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ANNEX

**of the Commission Implementing Decision on the financing of the multiannual Operational Programme  
on human capital in favour of the Republic of North Macedonia for 2024-2027**

**MULTIANNUAL OPERATIONAL PROGRAMME**

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and multiannual action plan in the sense of Article 9 of IPA III Regulation and Article 23 of NDICI-Global Europe Regulation.

## Table of Contents

<b>1</b>	<b>Programme synopsis</b>	<b>5</b>
1.1	Programme Summary	5
1.2	Summary of the programme	8
<b>2</b>	<b>Sector(s) analysis</b>	<b>9</b>
2.1	National sectoral policies and context	9
2.2	Legal framework	12
2.3	Institutional setting, leadership, and capacity	14
2.4	Sector(s) and donor coordination	15
2.5	Mid-term budgetary perspectives	16
2.6	Performance assessment framework	17
2.7	Socio-economic analysis (including SWOT analysis)	18
<b>3</b>	<b>Overall Objective and Specific Objectives of the Operational Programme</b>	<b>37</b>
3.1	Coherence with the IPA III Programming Framework and with the specific policy instruments of the enlargement process	37
<b>4</b>	<b>Operational features of the programme</b>	<b>41</b>
4.1	Interaction of the programme with IPA III annual action plans or measures and interventions from other donors/International Financial Institutions	41
4.2	Description of the programme	46
4.2.1	Intervention Logic	46
4.2.2	Detailed description of each area of support	48
	Area of support 1: Employment and Labour Mobility	48
	Area of support 2: Social Inclusion and reduction of poverty	60
	Area of support 3: Other Support	65
4.2.3	Indicative List of major projects per each area of support	68
4.3	Mainstreaming	68
4.3.1	Environmental Protection, Climate Change and Biodiversity	68
4.3.2	Gender equality and empowerment of women and girls	69
4.3.3	Human Rights	69
4.3.4	Disability	70
4.3.5	Democracy	70
4.3.6	Conflict sensitivity, peace, and resilience	70
4.3.7	Disaster Risk Reduction	71
4.3.8	Civil Society	71
4.4	Risks and Assumptions	72
<b>5</b>	<b>Overview of the consultation process for the preparation of the Operational Programme</b>	<b>73</b>
<b>6</b>	<b>Implementation arrangements</b>	<b>74</b>
6.1	Financing Agreement	74
6.2	Methods of implementation	74
6.3	Scope of geographical eligibility for procurement and grants	75
<b>7</b>	<b>Financial tables by areas of support and by year (including co-financing rates)</b>	<b>76</b>
<b>8</b>	<b>Performance Measurement</b>	<b>77</b>
8.1	Monitoring and reporting	77
8.2	Evaluation	78
8.3	Audit and Verifications	78
<b>9</b>	<b>Strategic communication and public diplomacy</b>	<b>78</b>
<b>10</b>	<b>Sustainability</b>	<b>79</b>

## Abbreviations

AA	Audit Authority
ALMPMS	Active Labour Market Programmes, Measures and Services
AE	Adult Education
ASLP	Amicable Settlement of Labour Disputes
CDCCU	Central Disability Certification Coordination Unit
CFCD	Central Financing and Contracting Department
CRPD	Convention on the Rights of the Persons with Disabilities
CSO	Civil Society Organization
CwD	Children with Disabilities
DAC	Development Assistance Committee in OECD
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EASE	Effective Active Support of Employment
EC	European Commission
ECDC	Energy Child Development Care
ECEC	Early Childhood Development and Care
ERP	Economic Reform Programme
ESA	Employment Service Agency
ESAP	Employment and Social Affairs Platform
ESC	Economic and Social Council
ESF	European Social Fund
EESP	Education, Employment and Social Policy
EMCO	European Union's Employment Committee
EPSR	European Pillar of Social Rights
ESRP	Employment and Social Reform Programme
ESP	Extended Service Period
ETF	European Training Foundation
EU	European Union
EUIF	European Union Integration Facility
FFPA	Framework Financial Partnership Agreement
GAP	Gender Action Plan
GDP	Gross Domestic Product
GMA	Guarantee Minimum Assistance
IB	Intermediary Body
IBFM	Intermediary Body for Financial Management
IBRD	International Bank for Reconstruction and Development
IFI	International Financial Institution
IISEE	Project 'Income Increase and Socio-Economic Empowerment of Vulnerable Groups in Rural and Suburban Areas'
IMBC	Indirect Management of Beneficiary Country
ILO	International Labour Organization
IPA	Instrument for Pre-Accession Assistance
ICT	Information, Communication and Technology
ISA	Institute for Social Affairs
IT	Information Technology
LESC	Local Economic and Social Council
LEP	Local Employment Partnerships
LFS	Labour Force Survey
LOT	Large Amount or Number of People or Things
LTC	Long-Term Care
MA	Managing Authority
MF	Ministry of Finance
MKD	Macedonian Denar
MLSP	Ministry of Labour and Social Policy
MoES	Ministry of Education and Science
NAO	National Authorising Officer
NDICI	Neighbourhood, Development and International Cooperation Instrument
NEET	Not in Employment, Education and Training
NGOs	Non-Governmental Organizations
NIC	National Investment Committee
NIPAC	National IPA Coordinator
NPAA	National Plan for the Adoption of the Acquis
OECD	Organization for Economic and Development Cooperation
OP	Operational Programme
OSH	Occupational Safety and Health

