementation of those measures, as well as the possible fiscal implications of their adoption. An ex-post assessment mechanism needs equally to be in place, for evaluating the achieved results versus the ones expected when the ex-ante assessment took place. This comparison will allow for better design of policies, higher predictability of implications, more accurate costing of planned measures and consequently a more efficient allocation and use of budgetary resources.

- Better articulation of existing strategies

At present, the country has a multitude of strategies and related programmatic documents, but they are often overlapping in terms of objectives, responsible institutions, and financing. This creates difficulties in reconciling their goals, impedes a better use of resources because of improper articulation between them, and reduces the potential impact of constituent policy measures. It is therefore useful to revisit existing strategies in line with sectoral principles and programme budgeting rules.

b. Main capacity development and policy recommendations emerging from interviewees

The country has accomplished so far many reforms in all domains, including institutional restructuring, human capacity building, public administration reform, decentralisation, policy-making process, socio-economic development, etc. In spite of the remarkable progress, the country is still confronted with numerous challenges that require further efforts to improve the overall social, political, administrative and institutional framework.

In the sector of Public Administration, the High Level Accession Dialogue (HLAD) initiative launched by the EC in 2012 is aimed at stimulating the reforms required by the EU accession process. In this context, the government decided to fundamentally modernise the country's administration and improve the overall decision-making process by clearly defining the responsibilities and the authority within the administrative bodies.

However, the administrative reform needs to focus not only on legislative changes, but equally on mechanisms and procedures that will improve the effectiveness of public institutions. There is an urgent need, for example, for major changes with respect to the status of public sector personnel by adopting a merit-based remuneration system; currently, the recruitment and the career path of civil servants are still based on political criteria rather than on merit.

Other organisational, structural and cultural changes are equally needed in the public sector; while most of the mechanisms needed for an efficient administration are legally in place, the poor capacity for their implementation makes their use rather limited, while the existing reform capacities and the willingness to reform are low.

The changes that have taken place until now have been driven mainly by the EC, which is pushing hard to approximate the country to EU member administrative principles and public management standards (SIGMA, 2012). Without internal efforts and political commitment, the sustainability of those reforms remains questionable. Internal efforts mean the development of a culture of managerial accountability in all State institutions, such that the ministers and other senior staff become responsible for their actions. Political commitment means that decisions are not exclusively taken at the top, but responsibilities are delegated accordingly to lower levels of the hierarchy.

In the field of overall Policy Making and Coordination, a set of rules of procedure is in place to ensure the coordination of the policy-making processes across Governmental institutions. The Economic Council serves to give strategic direction, formulate policy and supervise implementation. This structure is essential in formulating the medium-term vision with respect to the socio-economic development priorities of the country. However, the coordination among various governmental agencies remains weak.

Strategic planning has improved since the adoption of the MTFF. The LMs link their medium term (three years) strategic plans to the overall Government work plan and to the budget, but those plans are not always sufficiently accurate, as the institutional and human capacity for policy planning, analysis and coordination vary significantly across ministries and governmental agencies.

Civil society is consulted in all major legislative issues, which ensures the participatory dimension of the policy-making process. However, the consultation capacity of certain LMs needs to be improved, while the capacities within civil society to respond effectively to consultation are weak and the quality of comments received by ministries is generally poor (SIGMA, 2012).

In conclusion, the mechanisms for policy-making and policy coordination need clear but simple rules and procedures in order to improve effectiveness. For example, the reporting rules at the level of LMs should incorporate tools for fiscal impact assessment.

Policy coordination will improve if the Government agenda is planned clearly, LMs consult each other when setting their own agenda to avoid conflicting policy objectives, decisions are coherent and cost-estimated according to the availability of resources, and measures are regularly monitored.

The Financial Planning and Budgeting functions according to the basic elements of the MTFF. Effective strategic planning is lacking and budget users are generally competing for financial resources, which affects the reliability of annual and medium-term plans prepared by spending agencies. The quality of the medium-term framework is questionable, which calls for rather frequent revisions of annual budgets during the fiscal year.

The budget proposals are insufficiently detailed in terms of overall economic objectives and assumptions supporting the budgetary calculations and the multi-annual development programmes are insufficiently coordinated between partners at various levels of and across ministries. The new programmes are not technically and economically evaluated before approval; although their fiscal impact is summarised in the Fiscal Impact Assessment forms, in-depth analysis is lacking in many cases. Consequently, if the MoF expresses its reserve about the unrealistic cost of certain projects, they may still receive Government approval because the MoF advice is only indicative. This is because the overall process of planning and budgeting is not focused on outputs and better results.

It follows that the system of public expenditures management does not support the current decision-making process due to weak capacity throughout the administration. In case of investment projects for example, many budgetary users lack the necessary capacity to apply the cost-benefit analysis for evaluating the economic and fiscal impact; as a result, the costs are underestimated (SIGMA, 2013).

In terms of human capacity, the majority of employees within the MoF and budgetary users have the knowledge and ability to carry out their role well and contribute to more effective expenditure management. However, the concentration of decision power at the top of the institutional hierarchy hinders the adequate utilisation of available human resources. Staff must therefore be given the confidence to assume more responsibility and take a more analytical approach (SIGMA, 2012).

Monitoring is limited to reporting on spending through the Treasury Department. Budget execution reports are produced periodically and used to monitor the evolution and deviations of revenues and expenditures. The Treasury sends daily reports on the cash execution of the budget to the MoF and budgetary users; monthly reports and a semi-annual report, showing deviations from the planned budget, are produced and delivered to the Government. Although this operative reporting is useful for monitoring the revenues and expenditures, there is a need for adopting performance monitoring mechanisms by all spending entities.

The existing MTFF could play a more important role in supporting better integrated HRD policies. Both the MoF and LMs in charge of designing and implementing HRD-related policy measures have to cooperate more closely in articulating the fiscal and budgetary objectives with the overall strategic goals of HRD development.

Better cooperation requires also a slight revision of institutional roles and responsibilities; on the one hand, the MoF has to be given more decision-taking power in rejecting proposals from budgetary users that are not sufficiently and realistically assessed in terms of fiscal impact and expected outputs and results. At the same time, the MoF has to move from the current line-item control of budgetary proposals towards a more policy-oriented evaluation of financing demands. The LMs, on the other hand, should base their programmes on cost-benefit principles. There are significant discrepancies between the budgetary users with respect to the way the programmes are elaborated and costed. The MoLSP, for example, has several programmes under implementation, most of which are accompanied by concrete action plans, estimation of costs per activities and a list of expected results that are carefully evaluated at the end of the programme. The Action Plan for Youth Employment 2015, for example, details the principal measures, the expected outcomes and outputs, the cost of each measure, and the indicators of performance measurement. The MoES, on the other hand, has a list of programmes under implementation, but some of them are rather general in terms of objectives, results to be achieved, impact on beneficiaries, etc. For example, the programme Free Textbooks has three sub-programmes for improving the quality of textbooks in primary and secondary education, and for enforcing the procedures on textbooks which do not spell out concrete actions and activities to achieve those objectives. Other programmes and sub-programmes of the ministry have the same unclear formulation.

There are several models for financing HRD policies, although no country in the world uses a single model, but rather a main model incorporating components from others. The *centralized model*, which puts the accent on the social dimension of HRD policies (France, for example), implies that the state adopts a top-down approach in providing education and training, with the central government responsible for planning, implementing, and assessing HRD policies and strategies. The *free-market* model is based on competition; the private sector plays a major role in education and training, but the State also has a visible role. Mainly applied in the USA and Canada, this model is based on individualistic values: individuals are responsible for their own education, which is a private good, and therefore they pay for it. A combination of the centralised and free-market models is in use in the UK, where the government sets the HRD objectives and standards but individuals finance their own education and training. A variant of the British model is the *transitional* model, where employers, trade unions and Government agree over the strategies and the implementation measures of HRD policies (South Korea and Singapore, for example).

A second important element is the adoption of a proper mechanism for inter- (between spending agencies) and intra- (within the spending agency) prioritisation. Currently, the spending priorities are politically driven at both levels. When presenting the requests for financing, each line ministry should deliver a ranking of its programmes according to their priority (intra-sectoral prioritisation). The criteria for prioritisation should consider both the nature of the programmes (Tactical, Strategic, Emergency, Compliance) and their goal (Social, Economic, Infrastructure, Cultural). The MoF should be given the power to assess the importance of proposals in accordance with specific (inter-sectoral) criteria, such as magnitude of impact, relevance, feasibility, and sustainability.

In order to adopt such a mechanism, cooperation between LMs involved in HRD is essential (MoES, MoLSP, but equally other agencies, institutions, social partners and employers' associations). A common task-force group could be created for articulating the objectives, strategies and action plans dealing with education and training policies. If the full adoption of the MTEF is envisaged, the common task-force group can focus on driving forward sectoral MTEF principles in terms of policy option development, modelling, costing, quality of technical submissions, and gathering of financial and performance related data.

Through improved coordination, HRD policies will become more effective if the related strategies are better articulated in order to benefit from the synergy effect. The development of human resources is a process involving both formal and informal education, adult learning, training in the context of work, as well as social and artistic activities. The strategic documents in these areas should therefore be consistent and complementary to each other. A certain similarity in their elaboration is therefore necessary and the most useful "template" for synchronising them is the Strategy for Vocational Education and Training 2014-2020, which was officially adopted by the Government in 2013. The document contains a comprehensive Action Plan and represents a good example of how the responsible LMs should plan the required resources, monitor performance, and build overall capacities for effective implementation.

4. Review workshop: Key conclusions and final capacity development plan

The capacity building responses are elaborated in the table on the following page.

The agenda of the workshop is attached as Annex 3.

The list of the participating organisations is attached as Annex 2.

Table 3: Capacity building responses

Capacity building response	Objective	Measures	Results	Actors (main actor + in cooperation with)	Timeline
1. Development and strengthening of local and municipal capacities for support of HRD	HRD policies designed and implemented with participation of the local/ municipal level	<ol style="list-style-type: none"> 1. Training of municipal staff for collaboration with stakeholders 2. Review of local/municipal remit and responsibilities 3. Dissemination and institutionalisation of good applicable national or international practices 	<p>Improved collaboration with stakeholders</p> <p>Clear and relevant remit and responsibilities in HRD reform</p> <p>Increased efficiency of planning</p>	Local administration, municipal staff	2015-2020
2. Strengthening the mechanisms for effective social dialogue in HRD at all levels (from macro to sectoral and local)	Wide participation of all social partners in all levels of HRD policies	<ol style="list-style-type: none"> 1. Survey of ways to increase motivation of social partners for systematic social dialogue and propose recommendations 2. Identify legislative measures needed for more effective social dialogue in HRD 3. TNA, training and awareness raising of social partners at all levels 4. Coaching and supporting social dialogue in all levels of HR policies and initiatives 5. Improve mechanisms of participation of business sector in assessment of learners' practical skills 6. Build capacities for participation in quality assurance processes in HRD 7. Support to establishing and/or refocusing formal structures for social dialogue in HRD 8. Dissemination and institutionalisation of good applicable national or international practices, such as education-business partnerships; apprenticeship alliances; sector skills councils, amongst others 	<p>Social partners are actively involved in HRD policy cycle and initiatives at all levels</p> <p>Social partners are involved in quality assurance processes and assessment of learners' practical skills</p>	Trades Unions, Chambers, Employers, Regional Development Councils, Social-Economic Councils, Sector Commissions, VET and AE Councils	2015-2020
3. Enhancing the	3.1 Governing	1. Review the regulatory-legal framework linked	Governing structure for	MoES+	2015-

Responsiveness of the Education and Training System	structures and collaboration for NQF implementation	<p>to the roles and responsibilities for implementation of the NQF: bodies of the education and training sector (MoES, VET Centre, AEC, BDE and NEC), bodies of employment and social policy sector (MoLSP, ESA), and others as foreseen in the NQF legislation</p> <p>2. Establish regular coordination between VET Centre and AEC at managerial and technical level, as well as on level of the respective Councils</p> <p>3. Support the establishment of the NQF Board and necessary preliminary institutional arrangements</p>	NQF established; Collaboration between VET Centre and AEC, as well as with the BDE, NEC strengthened and mutual trust built	VET Centre AEC NEC BDE VET Council AE Council	2020
	3.2 Implementation structures and collaboration in HRD established	<p>1. Support the revision of the network of VET schools</p> <p>2. Support the creation and capacity building of monitoring structures for improving responsiveness of schools and other training providers to local and/or regional needs</p> <p>3. Support the process of redefining indicators for quality of work of schools used in integral evaluation</p>	System of education and training ensures profiles and competences needed at local and regional level	MoES + NQ Authority VET Centre AEC SEI municipalities ESA Chambers VET schools VET providers	2015-20
	3.3 Structures and process for development of qualifications and curricula established in line with NQF and effectiveness requirements	<p>1. Support the development of occupational standards and qualifications</p> <p>2. Support the reform of curricula and learning - oriented to flexible and modular programmes, based on learning outcomes, and using good practice and EU instruments (e.g.: ECVET; EQF)</p> <p>3. Develop appropriate methodologies supporting NEC's functions and analysis of evidence from students' assessment</p> <p>4. Develop capacity to put in place the mix of</p>	<p>Curriculum addresses labour market needs and other social and individual development goals</p> <p>Credibility of the VET system and the VET qualifications and their underlying competences enhanced</p>	MoES + MoLSP NQ Authority Sector Commissions VET Centre BDE NAEPM NEC	2015-2020

		assessment instruments/approach fitting the goals of VET at all levels, coherent with the overall assessment system		ESARM	
	3.4 Institutional setting and methodologies for skills anticipation supporting better linkages between market demands and education and training	<ol style="list-style-type: none"> 1. Prepare integration of key elements of information and data regarding supply and demand of skills provided by various relevant institutions 2. Develop capacity for a skills anticipation system (quantitative and qualitative) and analysis of the effectiveness of skills supply based on combined methodologies, networking of relevant institutions, participation of social partners/sector associations - under a single coordination body 3. Establish tailored reporting and dissemination of data and results from the improved skills anticipation system – to support activities of diverse users' groups (education and training, social partners, learners, local communities, etc.) 	<p>Employers' satisfaction with skills and qualifications of trained staff increases</p> <p>Statistical data show decreasing mismatches (skills and qualifications)</p>		
4. Improving institutional and individual capacities for reform	4.1 Authorities and stakeholders well prepared in leading education and training reforms	<ol style="list-style-type: none"> 1. Develop capacities for improved management of the policy cycle (Plan-design; implement; monitor; review), using relevant good practice 2. Develop capacities of national, regional and local stakeholders for individual and joint application for funds from various sources 	Improved skills of policy-makers and implementers and engaged stakeholders in programming, monitoring and evaluation	MoISA + MoES MoLSP agencies VET schools municipalities social partners	2015-2020
	4.2 Evidence-based policy design, implementation and evaluation streamlined	<ol style="list-style-type: none"> 1. Coordinate and integrate data analysis systems across sectors and ministries 2. Design mechanisms for dissemination and scaling up of good domestic and international practices 3. Develop capacities of relevant bodies to produce/manage data, studies and analysis relevant for evidence-based policy 	<p>Integrated approach to information management and evidence-based policy developed and applied</p> <p>Best practices incorporated into policy design, including mainstreaming and institutionalisation of</p>	MoES + MoLSP VET Centre AEC SSO ESARM IMIS users	2015-2020

