

# FORMER YUGOSLAV REPUBLIC OF MACEDONIA

## ETF COUNTRY PLAN 2009

### Summary

The overall objectives of ETF assistance to the former Yugoslav Republic of Macedonia in 2009 and in the mid-term perspective until 2011 are to support: i) the European Commission and its services in the development and deployment of external assistance, and ii) the continuing development of capacities in the country in the area of human capital development.

The ETF's work is generally guided by the policy objectives and orientations of the European Employment strategy and the EU's Education and Training agenda and capitalises on its lengthy experience of assisting candidate countries for EU membership with ESF preparations. The ETF's principal intervention approach is to involve local actors in a policy learning process.



#### **ETF measures planned for 2009:**

The ETF will update its human resources development country analysis on the former Yugoslav Republic of Macedonia, including a report on recent progress, and publish and disseminate it in various formats. ETF staff inputs will be made available to support the Directorate General of Employment and Social Affairs of the European Commission (DG EMPL) and the EC Delegation in Skopje with their analytical and assistance programming tasks, as well as the Macedonian education and labour ministries with their IPA planning processes, as requested. Continued support to the National VET Centre and to education and training system reform will be provided through an evaluation of VET curriculum reforms undertaken so far and by helping to establish working groups involving social partner representatives in a few pilot sectors who will identify sector skill needs and qualifications. In addition, experts from the former Yugoslav Republic of Macedonia will be involved in regional ETF initiatives on social inclusion in education and training, improved VET teaching and learning processes through school development, entrepreneurship learning and company training needs analyses, as well as a mutual learning programme which will focus on quality assurance in VET, post-secondary education and adult learning.

## 1. Socio-economic background

The granting of the status of candidate country for accession to the EU in December 2005 provided an important impetus and direction to the former Yugoslav Republic of Macedonia's political and socio-economic development. Accession negotiations have not started yet. However, the country will be able to draw on major financial support from the EU's IPA<sup>1</sup> programme with the help of which reforms in key areas can be taken forward.

<sup>1</sup> IPA – the European Union's Instrument for Pre-Accession Assistance for the countries of the Western Balkans

The former Yugoslav Republic of Macedonia is one of the countries in Europe with the biggest ethnic mix. Macedonians and Albanians form the largest groups. According to the 2002 census, Macedonians constitute 64.2%, Albanians 25.2%, Turks 3.9%, Roma 2.7% and other minorities 5% of the population. The Albanian community is concentrated in the western part of the country where agriculture prevails.

The Ohrid Framework Agreement (OFA), which was agreed after the inter-ethnic conflict in 2001, sets the groundwork for improving the rights of ethnic groups and the devolution of powers to municipalities.

The former Yugoslav Republic of Macedonia used to be the poorest of all Yugoslav republics. With independence, the country lost not only the major subsidies from Belgrade, but also its most important markets: 80% of its exports used to go to the rest of Yugoslavia. Traditionally, the economy is based on agricultural products, including tobacco, corn, potatoes and cotton. Other important export goods are sheep cheese, lamb meat and wine. The country is able to produce the food it needs, but is forced to import, for example, all of the required oil, gas and modern technology. The small manufacturing sector is restricted to some steel, textiles, food processing and chemical industries. Natural resources exist but are close to being exhausted. The biggest trade partners today are Germany, Serbia, Montenegro, Greece, Russia and the US.

Structural economic reforms started basically only in 1996, after the end of the Greek embargo and when GDP had approximately halved compared to its pre-independence levels. The privatisation process implemented mainly through a management buy-out was quick, but was neither guided by innovative ideas nor accompanied by foreign investments, which hindered the much-needed restructuring process. Many of the bigger companies closed down or have been loss-making since then.

Thus, the biggest challenge of the former Yugoslav Republic of Macedonia is its economy. GDP per capita amounts to roughly one quarter of the EU-25 average (25.8% in 2005), while unemployment is well over 30%. The country has completed the first stage of transition by ensuring favourable macroeconomic conditions in terms of price and currency stability, but the main barriers for creating a vibrant market economy – one that can compete also on global markets and create jobs - lie primarily in the micro-economic sphere.