PAF	Performance Assessment Framework
PIOM	Pension and Disability Insurance Fund of North Macedonia
PwDs	Persons with Disabilities
SAA	Stabilization and Association Agreement
SDGs	Sustainable Development Goals
SE	Social Enterprises
SEA	Secretariat for European Affairs
SIDA	Swedish International Development Cooperation Agency
SLI	State Labour Inspectorate
SMART	Specific, Measurable, Achievable, Relevant, and Time-bound
SMC	Sectoral Monitoring Committee
SOCIEUX	Expertise on Social Protection, Labour and Employment
SSO	State Statistical Office
STEM	Science, Technology, Engineering and Mathematics
SWC	Social Work Centres
SWG	Sector Working Group
SWOT	Strengths, Weaknesses, Opportunities and Threats
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
VET	Vocational Education Training
WB	Western Balkan
WB	World Bank
WHO	World Health Organization
YG	Youth Guarantee

# 1 Programme synopsis

## 1.1 Programme Summary

<b>Title</b>	Multiannual Operational Programme on human capital in favour of the Republic of North Macedonia for 2024-2027			
<b>OPSYS</b>	ACT-62458, JAD.1390089			
<b>ABAC</b>	ABAC Commitment level 1 number: JAD.1390089			
<b>Basic Act</b>	Financed under the Instrument for Pre-accession Assistance (IPA III)			
<b>Team Europe</b>	No			
<b>IPA III beneficiaries</b>	North Macedonia			
<b>Programming document</b>	IPA III Programming Framework			
<b>PRIORITY AREAS AND SECTOR(S) INFORMATION</b>				
<b>Window and thematic priority</b>	Window 4: Competitiveness and inclusive growth Thematic Priority 1: Education, employment, social protection and inclusion policies, and health (100 %).			
<b>Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Other significant SDGs: SDG 1. End poverty in all its forms everywhere, SDG 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, SDG 5. Envisions social protection and economic stimulus packages to be created in order to serve women and girls, as well as to ensure people support and practise equal sharing of care work, SDG 17. Partnership for the goals.			
<b>DAC code(s)</b>	<p><b>Main DAC code: 112 Basic Education (2,52%)</b> 11240 Early childhood education (2,52%)</p> <p><b>Main DAC code: 151 Government and Civil society – general (5,73%)</b> 151110 Public sector policy and administrative management (5,73%)</p> <p><b>Main DAC code: 160 Other Social Infrastructure &amp; Services (91,75%)</b> 16010 – Social protection (18.22%), including:</p> <ul style="list-style-type: none"> <li>• 16011 Social protection and welfare services policy, planning and administration (12,18%)</li> <li>• 16015 Social services (including youth development and women+ children) (6,04%)</li> </ul> <p>16020 Employment creation (62,31%) 16030 Housing policy and administrative management (5,54%) 16080 Social dialogue (5,68%)</p>			
<b>Main Delivery Channel</b>	12000 Recipient Government			
<b>Targets</b>	<input type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
<b>Markers</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>