		4. Establish systemic mechanisms to use the results from studies and analyses to better inform the policy cycle	practices of engaged schools in cooperating with business world		
5. Improving the budgetary conditions by linking the long-term policy cycle in HRD with short-term allocation of resources	Increased efficiency in allocating budgetary resources and predictability of funding HRD policies	<ol style="list-style-type: none"> 1. Adopt an integrated financial management system with strong involvement of stakeholders by further implementation of MTEF tools 2. Improve accuracy of medium and long-term forecasts 3. Adopt programme classification based on results-oriented principles, and clearly define objectives, roles and responsibilities of each actor involved 4. Adopt mechanisms and strengthen capacity to mainstream ex-ante and ex-post evaluation of policies 5. Adopt a mechanism of intra-sectoral and inter-sectoral prioritisation of financing proposals 	<p>Improved macroeconomic and fiscal stabilisation</p> <p>More efficient use of available resources</p> <p>Elimination of budget rigidities</p> <p>Better expenditures control</p> <p>Better designed HRD policies and higher predictability of their fiscal implications</p> <p>More accurate costing of planned measures, thus more efficient allocation and use of resources</p> <p>Improved budget management through a comprehensive approach in budget making</p> <p>Legitimacy of policy choices and higher credibility of policy options.</p>	MoF All Budgetary Users	2015-2020

5. Conclusion

This section presents the main conclusions of the RIA exercise in the country:

Inter-ministerial coordination:

- Inter-ministerial coordination can be more effective through:
 - More precise and clear definition of responsibilities and tasks and their allocation;
 - Better legislation and related mechanisms;
 - Improved continuity and commitment to participation in relevant coordination platforms and activities.

Policy design:

- Use of evidence from students' assessment studies: responses indicate that existing information data, such as PISA 2015 and TIMSS 2011, on the achievements in general education are not yet currently used to inform the status of key competences. Better analysis and utilisation of these data would offer a more detailed picture of the determining problems and the reforms required. Another constraint in the present system is the lack of medium to long-term labour market forecasting, which makes it difficult to plan the 3-4 year VET studies. A third problem relates to insufficient information on the transition paths of school-leavers/graduates, which makes it difficult to interpret the local labour market skills demands and the relevance and quality of the delivered study programmes. A central point for coordinated labour market and skills data is considered an important priority, as is the need for better information and campaigns for users.
- Role of the economic actors in setting the HRD policy agenda: responses suggest that the business community should take the lead and be more pro-active in defining skills demands and develop closer partnership with relevant Government agencies. The MoE may serve as a broker for the business community and lead employers in identifying needs which the entire education system could address. The existing level of good non-formal collaboration should be formalised, and incentives provided to employers to seek and maintain collaboration with schools. It is evident that all stakeholders need to draw benefits from institutional cooperation; thus incentives for the private sector are necessary for them to participate in policy development (unless policies are directly related to their work).
- More effective application of good practice and EU policies and tools: suggestions were made to look more closely at different practices and tools for enhancing HRD which are introduced through various EU programmes, such as Leonardo Da Vinci, Erasmus, NQF processes, EUROPASS and diploma supplements for HE and certificate supplements for VET. In a similar manner, policy design should take into account best practice – e.g. 20 companies give scholarships to SEEU students; ratio within curriculum 60 theory at faculty and 40% in companies with 2 mentors - 1 from SEEU and 1 from company - example of international good practices that could be integrated into the national system.
- Partnerships at sector and local level: support to the establishment of Occupational Councils/Sector Committees is seen as a good way of bringing employers and providers together, and more focus should be placed on regional and local level HRD governance – through closer cooperation with the LAs, Local Development Units (currently 13 in place). The LAs have a number of education personnel, which could be more closely involved in the dissemination of

information to schools, if staff capacity and the actual competence of the local administration are strengthened. The ZELS has a committee on education and sport; members are city mayors who could contribute to policy development, implementation and especially monitoring (including provision of information and feedback on local practices and achievements).

Recommendations for improvement of the institutional arrangements in relation to financial planning and budgeting focused on:

- Capacity building in preparing proposals for funding of donors, including IPA; these proposals could involve a group of stakeholders.
- Since not all municipalities have capacities for planning and budgeting for HRD, a regional approach to address this issue could offer greater effectiveness.

The respondents gave the following recommendations regarding improvements of the institutional arrangements related to financial planning and budgeting:

- the BDC has independent status and account, to allow partner companies VAT return, but this status precludes them from being eligible for IPA;
- if the MCEC is to focus in the future on competing for EU funds, capacity building will be necessary for the policy and budgeting cycle.

Policy Implementation

A suggestion was made that universities should undertake consultancy work for companies, using past research and publications (occasional and not regular activities), and establish more regular contacts with companies; formalised collaborations are more transparent and easier to monitor; the existence of the BDC is evidence of the importance the SEEU attributes to collaboration with companies.

Schools should become more focused and not address all possible occupational areas; thus they can grow into regional centres of excellence and provide more than formal IVET. Some schools do offer a number of post-secondary courses and short trainings, but this practice is still rare. Schools should also pay due attention to protection of teachers, to increase their motivation. Schools need assuring that students develop not only factual knowledge for external testing, but readiness for active life and employment. The increased involvement of the business community in schools' work and activities is proposed, including the assessment of students' skills. These suggestions are associated with the revision of curricula to include more practical training and less general subjects.

There is too little communication between employers and those responsible for education and training; communication and coordination should be strengthened and formalised and respondents suggested involving practitioners and their representatives to ensure their rights are protected. Legislation may be good, but greater focus needs to be placed on implementation and monitoring of implementation. Study programmes are only remotely relevant to the needs of the labour market; they are overloaded with unnecessary subjects. The business community should be motivated to give more direct inputs in the reforms of education and training.

Monitoring and evaluation

The improvement of the institutional arrangements in relation to monitoring and evaluation will require the following adjustments:

- Stakeholder involvement should be better regulated, to include not only participation, but also the specific roles and responsibilities of all involved.
- Any change of the current mode of operation, including the monitoring of job seekers and greater involvement in student orientation, requires the goodwill and collaboration of partners (companies, schools) and may entail legislative revisions.
- Improve the involvement of ESARM and the MoLSP in work on AE; make the work of the AE Council more systematic, notably by assuring funds to support professional work and commissioning of expert inputs.
- The business sector is to be more active in evaluating policies and work in educational institutions, especially in HE and secondary VET.
- Institutions are to monitor and evaluate their own work in relation to legal requirements, Article of Association and annual or other plans.
- The presence of the SEI in schools and their continuous communication with schools can take up various formats and serve better the purpose of evidence-based policy.
- Create a separate budget for the VET Centre, which contains a budget line for visits to schools, regular consultations and seminars with teachers (within occupational areas) and school managers (on general VET issues). Local presence and mechanisms for collaboration together with schools, municipalities and AEC.

Summary table

- Strengths and weaknesses of policy planning and policy delivery in the HRD sector.
- Drivers and constraints for implementing measures in the Skills Vision Document.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Extensive legislation arrangements are developed and installed. • Integral evaluation of schools' performance is well established. • A lot of projects have provided teacher training and capacity building. • NQF is developed but it is still not completely functional. • Every Ministry and Agency has developed at least one strategy followed by an Action Plan. 	<ul style="list-style-type: none"> • There is duplication of some responsibilities by law; Laws are not harmonised. • Distribution of responsibilities for subjects between the BDE and the VET Centre. • There are no indicators for skills included in self and external evaluation of schools. • Regular skills analysis (both sides – demand and supply) is lacking. • Soft skills are in demand by enterprises/ employers. • Quick re-training that is using approach of transferable skills is not used in the country. • Municipalities have not yet developed mechanisms for following labour market requirements. • The BDE and the VET Centre are not

	<p>financially independent.</p> <ul style="list-style-type: none"> • VET Centre and AEC responsibilities sometimes are overlapping, but there is yet no established regular cooperation on a daily basis. • Functional M&E of implementation of action plans/strategy does not exist.
Opportunities	Barriers
<ul style="list-style-type: none"> • Established links between educational institutions and stakeholders. • State Statistical Office is collecting, analysing and publishing data on a yearly basis. • Employment Service Agency is publishing one year skills demand. • Establishment of AEC and necessary procedures for licensing and verification of AE providers and programmes exists. • Some strategies are based on the sectoral approach. • Meetings of State Secretaries can be a solid platform for horizontal inter-ministerial collaboration. • There are a big number of established Councils for following and supporting implementation of the strategies. • Procedures are in place for inter-sectoral groups for work strategies and action plans. • Educational commissions are established on local levels. 	<ul style="list-style-type: none"> • Rather old template of the curricula. • There is no legislative frame, whether provision of up to 2 years of secondary vocational education is compulsory, or not. • Recognition and validation of prior learning should be introduced through legal regulations. • No allocation of financial resources while introducing changes in schools (new profiles, etc.). • No existing incentives/benefits for businesses to be engaged in education. • There is no tracing of students after they leave schools. • Education system is still inflexible and resistant to the initiative/demand for change. • Lack of information dissemination is hampering the inter-institutional cooperation and development. • Enterprises have low awareness and are not engaging own employees in professional development activities.

PART III – MONITORING PROGRESSES OF THE VISION FOR SKILLS 2020

With the FRAME Monitoring component, the ETF has assisted the Pre-accession countries to build up and follow an evidence-based tool to monitor progress towards achieving the Skills 2020 vision, roadmap and capacity development plan, as identified during the Foresight and RIA exercises, taking into account national, regional and European strategic objectives. The key question was “What indicators are needed to monitor progress for the 2020 Vision for Skills?” and the envisaged result was a monitoring tool to support policymakers in assessing progress towards the Vision for Skills 2020.

A participatory approach ensured the commitment and agreement of national stakeholders on the monitoring tool (National Technical Teams – NTTs; gathering representatives of relevant ministries, i.e. labour, education, economy, development, research, youth, etc., and implementing agencies, statistical offices, and other stakeholders). NTTs’ key tasks were to advise on the relevance and feasibility of indicators and identify gaps in current capability to collect, process and disseminate key HRD indicators. This allowed for a thorough check of proposed monitoring methodology and indicators against each country’s specificities in the field of skills generation and capacity development.

In FYROM, the work on the monitoring aspects of the Skills Vision 2020 unfolded during November 2013 – June 2014. The National Technical Team in FYROM gathered representatives of the MoLSP, the MoES and the SSO, together with the FRAME local experts. They were involved in the work on the Vision 2020 Roadmap, including a selection of indicators and target setting.

Most of the roadmap’s actions, indicators and targets refer to qualitative aspects (e.g. development of an evaluation system to assess the impact of the strategies; NQF development; curricula innovation). For this reason, the FYROM list of indicators (mostly being of the quantitative type) refers to the common set of indicators identified under the FRAME Initiative as a common denominator for skills generation monitoring in the SEET region (based on key EU/ET 2020 and SEE 2020 targets and benchmarks and other HRD relevant indicators with a high feasibility/availability degree in SEET countries).

The result is reflected in Table 4 (featuring a list of common indicators, including a reference to the national priorities as set in the FYROM Skills Vision 2020) and in Annex 6 (the monitoring graphs). FYROM follow-up work (post FRAME Initiative) will focus on monitoring progress towards the Skills Vision 2020. This should combine assessment of progress in implementation of actions related to institutional development and modernisation of the skills system (as described in the roadmap and the capacity building plan) with the monitoring of common indicators trends (including evaluation of eventual gaps against EU 2020 and SEE 2020 targets and averages).

The FRAME Initiative work on monitoring relied on consultation with the countries on proposed common indicators and methodological approach. During the First Regional Technical Monitoring Meeting (Sarajevo, 26 November 2013), the FYROM delegation provided valuable input and their feedback on the list of common indicators and FRAME Monitoring methodological approach is summarised below:

- all of the proposed common indicators were considered relevant, but in terms of feasibility the most problematic areas are the lack of data on low achievers in basic skills (PISA survey will be

applied in FYROM from 2015 onwards) and public expenditure in upper secondary VET as a percentage of total education spending and the relatively low reliability of data on adult literacy.

- the main condition for a functioning monitoring system is to employ an inclusive approach as the HRD policy sector is a complex one with a lot of institutions and organisations involved in implementation and different data sources.