Initial government measures included the process of restarting large companies, activating small industrial capacities, streamlining procedures for starting new businesses and creating a one-stop-shop system for foreign investors. Taxes on profits and income have been lowered. Additional measures are needed, which include the continuous fight against corruption and the establishment of a functioning legal system, the rapid resolution of contract and property disputes, the completion of the land cadastre system and ways to encourage the sales of state or privately owned plots of land, better and cheaper infrastructure and relief from excessive regulatory and tax burdens faced by companies of all sizes. The banking sector needs consolidation by improved regulation and the entry of foreign banks with a view to ensuring adequate support for the financing of new and growing businesses. Also, reducing the influence of political parties on economic decisions and on the staffing in companies, government institutions, municipalities and the legal system, as well as an effective administrative system are crucial for further reforms and economic growth.

Tourism, medical services, infrastructure development (utilities, building and construction), banking and financial services, iron, steel, non-ferrous metals, chemicals, textiles and clothing, as well as tobacco, wine and healthy food production may be the sectors with growth potential (cf. UNDP, 2005)<sup>2</sup>.

The IMF report from February 2008<sup>3</sup> provided a positive outlook by confirming that economic recovery continues: "Growth has increased to around 5%, reserves are growing, fiscal targets have been met due to strong revenue over-performance and interest rates have fallen towards those in the Euro area. Structural reforms are aimed at attracting foreign direct investment and

---

<sup>2</sup> UNDP, *Blue Ribbon report*. UNDP publication, Skopje, September 2005

<sup>3</sup> IMF, *former Yugoslav Republic of Macedonia – Third review under the Stand-by Agreement and Request for Rephasing of Access*, 11.02.2008, downloaded from: <http://www.imf.org/external/pubs/ft/scr/2008/cr08107.pdf>

boosting economic growth. These include lower taxes, improved revenue administration, simpler business regulations, strengthening of property rights and telecoms liberalisation”.

## 2. Key policy issues and strategies in human capital development<sup>4</sup>

Human Capital Development is shaped, among others, by different public policies which are in place in the country. Education and training, employment and active labour market policies, as well as cross-cutting policy issues related to equity and social inclusion, competitiveness and innovation policies, provide the framework for human capital development.

### 2.1. Key policy issues and strategies in education and training

The 2002 census revealed a low educational attainment rate of the Macedonian population: almost half of the population at the age of 15 and over, or 49.4%, had completed only eight years of primary education or less.

Cuts in government spending in education led to an increased impoverishment of infrastructure and declining participation rates, in particular in secondary education. Laws governing the various educational sub-systems and related structures are being changed, an overall strategic framework is in place, but reforms of curricula and, more importantly, of the way teachers teach and students acquire competences remain restricted to a pilot level. The Government has limited capacities to sustain and mainstream results once donor projects stop.

Pre-school inclusion is very low at 11% (Donevska et al, 2007)<sup>5</sup>. Children drop out from all levels of schooling, but the rate is highest at the point of transition from primary to secondary education. There are serious barriers in the access to secondary education, especially outside urban centres. Choices are limited and some families lack the necessary means to send their children to school. One third of the 18-24 year old who did not complete upper secondary education are no longer in education and training. This is serious in view of the lack of second-chance education measures.

Continuous VET reforms are necessary especially in the area of 3-year VET programmes and with a view both to enhance the practical skills of students and to develop post-secondary and higher VET. Social partnerships, as provided for the VET law, should be implemented both at national, sectoral and local levels.

Alongside the introduction of the Bologna cycle in higher education, systemic reforms at university level should target a better quality, innovative curricula, student-centred approaches and better links with industry.

Adult learning which is currently underdeveloped needs to be re-vitalised covering all areas from (second-chance) basic skills courses to training, re-training and skills upgrading tailored to the needs of both employed and unemployed individuals as well as companies. This can be realised only if the Government acted in true partnership with all stakeholders and provided a facilitative framework that would give incentives to individuals and companies to co-invest and leave maximum leeway to local actors to deliver, but ensure at the same time information and guidance, equitable access, quality and recognition.