<b>(from DAC form)</b>	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Internal markers and Tags</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags	YES		NO
	digital connectivity	<input type="checkbox"/>		<input checked="" type="checkbox"/>
	digital governance	<input type="checkbox"/>		<input checked="" type="checkbox"/>
	digital entrepreneurship	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	digital skills/literacy	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	digital services	<input type="checkbox"/>		<input checked="" type="checkbox"/>
	Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tags	YES		NO
digital connectivity	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
energy	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
transport	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
health	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
education and research	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>BUDGET INFORMATION</b>				

<b>Amounts concerned</b>	<p>Budget line: 15.020201</p> <p>Total estimated cost for 2024-2027: EUR 49 668 041</p> <p>Total amount of EU budget contribution for 2024-2027: EUR 40 000 000</p> <p>The contribution from the general budget of the European Union is split per year as follows:</p> <ul style="list-style-type: none"> <li>- For financial year 2024 - EUR 6 500 000</li> <li>- For financial year 2025 - EUR 9 246 257</li> <li>- For financial year 2026 - EUR 14 008 382</li> <li>- For financial year 2027 - EUR 10 245 361</li> </ul> <p>The contribution from the general budget of the European Union for the subsequent years is subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.</p>
<b>MANAGEMENT AND IMPLEMENTATION</b>	
<b>Implementation modalities (management mode and delivery methods)</b>	<b>Indirect management with North Macedonia</b>
<b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]</b>	<p>Priorities: “Human Capital Development”</p> <p>Flagships: “X Youth Guarantee”</p>
<b>Final Date for conclusion of Financing Agreement</b>	At the latest by 31 December 2025
<b>Decommitment deadline for each budgetary commitment</b>	<p>Budgetary commitment 2024: by 31/12/2029</p> <p>Budgetary commitment 2025: by 31/12/2030</p> <p>Budgetary commitment 2026: by 31/12/2031</p> <p>Budgetary commitment 2027: by 31/12/2032</p>
<b>Indicative eligibility period<sup>1</sup></b>	31/12/2033
<b>Final date for implementing the Financing Agreement</b>	12 years following the conclusion of the Financing Agreement

<sup>1</sup> The eligibility period is the period in which all operational activities of the Programme are completed. Contracts and addenda signed, expenditure incurred, payments made by national authorities as well as any other costs related to the activities of the Programme, shall be eligible for EU financing only if they have been incurred during the eligibility period.

## 1.2 Summary of the programme

The Multiannual Operational Programme (OP) on human capital in favour of North Macedonia for 2024-2027 is a document for implementing the national and European strategic priorities prepared in line with IPA III Regulation and NDICI- Global Europe Regulation. It is fully coherent with the objectives under the IPA III Programming Framework<sup>2</sup>, Window 4, Thematic Priority 1: Education, employment, social protection and inclusion policies, and health.

The OP on human capital was established based on the socio-economic analysis in human resources development. As the basic socio-economic indicators demonstrate, North Macedonia faces employment and social protection challenges. The COVID-19 pandemic and, more recently, the energy and price shocks led to an economic crisis, which is expected to create further vulnerability and has pushed more persons and families into poverty. North Macedonia is committed to adequately responding to this new crisis in partnership with the EU.

The Programme aims to promote equal opportunities, employment access, fight against poverty and improve quality social protection for all. The specific objectives are (i) to enhance employment and employability of the labour force focusing on youth, women, and vulnerable groups, (ii) to improve social inclusion and the quality of social services, focusing on vulnerable groups, and (iii) to increase the readiness of North Macedonia for EU accession negotiations under Chapter 22.

The OP on human capital amounts to 49 668 041 EUR for the period 2024-2027. Available resources are considered limited giving the wide range of support required within the sector. Therefore, the programme strategy has been focused on the limited number of operations in two priority fields: a) employment and labour mobility and b) social protection and inclusion. Around 80.53% of funds represent the EU contribution which are complemented with the funds from national public sources.

This OP on human capital has been prepared in conjunction with the country's Economic Reform Programme (ERP) 2023-2025, and it is fully aligned with the EU Pillar on Social Rights and the EU policy on Fundamental Rights and the Gender Action Strategy. The national sectoral strategies are well developed and address the EU enlargement policy requirements, particularly the Western Balkans Strategy<sup>3</sup>, the Economic and Investment Plan for Western Balkan<sup>4</sup> supporting human capital development and promotion of employment opportunities for the youths.

The OP on human capital has been prepared by the Ministry of Labour and Social Policy (MLSP) in close collaboration with all relevant agencies and institutions, including social partners and NGOs. Active participation of all stakeholders ensures ownership of the programme, as it is an inevitable condition for a successful implementation.