Table 4: FYROM list of indicators for skills generation monitoring (common indicators)¹⁶

National Priorities (Vision for Skills 2020)	Indicator	Unit	Definition	Source	Data release	LAY
Policy Area 1: Improving education and training system						
Priority 1: Ensuring sustained investments Priority 2: Proactive approach to EU accession and international opportunities (Action 2.2 Enhancing ownership of the SEE 2020) Priority 3: Enhancing curricula	K. Tertiary education attainment (EU 2020 target)	%	Proportion of population aged 30-34 years having successfully completed university or university-like education (ISCED 5 or 6)	LFS	Yearly	2013
	K. Highly qualified people (SEE 2020 target)	000	Highly qualified people (second stage of tertiary education, bachelors, masters or doctors' degrees) in the working age population (active + inactive), 15+ (000)	LFS	Yearly	2012
	K. Early leavers from education and training (EU 2020 target)	%	Proportion of the population aged 18-24 years with at most lower secondary education and who are not in further education or training	Eurostat	Yearly	2013
	Financing Education	%	Public expenditure on education as a percentage of GDP	National Account	Yearly	2010
	Participation in VET	%	Number of students in VET as a percentage of total enrolment in upper secondary education (ISCED 3)	UIS	Yearly	2012
Policy Area 2: Improving skills supply and productivity, lifelong learning						
Priority 4: Investing in a mature skills ecosystem Priority 6: Towards effective	K. Participation in LLL (ET 2020 benchmark)	%	The share of the population aged 25-64 who stated that they received formal or non-formal education or training in the four weeks preceding the survey	LFS	Yearly	2013
	K. Employment rate	%	The share of employed people aged 20-34	Eurostat	Yearly	2013

¹⁶ First PISA results (2015 onwards) should be taken into consideration as the low achievers in basic skills (reading, maths and science) is an ET2020 benchmark.

governance and local capacity-building	of recent graduates (ET 2020 benchmark)		having successfully completed upper secondary or tertiary education, 1 to 3 years before the reference year of the survey and who are no longer in education or training			
	Training needs analysis	%	OECD – Small Business Act Assessment methodology	OECD	Every 3 years	2012
	University-enterprise cooperation	%		OECD	Every 3 years	2012
	Training for women's entrepreneurship	%		OECD	Every 3 years	2012
	Access to training	%		OECD	Every 3 years	2012
	Innovative skills	%	Share of people employed in knowledge-intensive activities on total employment (see DEF5)	Eurostat	Yearly	2012
	Adult literacy	%	Proportion of an adult (18+) population able to read and write a simple text in the national language	UIS	Every 10 years	2011
Policy Area 3: Increasing labour market participation						
Priority 2: Proactive approach to EU accession and international opportunities (Action 2.2 Enhancing ownership of the SEE 2020)	K. Employment rate (20-64) – EU 2020 target	%	Ratio between the employed aged 20-64 and the population aged 20-64	Eurostat	Yearly	2013
	K. Overall employment rate, % of the 15+ population – SEE 2020 target	%	Ratio between the employed aged 15+ and the population aged 15+	LFS	Yearly	2012

ANNEXES

Annex 1: Foresight in Brief

Handout for FRAME: First Foresight Workshop Skopje, 04/10/2013

What is foresight?

Foresight has been defined as a “systematic, participatory, future intelligence gathering and medium-to-long-term vision-building process aimed at present-day decisions and mobilising joint actions” (FOREN Guide, 2001).

In simple terms, foresight is a tool, which supports the design and implementation of policies with a medium to long-term perspective. By helping to anticipate and understand future developments in a policy area or sector or the system as a whole, foresight supports the exploration and development of more future-proofed, robust policies. By engaging in foresight, policy actors and relevant stakeholders explore the future and use these insights in deciding on the direction of current policies.

Foresight is distinctive due to a set of core elements and approaches:

- Systematic – in the sense that it involves a well-designed approach based on a number of phases and using appropriate tools;
- Participatory – since it brings together a wide range of stakeholders and encourages interactions, networking and learning;
- Future intelligence gathering – studying trends and drivers, their interactions and possible disruptions thereby allowing more evidence-based policy approaches and a level of anticipation;
- Vision-building – exploration of alternative scenarios facilitates eventual focus on a common vision and consensus-building;
- Shaping decision-making – foresight empowers the participants to move beyond exploration to actually shape the future through more proactive thinking; and
- Mobilising action – by engaging stakeholders, it supports the pathway to effective policy implementation through joined up approaches.

Foresight includes a range of forward-looking activities but it is not about prediction or merely about forecasting. It is primarily about sense-making (making sense of emerging trends and drivers), exploring alternative futures, and shaping and enabling a desired future.

Why foresight?

Foresight in policy has two prime functions:

- Foresight for policy where it can be used in a strategic way to re-configure the national skills system or the national research and innovation system; or
- Foresight as policy where it can be used in a more functional way in implementing a particular policy instrument.

At the strategic level, foresight can be used as a policy tool for priority-setting in identifying key policies to be implemented, key areas of national priority to be targeted and how to target investments in education and research and innovation more effectively.

Foresight is typically used to enhance competitiveness by:

- playing a corrective role (addressing weaknesses, gaps and failures in the system and/or policy lock-ins); or
- a disruptive role (encouraging an emphasis on wild cards, crisis or breakthrough events which can completely change the current status quo); and
- a creative role (stimulating the conditions whereby new networks and structures can evolve and grow).

In practice, a mix of these roles often comes into play with sponsors, stakeholders and the implementing team, pulling the foresight in different directions ideally until a shared understanding of the issues, perspectives and way forward is reached.

How?

Foresight provides a methodology and mix of qualitative and quantitative tools, which are adapted to address a range of foresight goals and objectives, including:

- Making an overall strategic review and direction of a national, regional or sectoral system;
- Identifying priorities for innovation actions, again at multiple levels;
- Building common visions between actors and/or stakeholders who may not be used to working together;
- Making decisions more robust through exploration of scenarios or drawing in wider expertise; and
- Increasing the likelihood of consensus by engaging a wider range of stakeholders through participatory elements.

The tools can be structured to reflect:

- their function: interaction, creativity, evidence and expertise; and
- phases of the foresight activity: starting with scanning, trends and drivers analysis, scenario development, visioning and road mapping.

In which areas?

Foresight can be and has been applied to a range of rationales, contexts, policy settings, sectors, domains and levels (including national, international, regional, local, city).

The rationales and context dictate form, scale and focus of foresight activity. In practice, foresight has evolved into many uses and applications, relating to the co-design of policies, in a range of domains including research and innovation, education, enterprise as well as sectoral policies (transport, agriculture, energy, and marine, among others).

In recent years, there has been a general move away from large scale programmes, to more modest, discrete, often embedded processes as part of other strategy and policy development initiatives.

Annex 2: Foresight and RIA workshop participants

Foresight workshops¹⁷

Name	Organisation
Aspasija Hadzisce	Ministry of Education and Science
Biljana Delovska	Employment Service Agency
Biljana Zivkovska	Employment Service Agency
Bojana Naceva	World Bank
Dane Josifovski	Cabinet of Deputy Prime Minister in charge of Economic affairs
Darko Velkov	Private Recruitment Agency "Vработuvanje"
Eduarda Castel Branco	ETF Country Manager
Elena Misik	ETF External Consultant
Elizabeta Jovanovska-Radanovic	VET Centre
Fatmire Hoxha	Ministry of Economy
Goran Veleski	Ministry of Labour and Social Policy
Gordana Susulevska-Itic	Ministry of Finance
Ingrid Sager	EU Delegation - Head of Operations
Irena Ivanovska	Federation of Trade Unions of Macedonia
Ivana Mateska	Cabinet Vice Prime Minister
Jennifer Cassingena Harper	ETF Expert
Jose Fernandez-Camacho	European Commission
Lumni Ajvazi	SEE University Tetovo
Konstantin Hristovski	Adult Education Centre
Maja Korubin	Adult Education Centre
Marija Eftimova	Business Confederation
Marjan Zabrcanec	Mladinski Obvrazoven Forum
Mevlane Nexhipi	Adult Education Centre
Mile Boskov	Business Confederation
Mimoza Anastoska Jankulovska	ETF National Expert
Nada Stoimenova	Ministry of Education and Science
Nadica Kostoska	Ministry of Education and Science
Radmil Polenakovik	Ss. Cyril and Methodius University

¹⁷ Not all have participated in the three workshops

Simona Ristoska	Economic Chamber
Jasna Mishevska	Organisation of Employers
Tatajna Sestovik	Employment Service Agency
Zuica Zmejkovska	Secretariat of European Affairs
Katerina Zafirova	Ministry of Education and Science
Rosica Tosevska	Ministry of Education and Science
Viktorija Dinkovska	Ministry of Education and Science
Vesna Cvetanova	Ministry of Finance

Ria workshop

Name	Organisation
Biljana Zivkovska	Agency of Employment
Eduarda Castel Branco	ETF Country Manager
Elena Misik	ETF External Consultant
Goran Veleski	Ministry of Labour and Social Policy
Irena Ivanovska	Federation TU (CCM)
Ivana Mateska	Cabinet Vice Prime Minister
Konstantin Hristovski	Adult Education Centre
Maja Korubin	Adult Education Centre
Mile Boskov	Business Confederation of Macedonia
Mimoza Anastoska Jankulovska	ETF National Expert
Nadica Kostoska	Ministry of Education and Science
Radmil Polenakovik	Ss. Cyril and Methodius University
Simona Ristoska	Economic Chamber
Tatajna Shestovik	Active Policy and Employment Measures Advisor
Vesna Cvetanova	Ministry of Finance, Assistant Head of the Macro-Economic Policy department
Elizabeta Angeleska	School director Braka Mladinovci
Biljana Gligorova	School Director Biljana Gligorova
Constantin Zaman	ETF international expert
Niels Haderup	ETF international expert
Rosica Tosevska	Ministry of Education and Science
Iskra Jovanovska	School Deputy Director Biljana Gligorova
Natasha Janevska	Ministry of Education and Science

Vesna Arsovska	ZELS (Association of Units of Local Self-government of the RM)
Trajanka Avramovska	State Examinations Centre
Jane Nikoloski	State Education Inspectorate

Annex 3: Foresight and RIA workshop agendas

Foresight workshop 1

Time	Session Objective
9:00 – 9:15	Registration of Participants
9:15 -10:15	Welcome and introduction to the workshop agenda and objectives Government, EU Delegation, ETF Strategic directions for the country development: competitiveness, innovation, employment, skills Government
10.15 – 10.30	Coffee break
10:30 – 11:15	FRAME project and planning: context, objectives, approach Discussion Jennifer Harper, ETF International Expert Eduarda Castel Branco ETF Country Manager
11:15 – 12:45	Skills future: issues, drivers of change and prospects Working groups Coordination: Jennifer Harper, ETF International Expert
12:45 – 14:00	Lunch
14:00 – 14:45	Presentation of the findings of working groups. Questions and discussion Working groups Coordination: Jennifer Harper, ETF International Expert
14:45 –15:15	Review of existing strategies and important initiatives in the area of skills Mimoza Anastoska Jankulovska, ETF national expert
15:15 – 15.45	EU perspectives and initiatives on skills for the future Eduarda Castel-Branco ETF
15.45 – 16:15	Conclusions. Next steps, schedule, interactions. Jennifer Harper, ETF International Expert Eduarda Castel Branco, ETF
16:15-17:00	Coffee break
17:00	End of meeting

Foresight workshop 2

Day 1

Time	Session objective
9:00 – 9.15	Registration of Participants
9:15 - 9.40	Welcome and introduction to the workshop agenda and objectives. Working methods ETF, Eduarda Castel-Branco
9:40 – 10.00	Results from workshop 1: recapitulation of main results on Trends and Drivers. Feedback from participants Facilitator: Jennifer Harper, ETF International Expert
10:00 – 11:15	Demand for skills: Panel discussion on skills and employment policies from the points of view of <u>employers</u> and <u>employment agencies</u> <ul style="list-style-type: none"> • How do companies' HR managers see their current and future skills demands, how are they recruiting people? • How are they signalling their needs to the education and training providers and the employment services? • What do HR managers expect from public policy and which services from employment agencies (public and private) • Service to employers provided by employment agencies – experiences with training and job placement (point of view of the employment agencies) Facilitator: Eduarda Castel-Branco, ETF
11:15 – 11:30	Coffee break
11:30 – 12:45	Scenario development: introduction and methodology notes Jennifer Harper, ETF International Expert
12:45 – 14.00	Lunch
14.00 - 15:15	Which scenarios are relevant for Macedonia? Work in 2 parallel breakout groups
15:15 – 15.45	Report from the 2 breakout groups
15:45 – 17.00	Which features of the scenarios are relevant for the Skills Vision 2020? Introduction to vision building Jennifer Harper, ETF International Expert
17:00 - 17:30	Coffee break

Day 2

Time	Session objective
9:00 – 10:30	Shaping the future: success scenarios for Skills Vision 2020 Introduction by Jennifer Harper, ETF International Expert Work in 2 parallel breakout groups: the key objective is to develop a Vision Statement and discuss and formulate the key features of the Skills Vision 2020
10:30 – 10:45	Coffee break
10:45 – 12:00	Continuation of the breakout groups: Skills Vision 2020
12:00 – 12:45	Towards a vision for skills 2020: report from the 2 groups Rapporteurs of the breakout groups
12.45 – 13.15	Outlook and programme for the final workshop (2-3/Dec/2013) Close of the meeting Eduarda Castel-Branco, ETF
13.15-14.00	Coffee break

Foresight workshop 3

Day 1

Time	Session objective
13:00 – 13:30	Registration of Participants and starting coffee
13:30 – 13.45	Opening remarks. Objectives of workshop Eduarda Castel-Branco, ETF
13:45 – 14.15	Recapitulation of results from the previous foresight workshops. Working methods for this workshop Jennifer Harper, ETF International expert
14:15 – 15:00	Vision statements on skills 2020 Facilitated plenary discussion
15:00 – 15:30	Orientations for SETTING PRIORITIES Jennifer Harper, ETF International Expert
15.30 – 17.00	Priority setting Three breakout groups
17.00-17.10	Feedback, and outlook for tomorrow
	Coffee break (simultaneous to work)

Day 2

Time	Session objective
9:00 – 9:15	Registration of Participants
9:15 – 10:15	Priority setting Report and discussion on work in three breakout groups continued from Day one
10:15 – 10:40	Coffee break
10:40 – 12:40	Developing the Roadmap Introduction and briefing. Working methods by Jennifer Harper, ETF International Expert What needs to be done toward the Skills Vision 2020 and can be included in the roadmap Work in breakout groups
12:45 – 13:45	Lunch
13.45 – 14:30	Roadmap Continuation of the breakout groups
14:30 – 15.30	Roadmap: presentation and discussion of results from discussion in break out groups
15:30 - 16:50	Final version of vision, priorities and roadmap Feedback from top stakeholders, how the vision, priorities and roadmap should be formally adopted and implemented
16:50 - 17:20	Brief information on FRAME component 2 (Review of institutional arrangements) Eduarda Castel-Branco, ETF
17:20	Closure of the meeting <i>Government</i> <i>EU Delegation, European Commission</i> <i>ETF</i>