---

<sup>4</sup> For more information and a detailed analysis of the issues raised, see Viertel, E., *HRD country analysis – Former Yugoslav Republic of Macedonia*, draft ETF working paper, May 2008.

<sup>5</sup> Donevska, M., Gjorgjev, D., Gerovska Mitev, M., and Kalovska, T., *Social protection and social inclusion in the Former Yugoslav Republic of Macedonia*. European Commission, Directorate General for Employment, Social Affairs and Equal Opportunities, European Communities, October 2007.

## 2.2. Key policy issues and strategies in employment and active labour market policies

Structural change in the former Yugoslav Republic of Macedonia since independence has been of the negative variety. Business expansion, especially also into new fields of business activity, has not offset the massive job shedding that has occurred. The grey economy, which is estimated at 30-40% of GDP, has acted as a temporary buffer, but distorts market principles and is hindering economic and social development. 98.8% of all businesses are of a micro or small size, which makes them fledgling and hardly suitable for business and employment growth.

Labour legislation has increased labour market flexibility but rigidities remain regarding atypical forms of employment. Most people are in low-pay and precarious jobs and cannot enforce labour rights.

Labour market participation, especially of young people without work experience, people with disabilities, female ethnic Albanians and Roma is low. Surveyed unemployment is with 35.2% in 2007 the second highest in the region after Kosovo.

Although youth's inactivity and unemployment rates have been declining since 2003, figures are still alarming: the youth unemployment rate is more than two times higher than the respective adult rate signalling a clear relative disadvantage of young people. School graduates without work experience and with often few practical skills find it hard to get a job, especially outside Skopje. Many of them are still trained for vocational profiles no longer demanded by the labour market or drop out from school. Apart from measures to help the economy recover and employment grow, continuous adjustments of the education and training system are necessary. Alongside initial VET reforms, second chance measures are needed to help young people complete secondary education and develop key competences, practical and specialist skills. The MLSP designed a programme in 2008 to support the first work experience of young unemployed people. However, only up to 30 youth under the age of 27 will be able to benefit from this scheme. More resources, MES' and MLSP's shared responsibility, adequate information, counselling and guidance, as well as a better collaboration with training providers and employers are necessary to ensure improvement in this area.

Both the activity and employment rates for females are very low compared to EU averages (50.4% and 32.3%, respectively, for females aged 15-64 in 2007). The gap between employment rates of men and women is high and amounted to 16.5% in 2007. Females are also more affected by unemployment than males: surveyed female unemployment amounted to 35.8% in 2007. This can be attributed to the nature of most of the jobs available, but also the stereotyping in the choice of the education or job profile, the traditional role of men and women in society, lack of facilities for the care of children or elderly people, as well as gender-biased recruitment practices by employers. Measures are needed that increase females' labour market participation and lower unemployment.

The large majority of unemployed people are long-term unemployed. Donevska et al (2007)<sup>6</sup> who had taken (and recalculated) data from the 2005 National Report on Millenium Development Goals<sup>7</sup> estimate that: (1) the rate of long-term unemployed in 2005 was 32.3%; (2) the long-term unemployment share in 2005 was 86.7% and (3) the very long-term unemployment rate in 2005 was 28.4%, noting, however, that these data have to be interpreted with care due to the size of the grey economy in the country and some problems with labour force survey data concerning the activity or inactivity status of people. So far active labour market measures were insufficient both to prevent unemployed people from falling into long-term unemployment and to tackle the needs of long-term unemployed people.

Staffing, financial and material conditions of key labour market institutions (MLSP, Employment Service Agency - ESA) seriously constrain the planning and implementation of effective labour market policies. The extent and budget of active labour market measures have recently

---

<sup>6</sup> ibid

<sup>7</sup> Government of the Republic of Macedonia, National Report on the Millenium Development Goals, Skopje, 2005.

increased but are still low. The 2008 Operational Plan by MLSP (2008)<sup>8</sup> includes programmes to support to self-employment, the 'formalisation' (legalisation) of existing businesses, training, retraining or skills upgrading of unemployed people when the employer is known, some foreign language and IT training (when the employer is not known), pilot training for occupations and skills in short supply, entrepreneurship training, subsidised employment for orphans, handicapped people, single parents and people between 55 and 64 years of age, as well as the first work experience of young people up to 27 years of age. However, only slightly more than 7,000 people are able to benefit from these schemes, which presents a coverage of 2.2% of all surveyed unemployed people in 2007.