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<sup>2</sup> C(2021) 8914 final of 10.12.2021 on the Instrument for Pre-Accession Assistance (IPA III) Programming Framework for the period 2021-2027.

<sup>3</sup> COM(2018)65 final of 6.2.2018

<sup>4</sup> COM (2020) 641 final of 6.10.2020



## 2 Sector(s) analysis

### 2.1 National sectoral policies and context

The COVID-19 pandemic briefly interrupted a decade of positive labour market trends in North Macedonia. However, the Government responded by implementing measures for businesses, mitigating significant problems. Since 2022, the labour market has started to recover. Despite the positive changes over the years, the labour market in North Macedonia faces some challenges, such as the low participation of women and young people, a slow increase in youth and women employment rates and a high percentage of long-term unemployed. Other challenges include high temporary and lower employment rates, higher informality among young people, low-skilled and specific economic sectors, migration of the workforce and inadequate investment in employment services and programmes<sup>5</sup>.

North Macedonia is committed to promoting inclusive economic growth and productive employment for all citizens.

According to ILO's publication "Green recovery with jobs through employment policies"<sup>6</sup> macroeconomic policies set the overall environment for economies to thrive, while an employment policy for green growth and recovery aims at promoting the necessary demand (domestic and from abroad, through trade) to support the creation of decent green jobs. Investing in climate action therefore needs to go in tandem with an enabling business environment to foster green growth with jobs. Linking environmental and climate action with employment promotion can be highly productive and create win-win outcomes.

In this regard, a holistic oriented approach is adopted in this OP, in which the facilitation of the labour market is viewed from different policy angles. Dedicated employment policies and related labour market instruments can greatly facilitate the positive employment outcome of climate change and environmental policies. Renewable energy strategies require sufficient local MSME capacity and skills in order to meet their indicators on the proliferation of off-grid energy devices such as solar panels, thermal power stations and wind energy generators.

This indicates the importance of explicitly making the linkage between those two sets of policies within this OP: i) climate change strategies and other environmental policies (e.g., on biodiversity, green economy, air pollution) and ii) national and local employment and labour policies.

To tackle these challenges, the Government of North Macedonia has developed a comprehensive strategic framework and has committed to resolving these issues. The OP on human capital aligns with and contributes to achieving the strategic objectives and priorities outlined in the national sectoral context. It encompasses the following key strategic and policy documents.

#### IPA III Strategic Response<sup>7</sup>

In line with the commitment to a merit-based enlargement process, proposed interventions within the OP are aligned with the priorities in the country's IPA III Strategic Response and the Enlargement Agenda.

The OP is fully coherent with the IPA III objectives under the IPA III Programming Framework, Window 4, Thematic Priority 1: Education, employment, social protection and inclusion policies, that aim to strengthen access to and quality of inclusive education, including vocational education and training, participation in early childhood education and care and lifelong learning opportunities at all levels.

More specifically the OP will contribute to *Objective 1.1: To raise employment level and the quality of jobs and productivity* as it will implement the following interventions planned within the country's IPA III Strategic Response: modernise the legal and regulatory frameworks of the labour and employment policy; develop and broaden employment services to provide better job search assistance, counselling and job placement for young people; reinforce Youth Guarantee and enhance the implementation of all its building blocks ranging from early intervention to dedicated labour market integration measures and services, especially those that equip young people with digital skills, but also entrepreneurial and career

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<sup>5</sup> IPA Annual Implementation report "Education, employment, and social policies" (EESP)

<sup>6</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_854548.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_854548.pdf)

<sup>7</sup> <https://www.sep.gov.mk/data/file/IPA/IPA%20III%20STRATEGIC%20RESPONSE.docx>

management skills, to strengthening the capacity of the Employment Service Agency to reach out to more significant numbers of young people, provide more individualised support and optimise service provision; provide sectoral guidance on employment market trends and new jobs and skills (related to environment and climate change among other priorities); ); sophisticate the active labour measures and develop/implement targeted programmes and measures, including initiatives to address skills mismatches in the labour market, for bringing women, youth, persons with disabilities, long-term unemployed, low-skilled persons, persons from minority background and human capital

other individuals in vulnerable situation into economic activity and decent work; provide access to finance and advice for self-employment, small- and medium enterprises and for social enterprises for job creation; promote employability, productivity and adaptation of workers and enterprises to changes; and strengthen labour market institutions and governance with particular attention to develop comprehensive monitoring and impact assessment of the active labour market policies, as well upgrade of the skills anticipation intelligence in order to address skills mismatches and adapt the education/training offers to the needs of the labour market.