RIA workshop

Time	Session objective
09:00 – 09:30	Registration
09:30 - 10:00	<p>Opening of the workshop</p> <p>Welcome</p> <p>Ministry of Education and Science, Ms Nadica Kostoska (TBC)</p> <p>The RIA Workshop: purpose and expected results</p> <p>Eduarda Castel Branco, ETF Country Manager</p>
10:00 – 11:30	<p>Results of the FRAME Review of Institutional Arrangements (RIA)</p> <p>Presentation of the RIA: approach, results and recommendations</p> <ul style="list-style-type: none"> Elena Misik and Mimoza Anastoska-Jankulovska, national experts Constantin Zaman and Niels Haderup, international experts <p>Discussion</p>
11:30 – 11:45	Coffee break
11:45 – 13.00	<p>Brainstorming on priorities for and capacity development plan</p> <p>Clarification on working methods. From challenges to capacity development responses</p> <ul style="list-style-type: none"> Facilitators: Elena Misik and Mimoza Anastoska-Jankulovska, national experts
13:00 – 14.00	Lunch
14.00 – 15:00	<p>Continuation of discussion on priorities for capacity development plan</p> <p>Coffee to be served in the working groups rooms</p>
15:00 – 16:45	<p>Joint discussion and agreement of shared capacity development plan</p> <ul style="list-style-type: none"> Moderator s: Eduarda Castel-Branco and Mimoza Anastoska-Jankulovska <p>Conclusions and agreement of next steps for the RIA finalisation</p>

Annex 4: HRD Governance matrix

		Legal basis	Governance Level			
			National	Intermediate	Secotral	Providers
Policy functions	Vision building/agenda setting	No	<ul style="list-style-type: none"> • MoLSP (ms, d, l, f) • MoES (d, i, f) • Unions, Chamber, Confederations (sp, c) • International organisations/donors (sta, c, f) • VET Centre (sta, c) • AEC (sta, c) • BDE (sta, c) • National Councils (sp, c) 	<ul style="list-style-type: none"> • Municipalities (a) 	<ul style="list-style-type: none"> • Sectoral/ Branch Unions (sp, c) 	<ul style="list-style-type: none"> • Secondary schools (a) • Training providers (a) • Civil society organisations (p, a) • Universities (a, p) • Companies (p, c)
	Strategy development	Yes	<ul style="list-style-type: none"> • MoLSP (d, i, f) • MoES (d, i, f) • Unions, Chambers, Confederations (sp, c) • International organisations/donors (sta, c, f) • VET Centre (sta, c) • AEC (sta, c) • BDE (sta, c) • National Councils (sp, c) 		<ul style="list-style-type: none"> • Sectoral/ Branch Unions (c, sp) 	<ul style="list-style-type: none"> • Secondary schools (a) • Training providers (a) • Civil society organisations (p, a) • Universities (a, p) • Companies (p, c)
	Demand side analysis	Yes	<ul style="list-style-type: none"> • ESA (i, f, d) • SSO (a) • CC (sp, i) • Chamber of Crafts (sp, i) • Organisation of Employers (sp, i) • Business Confederation (sp, i) • International organisations/donors (sta, c, f) • VET Centre (a) • AEC (a) 	<ul style="list-style-type: none"> • Municipalities (a) 	<ul style="list-style-type: none"> • Network of ICT companies (i) • International organisations/donors (sta, c, f) • Companies (i, f, sta, c, e) • VET Centre (sta, a) 	<ul style="list-style-type: none"> • Training providers (a)

		<ul style="list-style-type: none"> • BDE (a) 			
Supply side analysis	Yes	<ul style="list-style-type: none"> • MoES (i, f, d) • SSO (a) • VET Centre (sta, a) • AEC (sta, a) • BDE (sta, a) • International organisations donors (sta, c, f, i) 	<ul style="list-style-type: none"> • Municipalities (a) 	<ul style="list-style-type: none"> • VET Centre (sta, a) 	<ul style="list-style-type: none"> • Secondary schools (a) • Civil society organisations (a, p) • Certified AE providers (a)
Needs forecasting	No?	<ul style="list-style-type: none"> • ESA (i, f, d) – just for one year ahead 			
Quality assurance and monitoring	Yes	<ul style="list-style-type: none"> • MoLSP (d, i, f) • MoES (d, i, f) • Unions, Chambers, Confederations (sp, c) • International organisations/donors (i, sta, c, f) • VET Centre (sta, c, a) • AEC (sta, c, a) • BDE (sta, c, a) • National Councils (sp, c, e) 	<ul style="list-style-type: none"> • Municipalities (a) 	<ul style="list-style-type: none"> • Sectoral/ Branch Unions (sta, c) • Companies (c, e) 	<ul style="list-style-type: none"> • Secondary schools (a, e) • Training providers (a, e) • Civil society organisations (e, p, a) • SEI (e)
Finance	Yes	<ul style="list-style-type: none"> • MoF (ms, f, d) • MoES (d, i, sta) 	<ul style="list-style-type: none"> • Municipalities (ms, f) 	<ul style="list-style-type: none"> • Sectoral/ Branch Unions (sta, c) 	<ul style="list-style-type: none"> • Chambers of Commerce (a) • Chamber of Crafts (a) • Universities (a) • Training providers (a)
Evaluation	Yes	<ul style="list-style-type: none"> • MoLSP (d, i, f) • MOes (d, i, f) • International organisations/donors (i, sta, c, f) • VET Centre (sta, c, a) • AEC (sta, c, a) • BDE (sta, c, a) • National Councils (sp, c, e) 	<ul style="list-style-type: none"> • Municipalities (a) 	<ul style="list-style-type: none"> • Sectoral/ Branch Unions (sta, c) • Companies (c, e) 	<ul style="list-style-type: none"> • Secondary schools (a, e) • Training providers (a, e) • Civil society organisations (e, p, a) • State inspectorate (e)

Annex 5: HRD strategies

An analysis of national strategies which refer or relate to education, human resources and skills, indicates the following core strategic initiatives focused on national development, which are currently underway:

- Government Work Programme (2011-2015)
- Multi-Annual Operational Programme for Human Resources Development (2007-13)

There are a number of strategies which address skills from the perspective of the economy, competitiveness and innovation:

- Strategy for Innovations of Republic of Macedonia 2012-2020
- Pre-Accession Economic Programme 2012-2014
- Industrial Policy of the Republic of Macedonia 2009-2020
- National Strategy for Information Society Development
- Action Plan on Competitiveness 2012
- National R&D Programme 2012-2016
- Program for Promotion and Support of the Technological Development (2012-2015)

A range of strategies focus on education including VET, AE and LLL:

- National Programme for the Development of Education in the Republic of Macedonia 2005-2015
- Strategy for Development of the Vocational Education and Training Center 2010-2015
- Strategy for Vocational Education and Training in a Lifelong Learning Context 2013-2020
- Strategy of Adult Education 2010-2015
- Strategy for Integrated Education

The following strategies address equality, social inclusion and demography:

- National Strategy for Reduction of Poverty and Social Exclusion in the Republic of Macedonia (Revised 2010-2020)
- Strategy for Gender Equality 2013-2020
- National Strategy for Equality and Non-Discrimination based on Ethnic, Age, Mental and Physical Disability and Gender Equality 2012-2015
- Strategy for Demographic Development of the Republic of Macedonia 2008-2015

Two strategies focus specifically on employment:

- National Employment Strategy 2015
- Action Plan on Youth Employment 2015

Other relevant strategies include:

- Public Administration Reform Strategy 2010-2015
- Strategy for Promotion and development of Volunteerism 2010-2015

More detailed information on this topic is given in the Foresight Report.

Target organisations for RIA (Matrix: Target group categories/Priorities in Skills Vision Document)

FRAME - RIA Component: List of Interviewed Organisations	
Institutions in charge of policy making	
1	Cabinet of Deputy Prime Minister for Economic Affairs
2	Ministry of Education and Science: Department for Primary and Secondary Education and IPA Unit
3	Ministry of Labour and Social Policy, Department for Labour
4	Ministry of Economy, Human Resources Department
5	Ministry of Self-Government, Department for Regional Development and Inter-municipal Cooperation
6	VET Centre
7	Adult Education Centre
8	VET Council
9	Bureau for Development of Education
10	Bureau for Development of Education – Tetovo Local Branch
11	National Agency for European Educational Programmes and Mobility
12	State Education Inspectorate
13	State Examination Centre
14	Council for Monitoring of the Implementation of the VET Strategy
15	Employment Services Agency of the RM
16	Employment Service Bureau, Tetovo
17	Agency for Support to Entrepreneurship of the RM
18	ZELS (Association of Units of Local Self-government of the RM)
19	Municipality Tetovo, Department for Public Affairs, Education Unit
20	Municipality Tetovo, Department for Local Economic Development, Department for Education, Municipal Education Inspectorate
Institutions engaged in policy delivery	
21	Rade Jovcevski Korcagin Secondary General School
22	Mosa Pijade Secondary Vocational School, Tetovo
23	Lazar Tanev Secondary Vocational School
24	Mihajlo Pupin Secondary Vocational School

25	Vlado Tasevski Secondary Vocational School
26	Yahya Kemal College Skopje, private secondary general school
27	National Centre for Development of Innovation and Entrepreneurial Learning, Machine Engineering Faculty
28	Business Academy Smilevski, private higher vocational school
29	Business Development Centre, South-East European University Tetovo,
30	Koco Racin Open Citizen's University for Lifelong Learning
31	Macedonian Civic Education Center (MCEC/MCGO)
Stakeholder institutions involved in policy cycle	
32	Chamber of Commerce of the RM, Centre for Education
33	Chamber of Crafts of the RM
34	Union of Independent and Autonomous Trade Unions of Macedonia
35	Federation of Trade Unions
36	Business Confederation of the RM
37	YES Business Start-up Centre Skopje
38	Centre for Lifelong Learning, IIZ DVV
39	Partner Private Employment Service
40	Rade Konchar, private company for manufacture of electronic equipment
Institutions leading budget planning and monitoring, MTEF	
41	Ministry of Finance
42	Ministry of Economy
43	Ministry of Education and Science
44	Ministry of Labour and Social Policy
45	Council for Monitoring of the Implementation of the VET Strategy

Annex 6: RIA – MTEF: A Methodological example for prioritising public projects

Defining the projects

When prioritizing projects, the first aspect to be considered is the nature of the project. Generally, projects fall into one of the following categories:

- a. **Tactical projects** represent short term solutions to take advantage of a situation/opportunity that has presented itself.
- b. **Strategic projects** may not have immediate rate of return, but they bring long-run benefits, both from a social and economic point of view.
- c. **Emergency projects** are financed to cope with unpredictable situations that need immediate solutions. In case of inundations, for instance, a school may be damaged and needs to be reconstructed immediately, even if the funds were not initially planned in the budget.
- d. **Compliance projects** are needed to remain in compliance or bring into compliance with rules, regulations or new laws.

The second aspect to be considered when prioritising projects is their goal. Projects may have social, economic, cultural and infrastructure finality. Social projects (schools, hospitals, asylums) cannot be evaluated in the same way as economic (building a refinery, for example), infrastructure (highways, canalisation, bridges), or cultural projects (cinemas, churches, stadiums).

What is specific for social and cultural projects is the absence of market-related prices for them, which makes it difficult to quantify the social benefits and therefore to take decisions based on their net benefits. There exist several techniques for assessing such benefits, but they all involve significant elements of subjectivity and can at best help to inform the decision makers. The prioritisation criteria should therefore take into account this element.

Project prioritisation: the main steps

Step 1: Project classification

The first step in the process of project evaluation is to make a classification of the proposed projects according to their nature and end goal. The following table can be constructed in this way. Some projects could be urgent and focused on compliance, having both a social and cultural end-goal (P1). Others may have a dual nature: strategic and compliance type (P4). The project P3 has social and infrastructure end goals, etc.

	Nature				End goal			
	Tactical	Strategic	Emergency	Compliance	Social	Economic	Infrastructure	Cultural
P 1								
P 2								
P 3								
P 4								

...								
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Social projects are rarely tactical or strategic, while economic projects are very often not related to compliance. In very few cases are cultural projects of a strategic or emergency type.

Step 2: Initial screening

In order to make a preliminary ranking of the projects that will be prioritised, we propose the following scaling mechanism: each project P_i ($i=1, 2\dots$) is given a score, on a scale from 0 to 100, for each of the four categories of projects that are classified according to their nature (tactical, strategic, emergency, compliance). Different weights are attached to these four categories; we propose to allocate:

- a. Weight 0.2 for tactical projects;
- b. Weight 0.2 for strategic projects;
- c. Weight 0.5 for emergency projects;
- d. Weight 0.1 for compliance projects.

This procedure applies to all projects, irrespective of their end goal (economic, social, cultural, and infrastructure) and the same weighting scale should be used in all cases. As an example, the following four projects are scored as follows:

Project/Score	Nature				Total score
	Tactical	Strategic	Emergency	Compliance	
Weight	0.2	0.2	0.5	0.1	
P1	60	0	10	0	17
P2	0	10	0	80	10
P3	10	70	0	0	16
P4	0	0	85	5	43

It follows that the project P4, which is essentially an emergency project, is ranked first, while the lowest priority – according to this criterion – is given to project P2.

In order to decide which projects will be effectively prioritised during the third step, two methods can be used:

- a. All the projects ranked in the first step are considered for prioritisation.
- b. Only those projects that scored a minimum value will be considered for prioritisation. In our example, we may consider that projects falling below 15 points will not be included in the list for further prioritisation. In this case, the last ranked project (P2) is eliminated from the list that goes for the third round of evaluation.

However, there are cases when a project receives a bad score during the initial screening, but its importance is much higher when the prioritisation criteria are considered. It is therefore advisable to keep all the projects for the final prioritisation.