A study by Vollman (2007)<sup>9</sup> suggests that a major hardware and software upgrading within ESA could free capacities of staff to concentrate on counselling and guidance, training and support for entrepreneurship, skills upgrading and retraining, subsidized employment or other schemes which further employment in the expanding private sector. In addition, improved child care facilities and measures that mobilise the inactive population are necessary to improve the employment situation in the country.

### **2.3. Key policy issues and strategies to promote social inclusion**

Every third person in the former Yugoslav Republic of Macedonia is poor. Multi-member households, persons living in jobless households (27.7% in 2004), households whose members have a low level of education and households of elderly people are at the highest risk of poverty and social exclusion. Other socially disadvantaged groups comprise the working poor, the rural poor, redundant workers (who often do not get paid), women from ethnic community groups living in rural places, Roma, children from large families (3 or more children) in particular with unemployed parents and children living in homes (cf. Donevska et al, 2007).

Female ethnic Albanians participate the least in the labour force, which is mostly due to family traditions. Young people without work experience, people with disabilities, Roma, older women and women with young children face the biggest difficulties on the labour market. Specific labour market measures do not exist, except for young people without work experience, but the scheme is highly restricted to a few beneficiaries only. Support to employment of Roma people is planned to be provided through the national action plan under the Roma Decade 2005-2015.

Surveyed unemployment is highest in the Kumanovo, Shtip, Ohrid and Veles regions, while Strumica and Bitola - two agricultural regions -, as well as Tetovo and Skopje are doing better in terms of unemployment rates. Tetovo is inhabited primarily by Albanians who have used their entrepreneurial skills, contacts and remittances from working abroad to set up small businesses. Skopje is the region with most government jobs and other job opportunities. Regional development is being taken up as an issue by the Government, but concrete actions are still to follow. The local employment action plans currently designed for 8 pilot regions (municipalities) through the EC CARDS 2006 Employment Policy III project should be expanded both country-wide and to a multi-municipal or regional level and be implemented, perhaps with the help of IPA programme.

Measures are being taken by the MES and donors to increase participation and completion rates in particular of Albanians and Roma in primary, secondary and higher education, but efforts need to continue by including also outreach activities, as well as extra funding and tuition support.

## **3. EU and other donor policies and interventions**

Human capital development is an important area for different donor initiatives, given the contributions they make to furthering economic and social development.

---

<sup>8</sup> MLSP, *Operational Plan for the active employment programmes and measures for 2008* (Macedonian version). Skopje, January 2008

<sup>9</sup> Vollman, J., *Macedonian Employment Service Agency – A vision for 2011*, unpublished paper of the USAID Business Environment Project, Skopje, September 2007.

### **3.1. Challenges in education addressed by EU and other donors**

The biggest single intervention in education is the Education Modernisation Project (EMP) 2005-2009, which is co-funded by the Dutch Government, a loan from the World Bank and a national contribution. In its preparation phase, support was providing to drafting the very ambitious National Programme for the Development of Education 2005-2015. The project supports the development of an education management information system (EMIS), changed financing mechanisms and capacity-building within a decentralised setting of managing education and training for school managers to obtain a licence. It provides school improvement grants on a wide scale, which are based on schools' self-evaluation and support school development, including equipment upgrading and teacher training.

Between 2003 and 2007, USAID invested considerable sums of money into vocational schools and students through its Secondary Education Activity (SEA). Many school managers and teachers received training. Shopfloor 'taster' days were organised for students to get an insight into company and work practices. In addition, school-based career centres were established that provide information about further training and employment. Currently, USAID supports reform in primary education, equips primary and secondary schools with computers and provides respective training.