Implementation of the OP will also contribute to *Objective 1.2: To reduce poverty and social exclusion* within IPA III Strategic Response as it will implement the following interventions: contribute to the reform of the social protection system and improve its child-sensitivity; invest in stronger person- and child-centred social services, in particular, community-based services; investments in tangible improvements in housing and infrastructure, including where possible in sustainable housing and infrastructure, in poor quarters in particular Roma people; strengthen capacities for and improve the intensity of the social and civil society dialogue, consultation of social partners and civil society organisations; stimulate social innovations, social entrepreneurship and entrepreneurial opportunities yielded by the social economy, such as for activating vulnerable groups or helping local communities; and strengthen gender equality and anti-discrimination policies and practices.

### Employment Sector

The **National Employment Strategy of North Macedonia 2021-2027<sup>8</sup>** and the respective **Employment Action Plan 2021-2027** set three specific employment objectives: 1. Improve the quality of education and training outcomes for all, 2. Enhance the role of economic and enterprise development policies in generating decent jobs, and 3. Strengthen the inclusiveness of labour market policies. The OP will support policy interventions planned regarding enhancing service and programme lines targeted to the needs of groups at risk in the labour market (youth, women, low-skilled individuals, long-term unemployed, persons with disabilities, national minorities, etc.) and strengthening social dialogue as a means to bridge the social policy gap. Also, in line with the Strategy, the OP will support ESA in expanding the quantity and quality of employment services and programs and allocating other financial resources for the implementation of labour market integration programmes. Furthermore, it will support ESA in upgrading physical and IT infrastructure.

The **New Youth Guarantee Implementation Plan (YGIP) 2023-2026** envisions implementing a Reinforced YG throughout the country aimed at all young people aged 15 to 29 legally residing in North Macedonia and are NEET. It will allow policy reforms to yield their effect, prepare the groundwork for more forward-looking policy interventions (on reconciliation of work, family life, and outreach activities) and consolidate YG service delivery outcomes.

Each year and since 2008, the Government of North Macedonia has adopted an **Annual Operational Plan for Active Employment Programmes and Measures and Labour Market Services**. This plan defines the employment programmes, measures and services that will create decent jobs and increase the employability of the unemployed, especially the young persons, long-term unemployed and other vulnerable groups.

The **Education Strategy 2018-2025<sup>9</sup>** envisages comprehensive education and training system reform at all levels, including vocational education and training (VET), non-formal/informal education and adult education. All its reforms are essential for improving the educational outcomes for young people. Five policy interventions were slightly accelerated in 2020-2022 to contribute to the full implementation of the Youth Guarantee.

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<sup>8</sup> [https://mtsp.gov.mk/content/pdf/2021/trud/strategija\\_vrabotuvanje\\_2021\\_eng.pdf](https://mtsp.gov.mk/content/pdf/2021/trud/strategija_vrabotuvanje_2021_eng.pdf)

<sup>9</sup> <https://mon.gov.mk/download/?f=strategija-za-obrazovanieto-2018-2025.docx>

The **National Strategy for Development of Social Enterprises in North Macedonia 2021-2027**<sup>10</sup> and its Action Plan 2021-2023 envisions the creation of an appropriate legal, financial, and institutional framework for the development and functioning of social economy entities. Among its several strategic priorities for a favourable eco-system for social economy foresee providing access to and developing market opportunities for social enterprises and facilitating access to external finances.

The **Strategy for Development of Women's Entrepreneurship 2019-2023**<sup>11</sup> focuses on women's economic empowerment and building an entrepreneurial ecosystem to develop female entrepreneurship continuously.