Another issue related to the initial screening is the extent to which all the projects, irrespective of their end goal, should be ranked together or each category (social, economic, infrastructure, compliance)

ranked separately, using different weights. For simplification, we propose to evaluate all the projects together, since the proposed methodology for final prioritisation allows assessing all the projects together.

Step 3: Project prioritisation

The third step for assessing the degree of priority to be assigned to a specific project is the definition of evaluation criteria. This is the most important component of the process, as different types of projects need to have different criteria of evaluation, although some of the criteria are common to all types of projects. In establishing those criteria, the following five principles should be considered for making the decisions more rational:

1. **Participatory and multi-sectoral:** the project has undergone a planning process through consultation among the main stakeholders. At the same time, the project is complementary to other projects from other sectors of the economy: canalisation and road building, for example.
2. **Magnitude of impact:** the number of people benefiting from the project outcome, the impact of the project on the natural and social environment, the impact in terms of poverty alleviation, job creation, improvement of living conditions, etc.
3. **Relevance:** how relevant the project would be for the community and to what extent the project is part of the socio-economic development strategy of the country. As a rule, only the projects included in the national development plan should be financed. Outside this framework, only emergency – and to some extent tactical – projects may receive resources.
4. **Feasibility:** the project is realistic at this particular period of time, given the constraints on government resources. When financial resources are limited, only those projects that need to be started immediately should be selected; those which can be postponed without major social or economic negative implications should be deferred.
5. **Sustainability:** the project provides the necessary mechanisms for continuity. This principle is particularly important in the case of co-financed projects, which are partially funded by the Government and the rest of the funds come from international donors or private investors. To a large extent, the sustainability implies that the financing is guaranteed for the whole lifespan of the project.

Besides these principles, the decision-making factors should pose three complementary questions when deciding about financing the projects:

- A. How can we determine how many public resources should be allocated?
- B. How can we make sure that the most beneficial projects are selected?
- C. How can we implement the projects so that they bring the expected results?

The answer to these questions resides in the following aspects that should be taken into account:

- a. Public financing decisions should be based on a consolidated budget approach, incorporating all revenues and expenditures, foreign-financed projects and extra-budgetary funds with investment activities.
- b. Public financing decisions should be based on a medium-term budget perspective.
- c. Decisions regarding public financing should be taken in the context of a hard budget constraint. Ambiguities regarding the availability of investment funds undermine incentives for efficient use of the funds. There should be explicit ceilings for guarantees and commitments beyond the budget year.

- d. Governments should have clear policies regarding which projects should be financed by the budget, which may be realized through public-private partnerships, and which should be handled by public or private enterprises.
- e. The budget calendar must be clear, transparent and stable. Development and analysis of project proposals should be completed early and well before the budget preparation process starts.
- f. Ideally, a specialised agency, with strong links to the MoF, should prepare the guidelines for project development and cost-benefit analysis of proposals. The agency should review project proposals to ensure that they are adequately prepared and analysed, and it should have the authority to reject projects that do not meet established standards. When such an institutional structure does not exist, a *Project Evaluation Group* should be created, within the MoF, with the participation of one or two persons from outside the Government (representatives of foreign donors, NGOs, academia, etc.). The outsiders' participation is necessary to avoid subjective or biased decision-making.
- g. Ministries should compete for funds based on the net social value and political priority of their proposals.
- h. Budget adjustments should give incentives for realistic initial capital cost estimates. Cost overruns during project implementation should be covered through reallocation of funds within ministries' existing budgets. In the case of real cost reductions, ministries should be allowed to retain part of these savings.
- i. There should be progress and completion reports for all public projects, which will form the basis for cross-sectoral analysis.

Given the above considerations, the prioritisation could be done on the basis of the following five main criteria:

1. Relevance
2. Impact (Economic, Social, Environmental)
3. Cost-Sharing
4. Sustainability
5. Others

Following the above example, the four projects evaluated through the initial screening are prioritised according to the five criteria by scoring them on the same scale from 0 to 100. Each criterion receives a weight, according to its importance:

- a. Relevance: Weight 0.3
- b. Impact: Weight 0.25
- c. Cost-sharing: Weight 0.15
- d. Sustainability: Weight 0.25
- e. Others: Weight 0.05

With respect to the impact of the project on social, environmental and economic domains, the corresponding weight (0.25) can be disaggregated to give different importance to each of these three aspects. Social impact should be considered as the most important, and therefore given a weight of 45%, followed by the environmental impact (weight 35%), and the economic impact (weight 20%).

When scoring each criterion, the following elements need to be considered:

- a. **Relevance** means in general usefulness, opportunity and necessity. The following scores can be attributed, on a scale ranging from 0 to 100, depending on the degree of relevance of the project.

Degree of relevance	Score scale attributed
Very relevant	80 – 100
Average relevant	40 – 79
Little relevance	1 – 39
Irrelevant	0

- b. The **impact** of a project can be essentially economic, social, and environmental. In the proposed methodology, each of those aspects received different weights, the social component being considered as the most important. While social and economic impacts are scored on the 0 – 100 scale, the environmental impact is evaluated on the scale (–100 : +100). In this way, if a project has a negative impact on the environment, its score will be negative (the project P4 in the presented example).

The effective evaluation of each type of impact can be detailed as follows:

- Social impact: number of jobs created, expected increase in average income or salary, number of people getting out of poverty, etc.
 - Economic impact: estimated spill-over effect in terms of economic activity (other businesses developing around the main outcome of investment, etc.), contribution to community, increase of tax revenues, etc.
 - Environmental impact: reduction/increase in quantity of emissions, noise, etc.
- c. The **cost-sharing** principle is an important criterion of prioritisation, particularly for social and cultural projects. As a rule, these types of projects benefit from a large co-financing mechanism from international donors, private contributors, sponsorship, donations, etc. If the cost-sharing principle is not considered, then many social and cultural projects risk to be excluded from financing, although the contribution of the state budget might be low.

This criterion is scored on the scale ranging from 0 to 100, with the following possible levels of valuation:

Share of total cost covered from other sources (%)	Score scale attributed
> 80	90 – 100
60 – 79	60 – 89
40 – 59	40 – 59
20 – 39	20 – 39
10 – 19	11 – 19
1 – 9	1-10
0	0

- d. **Sustainability** concerns the long-term duration of project outcomes, its maintenance and upgrading, self-financing of its functioning, and profitability in the case of economic investments. For example, an economic project is sustainable if no additional resources are

necessary for its functioning; an infrastructure project is sustainable if a large number of users benefit from it, with a relatively low economic cost versus the social benefit. Sustainability can be valued on a 0 – 100 scale, as follows:

Expected lifetime of project outcome, without additional resources from the budget (years)	Score scale attributed
> 30	80 – 100
21 – 29	50 – 89
10 – 19	20 – 59
0 – 9	0 – 19

- e. Other criteria that could be considered refer, for example, to the extent to which a project:
- i. contributes to balancing the regional development or the development of a specific region confronted with insufficient economic and employment opportunities;
 - ii. favours minorities or disadvantaged groups;
 - iii. maintains and safeguards local and national traditions, specificities, etc;
 - iv. improves the country's image abroad;
 - v. attracts other investment, domestic and foreign.

As in most of the cases, these additional criteria can be scored on a 0 to 100 scale.

Based on this mechanism, the four projects exemplified above can be prioritised in the following manner:

	A			B	C	D	E	
1	Project			P1	P2	P3	P4	
2	Score after step 2 (initial screening)			17	10	16	43	
3	Score step 3			53.75	22.44	45.38	45.19	
4	Weight	0.3	Relevance	50	20	40	65	
5		0.25	Impact	44	35.75	54.5	23.75	
6			0.45	Social	75	35	75	60
7			0.35	Environmental	15	20	25	-35
8			0.2	Economic	25	65	60	45
9			0.15	Cost-sharing	40	15	0	20
10			0.25	Sustainability	80	20	75	65
11			0.05	Others	35	5	20	10
12	TOTAL SCORE			70.75	32.44	61.38	88.19	
13	Project Rank			2	4	3	1	

Notes: a) the calculation of the total score for the third step is the following:

$$P1 (53.75 - \text{cell B3}) = 0.3*B4 + 0.25*B5 + 0.15*B9 + 0.05*B11$$

$$P2 (22.44 - \text{cell C4}) = 0.3*C4 + 0.25*C5 + 0.15*C9 + 0.05*C11$$

$$P3 (45.38 - \text{cell D4}) = 0.3*D4 + 0.25*D5 + 0.15*D9 + 0.05*D11$$

$$P4 (45.19 - \text{cell E4}) = 0.3*E4 + 0.25*E5 + 0.15*E9 + 0.05*E11$$

b) the calculation of the total score corresponding to the impact criterion is the following:

$$P1 (44 - \text{cell B5}) = 0.45*B6 + 0.35*B7 + 0.2*B8$$

$$P2 (35.75 - \text{cell C5}) = 0.45*C6 + 0.35*C7 + 0.2*C8$$

$$P3 (54.5 - \text{cell D5}) = 0.45*D6 + 0.35*D7 + 0.2*D8$$

$$P4 (23.75 - \text{cell E5}) = 0.45*E6 + 0.35*E7 + 0.2*E8$$

According to the scores obtained after the step 3 evaluation the first project becomes the most important for the country. However, when summing up the scores from initial screening and the scores from the third step of evaluation, the project P4 becomes the first priority for financing.

Further considerations in prioritising investment projects

Intra-sectoral versus cross-sectoral allocation of resources

The use of the above criteria will allow the decision factors to establish the ranking of projects to be financed from public resources. However, the final decision regarding the list of projects to be financed needs to consider the inter- versus the intra- sectoral prioritisation. The first instance (inter-sectoral prioritisation) refers to cases when selection is made at sectoral level (education, transport, energy, health care, industry, etc.). Once the resources are allocated by sectors, the intra-sectoral prioritisation concerns projects submitted for financing without being initially prioritised. This is usually termed *prioritisation when everything is critical*. Each ministry considers that all projects submitted are important, urgent, and need to be financed immediately.

The inter-sectoral allocation of resources needs to be anchored in an encompassing national strategy for development. The strategy should provide general guidance and a framework for prioritization, as well as the strategic priorities. This is equivalent to clear spending commitments of the Government, for example in terms of a certain share in GDP for the education sector, health sector, R&D, etc. This might also be the case when pension expenditures must be supplemented from the budget for certain categories of beneficiaries, or for a certain level of the average pension that cannot be covered from the existing revenues. When allocating the funds across sectors, an important issue is the identification and mitigation of anomalies in inter-sectoral allocations of expenditures, which may represent a powerful tool for further prioritization. Some sectors may be overfunded, while others receive very small financial envelopes. These outliers can be identified in terms of their relatively low or high shares in total expenditures, or through comparing expenditure growth rates for different sectors. Agriculture represents a good example of a critically important sector (in the management of natural resources) that could remain underfunded. On the other hand, the size and growth of expenditures on roads, while reflecting massive rehabilitation needs and the high priority assigned to this sector, may have far outrun investments in other major infrastructure sectors.

It is very important to ascertain the reasons behind gross anomalies in inter-sectoral expenditure patterns. Where major under-spending in a sector is related to limited capacity or poor performance of the Ministry concerned, additional funding alone will not solve the problem; on the contrary, this could waste further resources. In some cases, gross anomalies may in large part be attributable to donors' preferences, as they may gravitate toward visible, popular, or well-performing sectors.

From an incentive standpoint, it may make sense to have some linkage between sectoral allocations and performance. For example, ministries/sectors that do better in terms of spending the money they are allocated would benefit from continuing or higher allocations in the future, whereas those that are not able to spend their allocations would receive reduced allocations. However, the link between financing and performance can result over time in underperforming sectors systematically getting fewer resources than their importance for the economy and/or society would normally allow. Since donors in their own allocation decisions respond to perceived good performance, they can exacerbate such imbalances. Thus, while the short-term performance linkage may be desirable, over the medium-term it is essential to correct reasons for underperformance and ensure that well-performing sectors do not become grossly overfunded in relation to their strategic importance.

When clear pre-commitments do not exist, the inter-sectoral prioritisation could be carried out through the cost-benefit analysis. While superficially attractive, this approach carries heavy technical and information requirements, and even in industrialized countries it is not used systematically, except in the evaluation of new project proposals. Moreover, there appear to be biases across sectors; for example, power projects and roads tend to have high estimated economic rates of return, whereas those for large irrigation projects tend to be more marginal. Since such differences are common across projects, they most probably reflect differences in the methods applied, data, etc., rather than underlying differences in the development impact across sectors. Using the cost-benefit analysis to prioritize across sectors can be therefore misleading and even counterproductive.