The EU has supported VET reform since 1999 with four successive Phare or CARDS projects. Secondary VET has been re-arranged into 14 occupational fields. In the 4-year VET stream, 43 profiles (said to be all) were newly developed or revised and new programmes designed for the first year (introduced in the academic year 2005/2006). Programmes were developed by teams of experts, which were organised by occupation or profile and partly included representatives from industry. Equipment was procured and teachers trained on active teaching methods and the use of the new equipment. An evaluation carried out as part of the EC CARDS 2006 VET IV project among 600 teachers showed positive results in that about three quarters of the teachers confirmed they would be using the new teaching methods and simulative learning much more than before. But the evaluation also revealed that many pieces of the new modern equipment supplied to schools with EU funds are not efficiently used.

In the three-year VET stream, GTZ implemented a curriculum reform project in the mechanical/automotive and electro-technical/ electronics fields, following an adjusted 'dual system' model. 7 pilot schools were involved in the project. The 50% practice requirement of all programmes developed through the GTZ project was well received by the pilot schools, but is said not to be feasible in other Macedonian schools because of the lack of qualified teachers, equipment and links with industry.

As regards the development of entrepreneurial skills/ business education, USAID, through its SEA, helped to set up virtual student companies in 44 vocational-technical and 7 economics schools. In addition, the ECONET project funded by Austria and implemented through Kulturkontakt has assisted business education schools with the modernisation of their curriculum and teacher training. A key feature of the curriculum is learning through activities simulating real business operations. The revised curriculum is now being used by all economics schools in the country.

IPA priorities in the forthcoming years will aim at (i) modernising VET in particular in the 2 and 3-year VET streams and by better linking VET with business partners, with a view to increase vocational competences of students and the development of computer, entrepreneurial and foreign language skills; (ii) promoting the inclusion of Roma and Albanians in education and introducing an intercultural curriculum in multiethnic schools, and (iii) supporting the establishment of a system for adult education, including literacy and elementary education.

### **3.2. Challenges in employment addressed by EU and other donors**

The 2008 Operational Plan by Ministry of Labour and Social Policy (see section 4.4. for list of measures) has a budget of MKD 294 million (€4.8 million), which includes donor funds from UNDP and USAID in the range of MKD 8.7 million (ca. €142,000). USAID is running a five-year Labour Market Reform programme under its Business Environment Activity, which includes

campaigns to fight the grey economy and various kinds of training and support to ESA to upgrade its software and counselling services.

The EU has continuously supported the development of national employment strategies and action plans, as well as the modernisation of the public employment service. A third Employment Policy project (EC CARDS 2006) is ongoing. A first monitoring report of the National Action Plan for Employment 2006-2008 has been prepared by local experts. Other areas of CARDS support include further staff development within the ESA, the development of a partnership approach to designing and implementing local employment action plans in 8 municipalities, and capacity-building of social partner organisations at the national level, especially also around the design, monitoring and evaluation of active labour market policies.

The ILO will continue to support the capacity-building of social partner organisations represented in the Economic and Social Council and tripartite and bipartite dialogue around employment-related issues.

IPA priorities in the forthcoming years will include support to (i) the further development of ESA services; (ii) the implementation of the Employment Strategy and the JAP; (iii) the employment of young people, women and long-term unemployed people, and (iv) the continuous fight against the grey economy.

### **3.3. ETF initiatives in human capital development**

The collaboration with social partners in VET will build on a small peer learning project carried out by the ETF in 2007 in which representatives from the VET Centre and employers' organisations in the tourism and construction sectors were involved. Support to improving teaching and learning processes in VET builds on the multi-annual ETF LEARN project, in the frame of which a regional TTnet platform has been set up and small school development projects carried out in southeast European countries. Efforts in adult learning development will capitalise on an earlier initiative by the ETF which led to the drafting of an adult learning strategy. In the context of IPA preparations, the ETF has cooperated successfully with the MLSP and the MES during 2007 and 2008 and organised workshops to share experience and good practice on topics chosen by the ministries. Entrepreneurial learning and cooperation with a local network including the Macedonian Ministry of the Economy, the Business faculty of the Skopje University and the Agency for the Promotion of Entrepreneurship has been on the agenda for some years now. Cooperation will continue along the lines described above.