### **Social Protection and Inclusion Sector**

In the previous decade, the Government of North Macedonia has committed itself to reforming the social welfare system by adopting of new Law on Social Protection in May 2019, giving legal space for further implementation of deinstitutionalisation, decentralisation and improving the quality of access to social services for all citizens, as well as for Roma people and other vulnerable groups. Positive changes have been made in the previous period, particularly in transforming institutional care to community-based services. To continue these processes, the Government has developed and adopted a strategic framework to ensure its commitment in the following years. The OP on human capital in its implementation will directly contribute to the next strategic programmes:

The **National Programme for Development of Social Protection 2022-2032**<sup>12</sup> prioritises the development of a sustainable, adaptive, and efficient social protection system based on the application of and led by the needs of beneficiaries for their strengthening and capability of independent, productive, and active life. Overall, its strategic priorities are linked to the further implementation of social reform.

The **National Strategy for Deinstitutionalisation "Timjanik" 2018-2027**<sup>13</sup>, adopted in September 2018, focuses on the advanced implementation of the transition from institutional care towards a social care system in the family and community supported by social services. Thus, the strategic framework has been set for the establishment and development of a system of social service delivery based on a Human Rights Approach (HRA) that promotes users' rights, inclusion, and dignity. The overarching principle guiding the strategy is to empower and support beneficiaries to exercise their will and control their life, including the services they receive.

The new **National Strategy for the Rights of Persons with Disabilities 2023-2030**<sup>14</sup> sets ambitious benchmarks for advancing the rights of persons with disabilities (PwDs). Its nine priority areas are determined based on needs and aligned with the UN Convention on the Rights of Persons with Disabilities (CRPD) and the Strategy on the Rights of Persons with Disabilities 2021-2030 of the European Union. Defined goals, measures and activities enable the advancement of their rights, independence, equal opportunities, and quality of life, as well as building an inclusive society.

The **National Strategy for Roma Inclusion 2022-2030**<sup>15</sup> identifies the promotion and development of the socio-economic, legal position, cultural and linguistic rights of the Roma in North Macedonia by ensuring adequate and equitable access to public goods and services, where the Roma community participates equally in building an inclusive society based on elimination against all forms of discrimination, anti-Roma sentiment and poverty. Some of its strategic objectives focus on (i) Increasing the employment rate of Roma by widening the scope of active employment measures and services, creating an enabling environment for formalisation and stimulation of entrepreneurship in the Roma community and reducing the rate of young Roma in NEET; (ii) Providing permanent, dignified, and

<sup>10</sup> [https://mtsp.gov.mk/content/pdf/2021/trud/Strategija\\_socijalni\\_pretprijatija\\_2021\\_2027.pdf](https://mtsp.gov.mk/content/pdf/2021/trud/Strategija_socijalni_pretprijatija_2021_2027.pdf)

<sup>11</sup> <https://economy.gov.mk/doc/2501>

<sup>12</sup> <https://mtsp.gov.mk/content/pdf/programi/2022/%D0%9F%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D0%BC%D0%B0%202022%202032.pdf>

<sup>13</sup> <https://mtsp.gov.mk/content/pdf/programi/2022/%D0%9F%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D0%BC%D0%B0%202022%202032.pdf>

<sup>14</sup> [https://www.mtsp.gov.mk/content/pdf/2019pravilnici/23.4\\_National%20Deinstitutionalisation%20Strategy%20and%20Action%20plan.pdf](https://www.mtsp.gov.mk/content/pdf/2019pravilnici/23.4_National%20Deinstitutionalisation%20Strategy%20and%20Action%20plan.pdf)

<sup>15</sup> Note: At the time of development of Operation Programme National Strategy for the Rights of Persons with Disabilities 2023-2030 was still wating adoption by the Governemnt.

<sup>15</sup> <https://mtsp.gov.mk/content/pdf/2022/Strategy%20for%20inclusion%20of%20Roma%202022-2030%20final%20version.pdf>

non-segregated housing for Roma; and (iii) Increasing the coverage of Roma children and improving their success in all spheres of education. Implementing this strategy is streamlined through the activities defined in National Action Plans for priority areas of employment, education, health, housing and antigypsyism.

The **Strategy for Gender Equality 2022-2027**<sup>16</sup> aims at accomplishing gender equality in a society in which women and men, girls and boys have equal rights, access to resources, opportunities, and protection in all spheres of life, as a condition for complete and sustainable economic, demographic, and social development and progress of the country, i.e., a society in which women and men will have same privileges and responsibilities accomplished in genuine joint partnership.

The **National Plan for the Adoption of the Acquis 2021-2025**<sup>17</sup> defines the major short, medium, and long priorities and objectives with the incorporated reforms regarding policy criteria in each of the six clusters and related NPAA chapters. Most of them will be addressed through specific activities designed in employment and social policies to ensure adjustment and approximation of national institutions towards the European administrative structures.