The intra-sectoral allocation of resources needs to take into consideration the *complementarities* between different projects. A good example is the power sector, where gross imbalances between investments in generation, transmission, and distribution would sharply reduce the returns. This highlights the need for a robust sector strategy (an Energy Master Plan for example), which would provide the rationale for prioritization, based on sequencing investments. In this respect, a *Complementarities matrix* can be constructed in the following way:

	P1	P2	P3	P4
P1			X	
P2	X			X
P3	X			
P4				

In this example, the first project (P1) complements the third one, while P2 complements P1 and P4. The third project (P3) complements only P1, while P4 does not complement any other project in the list. Depending on these characteristics, each project may be represented by a corresponding coefficient. For example, given the final scoring that the four projects received after prioritisation, and taking into account the complementarities matrix above, the final ranking of the projects could be the following:

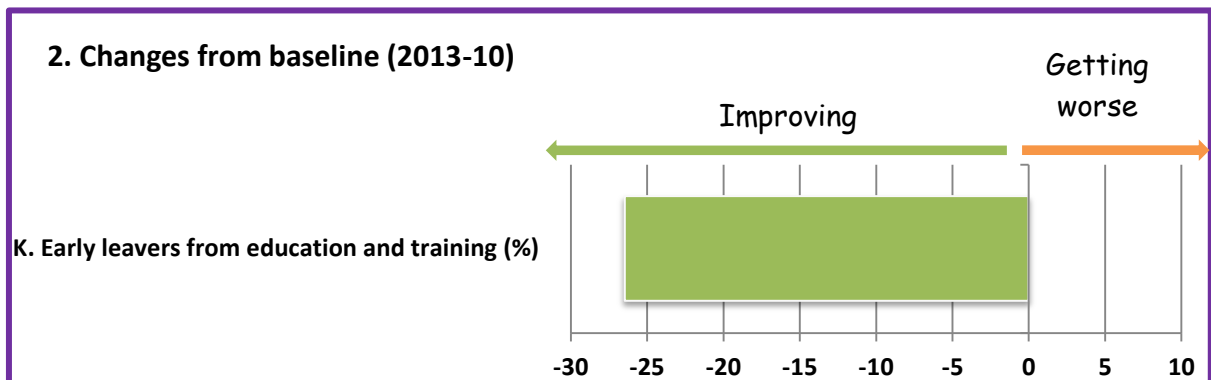
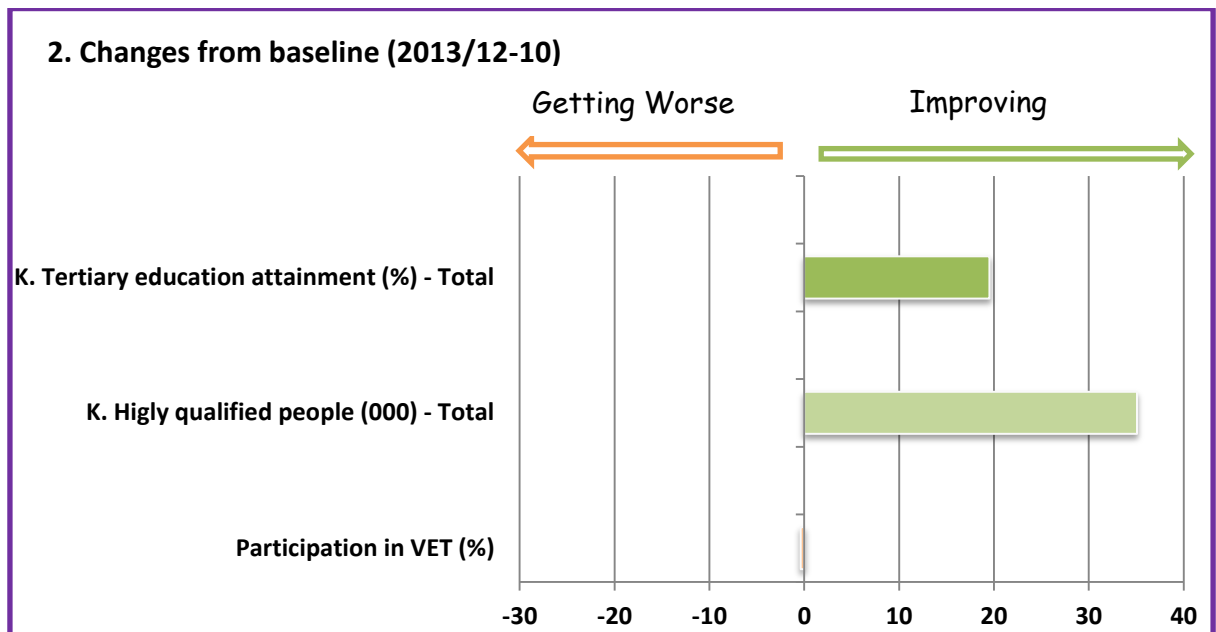
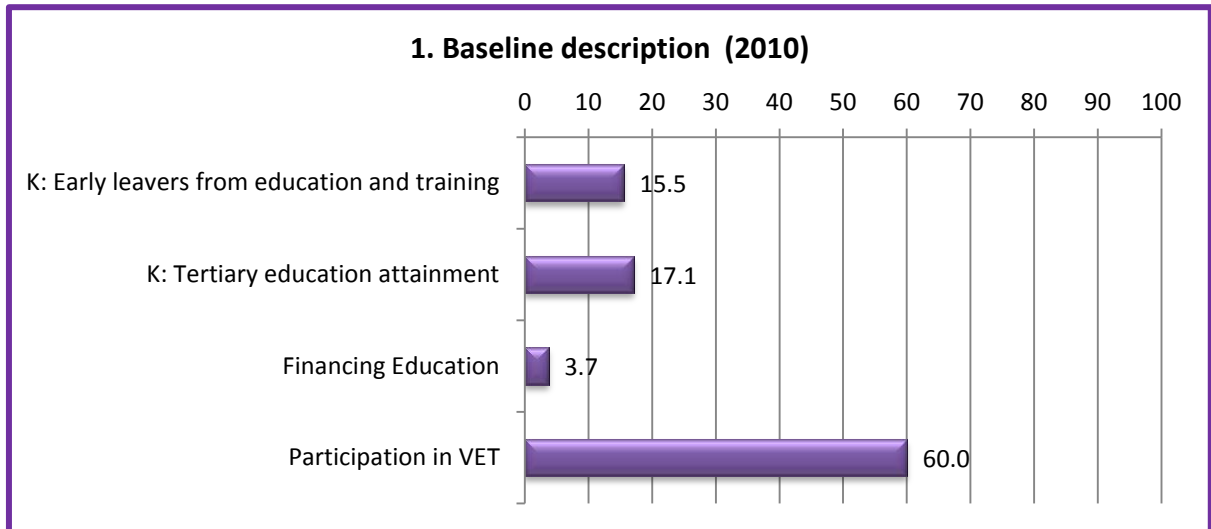
Project	Total score step 3	Complementarities index	Final ranking
P1	70,75	0,86	60,85

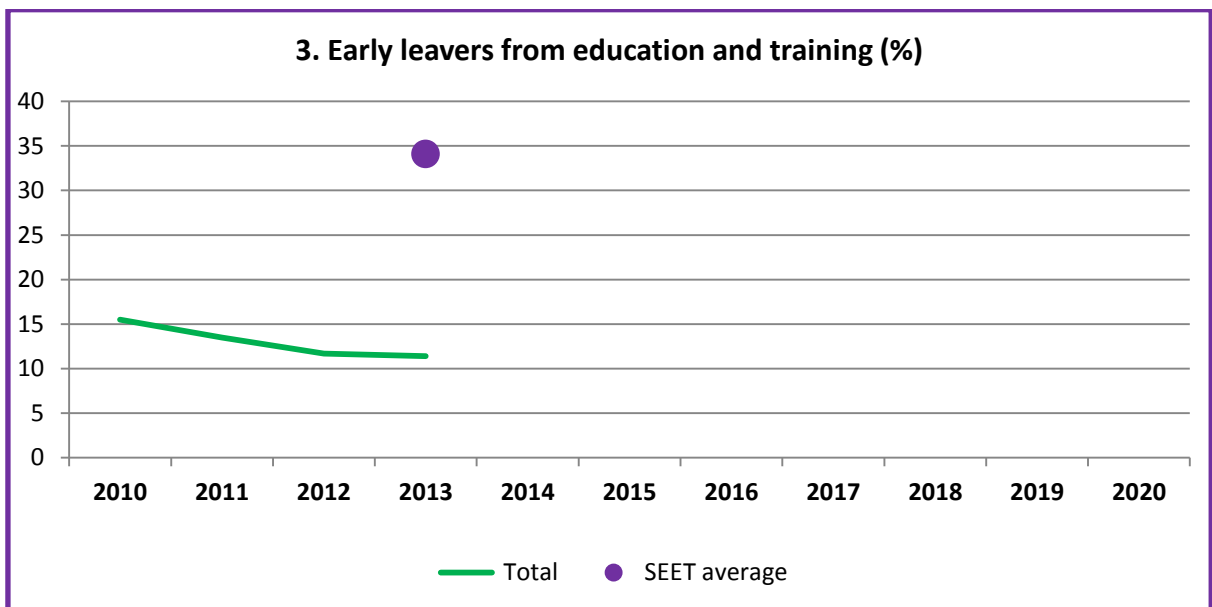
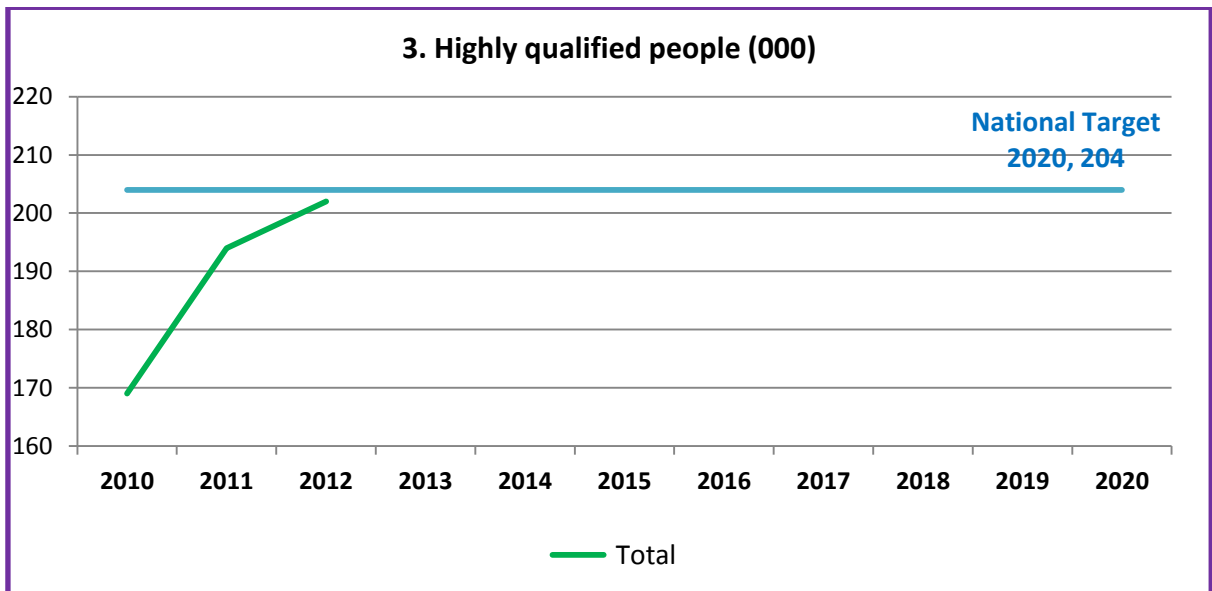
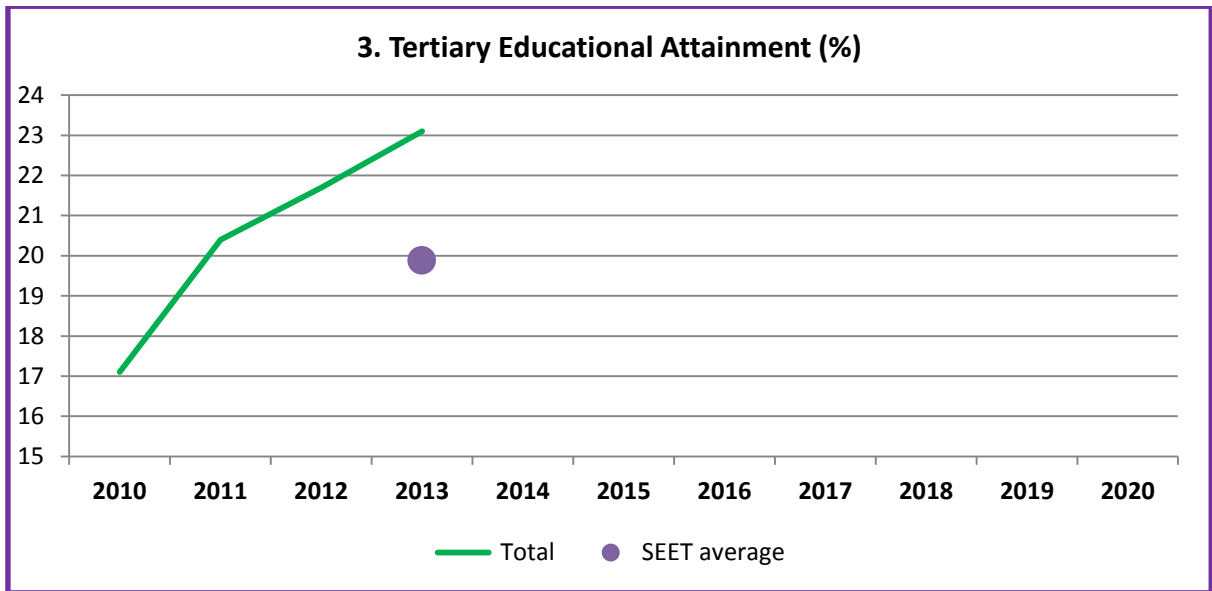
P2	32,44	0,92	29,84
P3	61,38	0,78	47,87
P4	88,19	0,7	61,73

The complementarities index can therefore be allocated the value 1 (for highly complementary projects), to a minimum of 0.7, when a project is isolated from the others. The complementarities index should not be given overly low values, as important projects may be eliminated from financing because they are not very much linked to other investment initiatives, which may simply be due to the very specific and unique nature of that project.

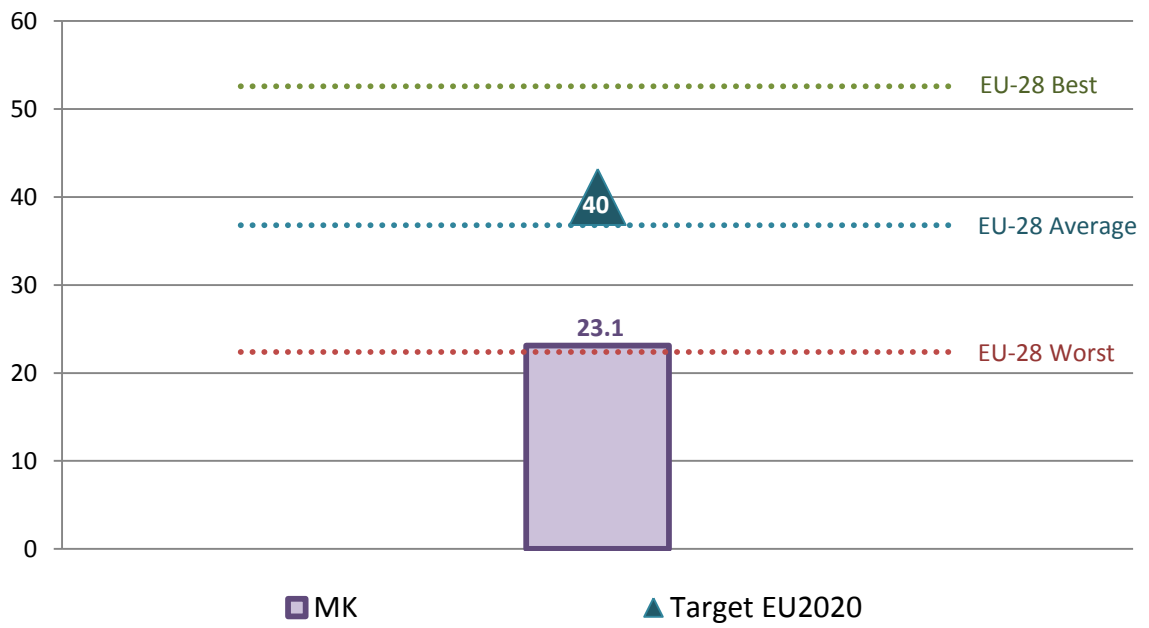
Annex 7: Monitoring Graphs

Policy Area 1: Improving the education and training system (raising skills levels, acquisition of key competencies, prevent early school leaving, etc.)