### **3.4. Challenges in relation to mainstreaming donor assistance with national polices**

For many years the former Yugoslav Republic of Macedonia has benefited from an influx of massive funding from US, EU and bilateral donors. These have also been the major source of innovations introduced in the education system and in the employment policy field in the recent past. Thus, donor support has compensated for the shortage of government funding that is even insufficient to fully cover, for example, ordinary costs of secondary schools. Donors have helped carry out badly needed reforms, which would have been impossible to achieve without them. The risk is of course that reforms tend to be donor-driven and results can hardly be sustained or expanded, once donor projects stop. Numerous strategies have been drawn up within donor projects, including the National Plan for the Development of Education (NPDE) and various National Action Plans for Employment (NAPE), that tend to overstretch the capacities of the government and their partners. However, there is no alternative to continuous donor support in the current phase of the country's development.

IPA presents a novelty in the EU support to the country in that it relies more rigorously on local rather than international actors in the planning, monitoring, implementation and evaluation of respective measures. While a major capacity-building effort will be necessary on the part of both the authorities and partnerships at various levels including project promoters, the approach will eventually be more effective in terms of enhancing local capacities, ownership of

interventions, impact and sustainability. This would be important not least with a view to preparing for European Social Fund measures in the longer term.

## 4. ETF's country intervention logic in the mid-term perspective

The overall objectives of ETF assistance to the former Yugoslav Republic of Macedonia in 2009 and in the mid-term perspective until 2013 are to support i) the European Commission and its services in the development and deployment of external assistance and ii) the continuing development of capacities in the country in the area of human capital development (human capital development).

ETF's work is generally guided by the policy objectives and orientations of the European Employment strategy and the EU's Education and Training agenda. Relevant information concerning related policy priorities, objectives and benchmarks will be fed into the policy debates with local stakeholders on the below-mentioned topics. In addition, the ETF avails of hands-on expertise about viable strategies in the areas of VET reform and adult learning development in transition country contexts. Good practices in particular from new EU member states, in which the ETF has been active in the 10 years of their preparations for accession, can inspire policy development and implementation also in the Former Yugoslav Republic of Macedonia.

The ETF's principal intervention approach is to involve local actors in a policy learning process, in which the latter are given a stake in shaping the agenda, in which external and local experts come together to learn together and design policies and in which policies are tested against reality and then re-designed in a continuous cycle.

**Country intelligence and policy advice.** ETF staff will make use of its frequent missions and good contacts in the country to continuously build and maintain a sound country intelligence on issues related to the three pillars of the European Employment Strategy: 1) Employment - Attracting and maintaining more people in employment; 2) Education and training - Investing in human capital through better education and training and 3) Social inclusion - Promoting an inclusive labour market. The ETF will provide impartial expert analyses not only with a view to ensure timely, tailor-made and effective interventions by the ETF in the country, but also as a basis for inputs to the various analyses and reports required by the European Commission and its services. At the same time, by updating the ETF HRD country analysis on an annual basis and making it available to a wider public, country experts, donors and other interested parties will be able to benefit from ETF's analytical information.

The aim of this ETF intervention is to continuously satisfy, in a high-quality fashion, the information and analytical needs of both the European Commission, its services, key stakeholders and donors in the country by providing policy analysis and advice in the area of human capital development. The key focus in the context of preparations for accession to the EU is laid on how the country complies with the policy objectives and orientations laid down in the European Employment Strategy and the respective guidelines. The ETF will continue to work very closely with DG EMPL and the EC Delegation in Skopje to make sure ETF input is fed into the respective reporting instruments and cycles at the right time.