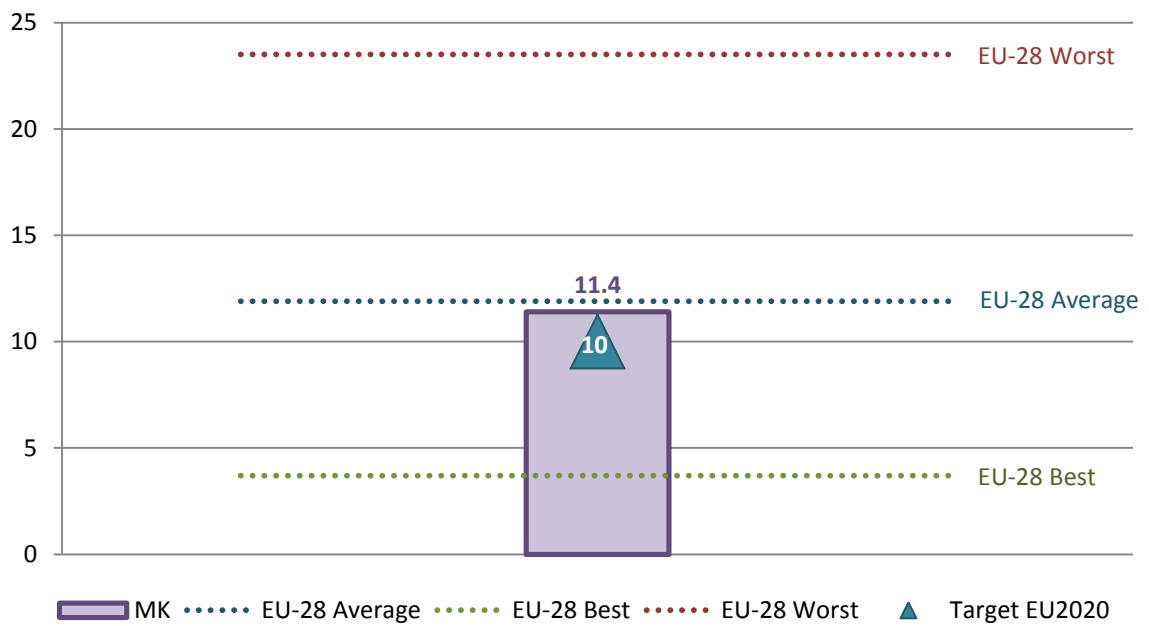




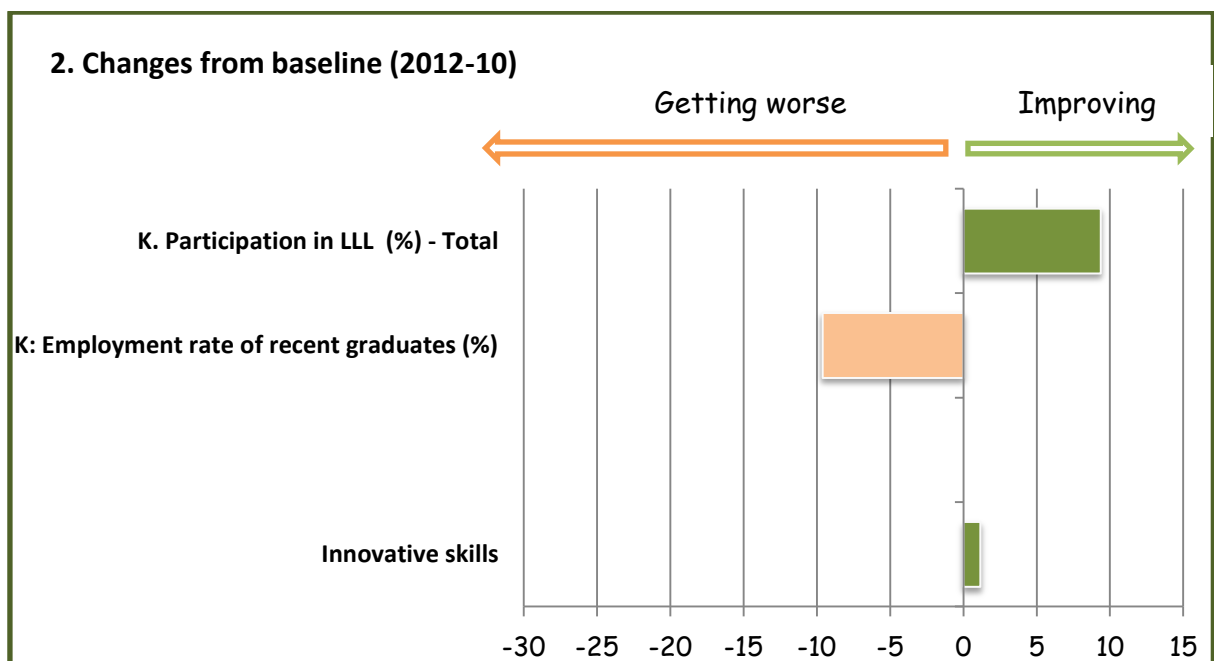
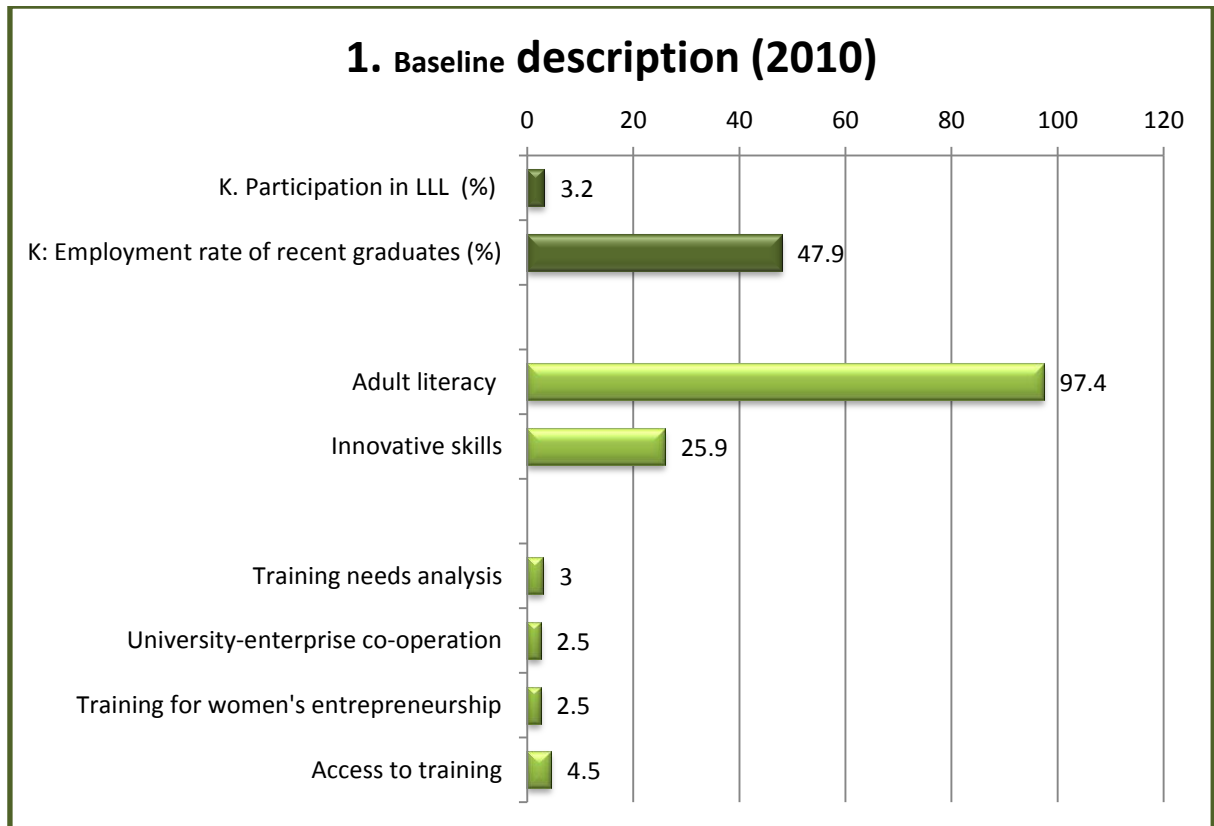
4. Tertiary education attainment (%) - 2013

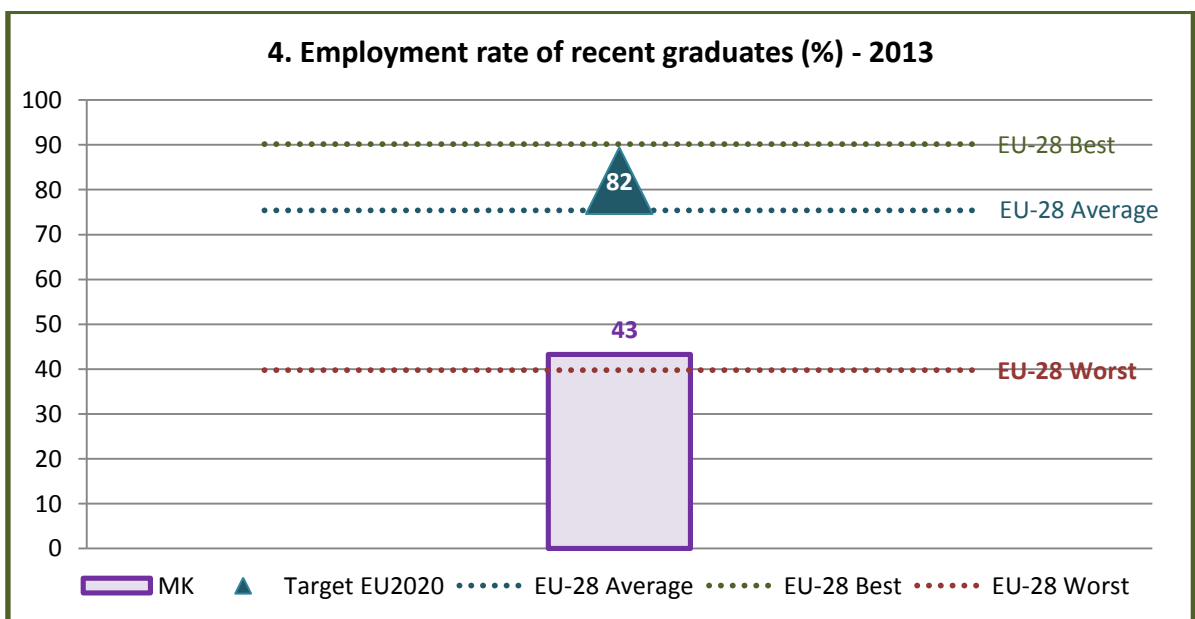
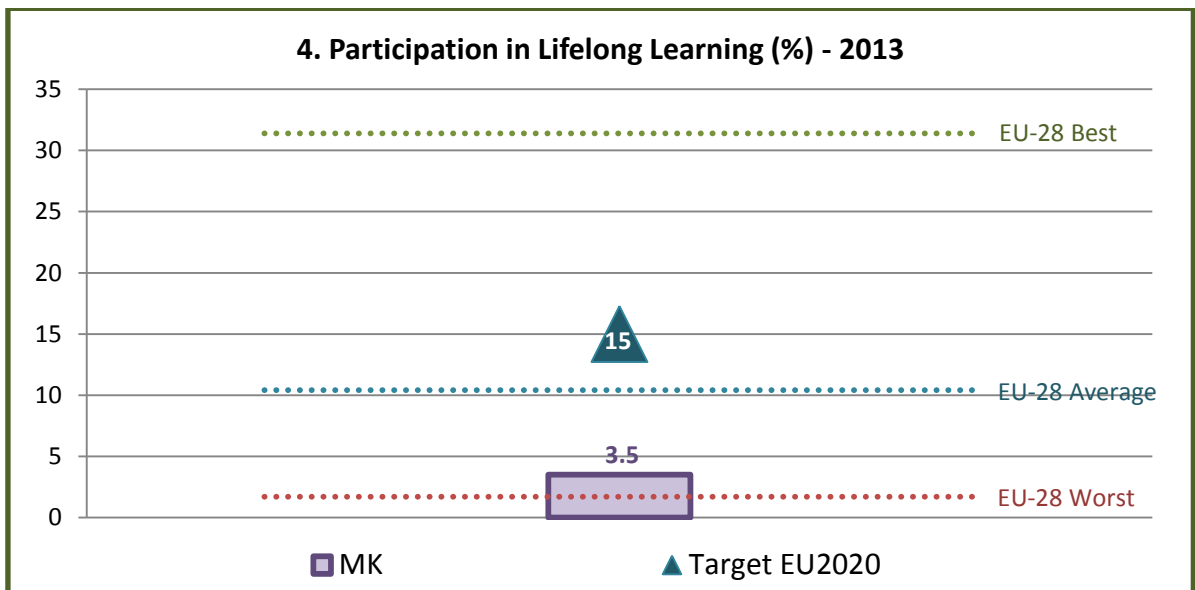
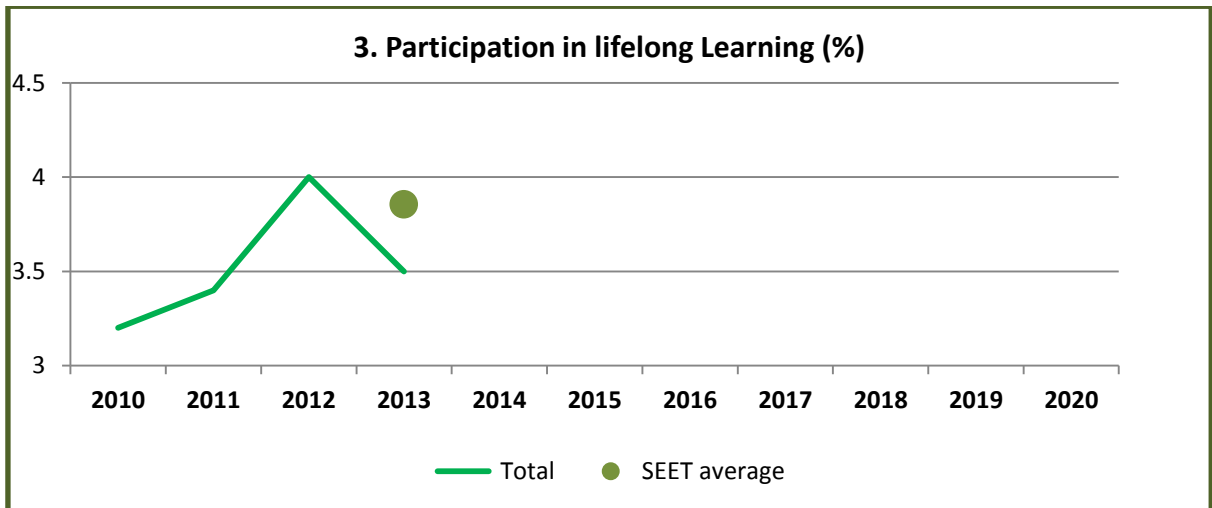


4. Early leavers from education and training (%) - 2013

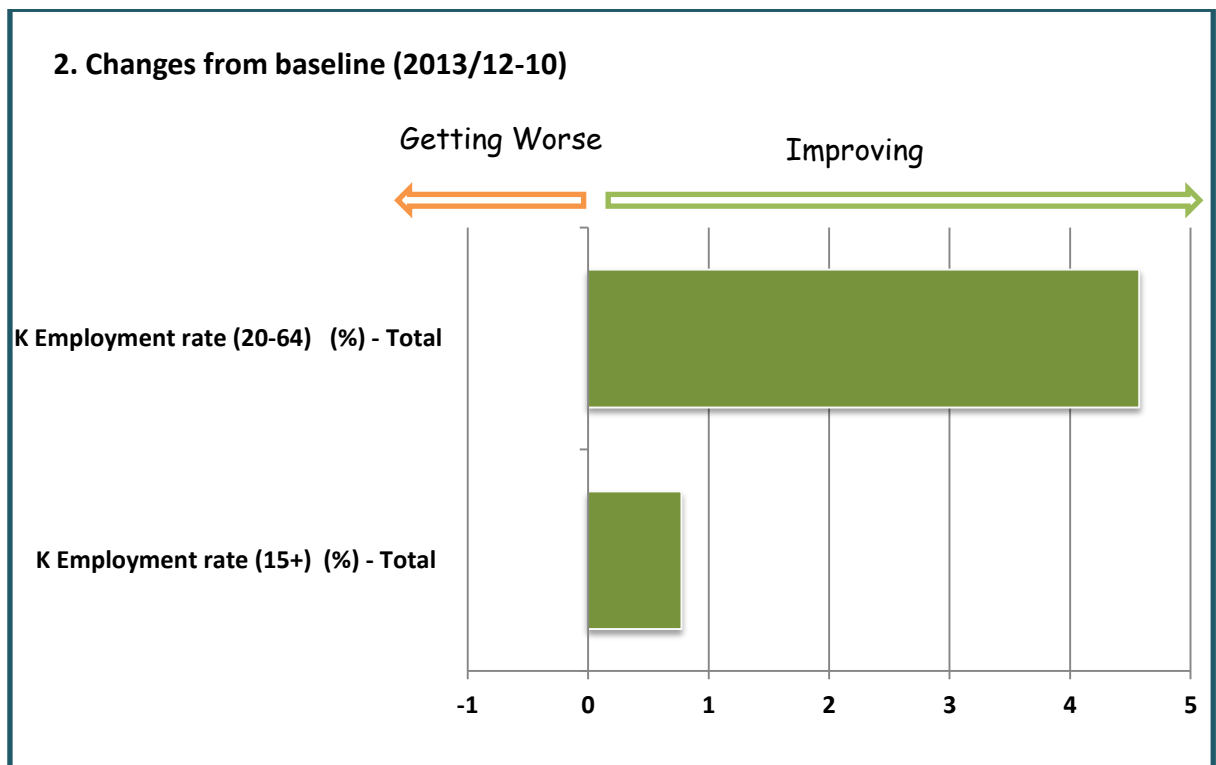
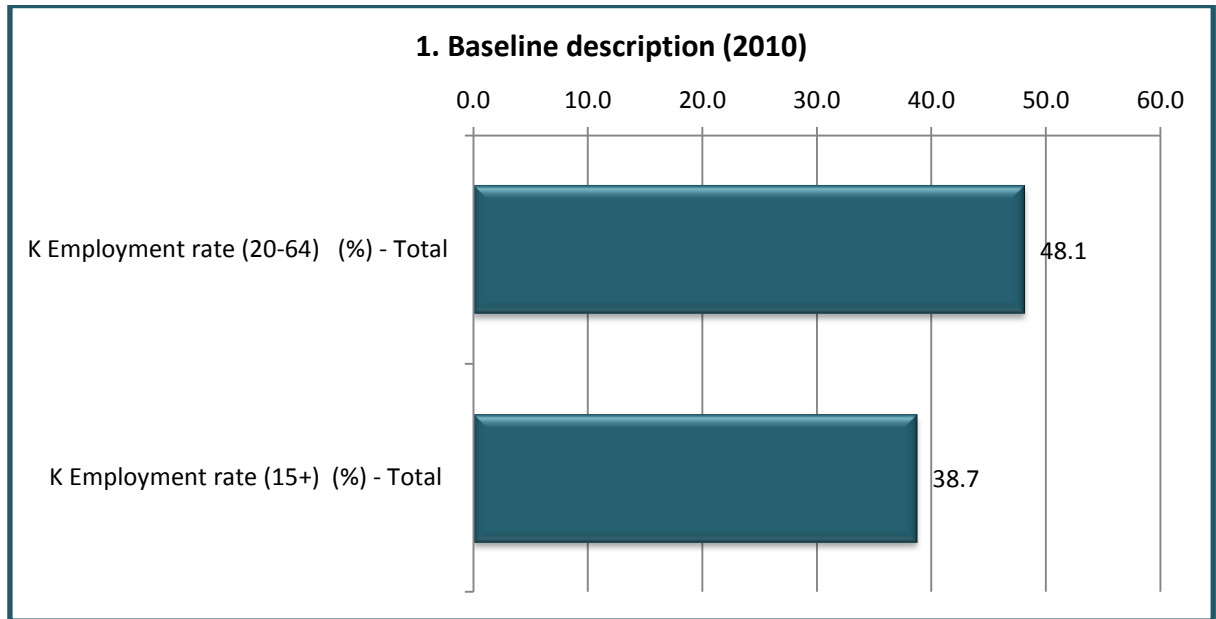


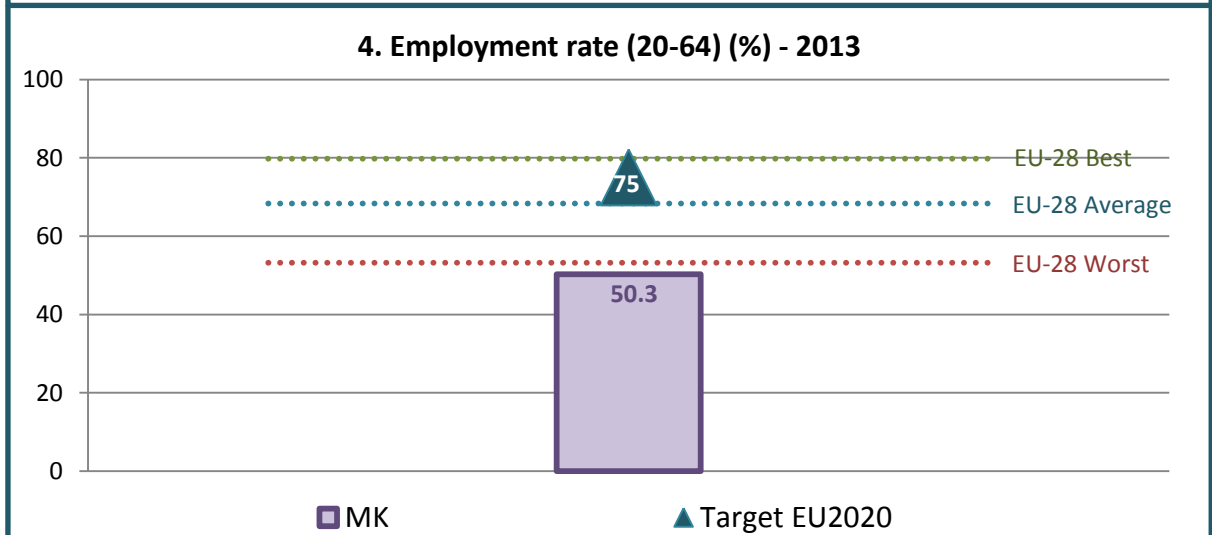
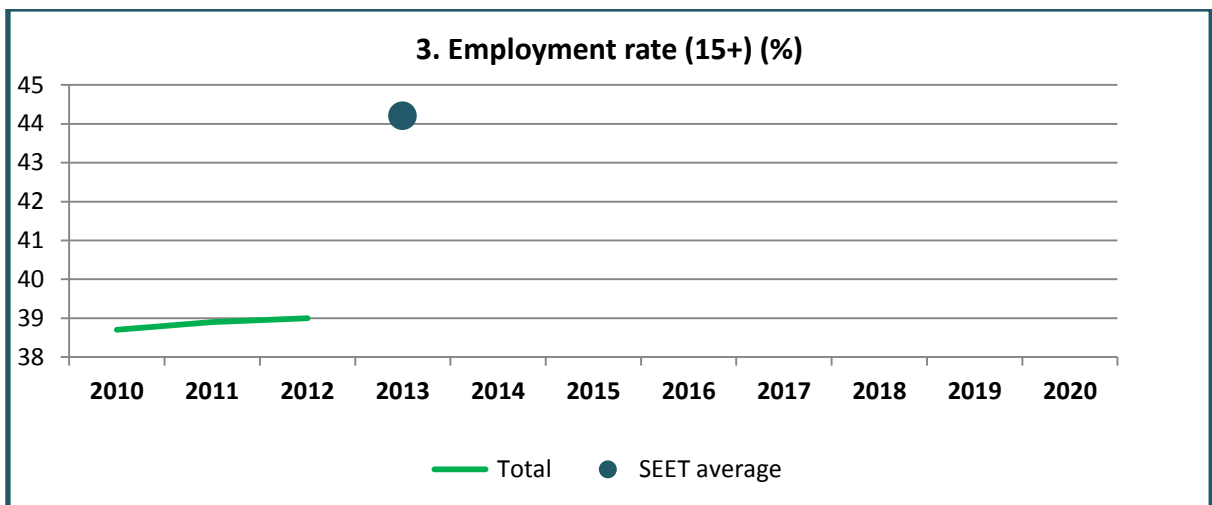
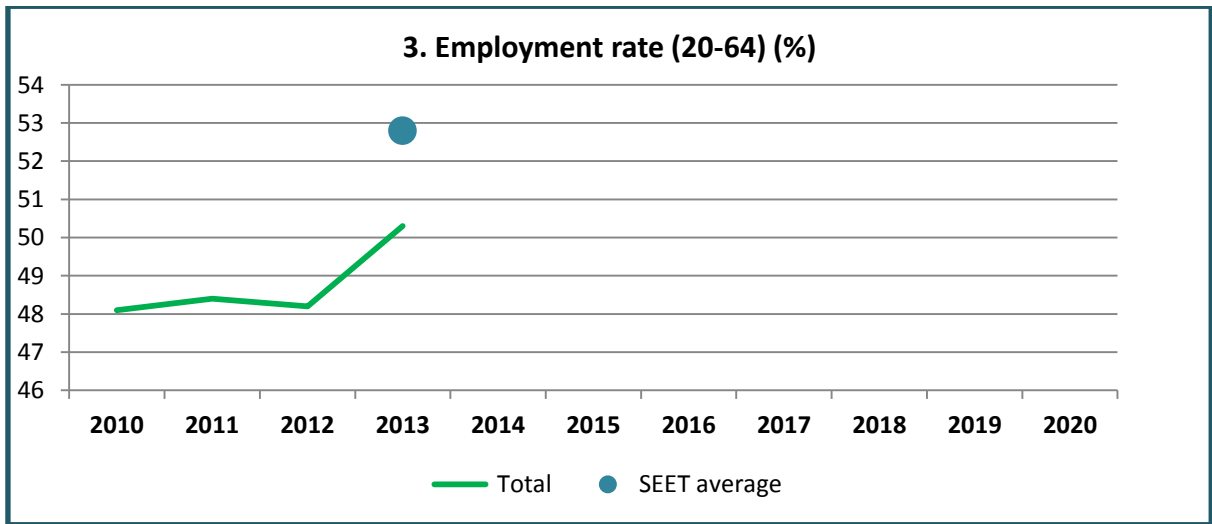
Policy Area 2: Improving skills supply and productivity, LLL (adaptation of the labour force skills to labour demand; ALMP measures and training measures, etc.)





Policy Area 3: Increase Labour Market Participation (employment, unemployment, labour market participation of specific groups, etc.)





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