**Support to IPA.** Our experience from the new EU Member states has shown that many years of preparations are required until countries are ready to plan, monitor, implement and evaluate, in an effective manner, strategies, operational plans and measures or projects that draw on funding from an instrument which is modelled on the ESF. Current practices in the country are characterised by a domination of shorter-term national agendas which are not entirely guided by EU policy thinking and approaches, a lack of inter-ministerial and social partner cooperation on HRD issues, non-familiarity with partnership approaches and a lack of partnerships and strategies at all levels, a lack of capacities to plan measures within the IPA context, insufficiently prepared project promoters and the absence of a project pipeline, non-familiarity of all actors with IPA funding rules, and the lack of an efficient monitoring and evaluation system, which would also measure progress against JAP or NAPE indicators. Hence, there is a wide field for interventions by experts who avail of the necessary technical, procedural and country expertise



and for exchanges of experiences by people from countries facing similar challenges. The ultimate goal is to increase the countries' capacities to embrace the policy orientations of the European Employment Strategy and to make best use of the ESF or funding instruments modelled on the ESF.

ETF experts will stay available to share experience and good practice, through workshops or other means, on topics chosen by the MLSP and the MES, while ministries will remain in charge of preparing IPA planning documents and the EC will take ultimate funding decisions. The ETF will encourage the building of partnerships at national and local levels to help improve the planning and implementation of relevant HRD measures or projects. Regional knowledge-sharing events may be arranged where people from ETF partner countries come together and discuss EU education and employment policies and their experience with the use of the IPA instrument. If so requested, the ETF will be available to undertake, jointly with local actors, evaluations to assess the impact of various projects against system reform or policy progress indicators. Finally, the ETF could arrange 'valorisation' events to highlight good practice examples which will emerge from the many different IPA HRD grant schemes, for both policy-makers and local actors to learn from such experience and support policy development and system reform.

**ETF support to initial VET reforms, adult learning and entrepreneurship education.**

Closely linked to the above will be ETF's support to key stakeholders dealing within initial VET and adult learning. ETF support to the continuous reform of the initial VET system will be geared to assisting the national VET Centre and social partners with the formulation of strategies for further VET system development, the identification of sector skill needs and qualifications and the continuous adjustment of VET provision. Central to the latter will be the improvement of teaching and learning processes in VET, a higher emphasis on the development of key competences and training that aims at enhancing the practical skills of students. The ultimate aim is to enhance the labour market prospects of graduates.

Macedonian experts will be continuously involved in the regional ETF initiatives on social inclusion through appropriate education and training policies and practices, as well as on improved teaching and learning processes through school development.

In addition, the ETF has been promoting entrepreneurial learning in selected partner countries since 2004 with the objective of developing awareness and understanding amongst policy makers as to the role and contribution of more strategic entrepreneurial learning for better performing businesses, overall competitiveness and employment creation. The thrust for the promotion of entrepreneurial learning activities by ETF in the pre-accession region has been the European Charter for Small Enterprises. Activities in 2009 will focus on facilitating a dialogue among key stakeholders on the options and opportunities for the establishment of a systematic training needs analysis (TNA) framework and a concept note to allow the enterprise world, and public institutions, to make progress on the Charter's TNA indicator.

Finally, experts from the former Yugoslav Republic of Macedonia will be involved in a multi-annual Mutual Learning Programme, modelled on the Open Method of Coordination, which will deal with topics related to quality assurance in VET, post secondary VET and its links to higher education, as well as adult learning. ETF support to adult learning will be targeted at exchanges of experience at regional level with policy initiatives that motivate unskilled or low-skilled unemployed or inactive adults for learning and help them develop basic literacy and vocational skills. This would also form a contribution to active labour market and social inclusion policies in the country. The voucher scheme, which is run by the Agency for the Promotion of Entrepreneurship and used to co-finance training for SMEs, could be used as a model to fund adult learning.

In the above-mentioned fields, the ETF will take care to ensure synergy with the support provided through IPA and other donors.

The expectations are that policymakers and key stakeholders in the former Yugoslav Republic of Macedonia will strengthen their capacities in human capital development policy planning and implementation, improve the potential for cooperation on cross-sectoral issues, such as competitiveness and social inclusion, and are better prepared to identify and develop actions for IPA fund contributions in human capital development.