### Environmental and climate action sectors

**Long-Term Strategy on Climate Action and Action Plan 2021-2030.** North Macedonia has demonstrated a strong commitment towards addressing climate change, evident in the strategic documents and action plans that have been enacted. The Long-term Strategy on Climate Action and the related Action Plan 2021-2030<sup>18</sup> outline a clear vision and a detailed pathway to climate resilience and sustainability, integrating mitigation and adaptation strategies across key sectors like energy, transportation, agriculture, industry, and waste management. It provides a framework for policy development, planning, and implementation of climate change mitigation and adaptation measures, while the country's long-term vision is set as follows: *“The Republic of North Macedonia is, by 2050, a prosperous, low carbon economy, following sustainable and climate resilient development pathways, enhancing competitiveness and promoting social cohesion through action to combat climate change and its impacts”*. Green jobs, which contribute to preserving or restoring environmental quality, can address both climate change and unemployment issues, helping to build a sustainable, durable, and inclusive economy.

## 2.2 Legal framework

North Macedonia has adopted a comprehensive regulatory framework in employment and social policy. Legal acts, such as laws and by-laws, ensure human rights and equal access to rights for every citizen to be provided. Substantially, the legislation in the sectors of employment and social policies are aligned with the relevant EU directives, recommendations, and guidelines, as well in compliance with applicable international conventions.

The OP on human capital is in line with the national legal and regulatory framework applicable to the employment and social protection sectors in North Macedonia, which include the following main acts:

### Employment Sector

**Labour Relations Law**<sup>19</sup> of North Macedonia, as the main labour act, regulates legal relationships between employees and employers established by concluding the employment contract, salary, working conditions, and representation of workers' rights. The Labour Relations Law has been amended and harmonised to various degrees with the EU *acquis* in recent years, *particularly* the directives pertaining

<sup>16</sup>[https://mtsp.gov.mk/content/pdf/2022/strategija\\_%D0%A1%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%98%D0%B0\\_%D0%B7%D0%B0\\_%D1%80%D0%BE%D0%B4%D0%BE%D0%B2%D0%B0\\_%D0%B5%D0%B4%D0%BD%D0%B0%D0%BA%D0%B2%D0%BE%D1%81%D1%82\\_2022\\_2027.pdf](https://mtsp.gov.mk/content/pdf/2022/strategija_%D0%A1%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%98%D0%B0_%D0%B7%D0%B0_%D1%80%D0%BE%D0%B4%D0%BE%D0%B2%D0%B0_%D0%B5%D0%B4%D0%BD%D0%B0%D0%BA%D0%B2%D0%BE%D1%81%D1%82_2022_2027.pdf)

<sup>17</sup>[https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjw4rLmqui-AhWjSfEDHcr1B88QFnoECBEQAQ&url=https%3A%2F%2Fwww.sep.gov.mk%2Fdata%2Ffile%2FNPAA%2FNPAA%2520ENG%2520Final\\_compressed%2520\(1\).pdf&usg=AOvVaw14oORGSn2Io1hEQuf\\_xCK8](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjw4rLmqui-AhWjSfEDHcr1B88QFnoECBEQAQ&url=https%3A%2F%2Fwww.sep.gov.mk%2Fdata%2Ffile%2FNPAA%2FNPAA%2520ENG%2520Final_compressed%2520(1).pdf&usg=AOvVaw14oORGSn2Io1hEQuf_xCK8)  
[https://www.sep.gov.mk/data/file/NPAA/NPAA%20ENG%20Final\\_compressed%20\(1\).pdf](https://www.sep.gov.mk/data/file/NPAA/NPAA%20ENG%20Final_compressed%20(1).pdf)

<sup>18</sup> [https://unfccc.int/sites/default/files/resource/MKD\\_LTS\\_Nov2021.pdf](https://unfccc.int/sites/default/files/resource/MKD_LTS_Nov2021.pdf)

<sup>19</sup> Labour Relations Law - Consolidated Text (Official Gazette of RM No.167/2015)



to working conditions and working time. A new Law on Labour Relations is in preparation, further improving alignment with EU *acquis*.

**Law on employment and insurance in case of unemployment**<sup>20</sup> regulates the main issues due to labour exchange, the rights and obligations of employers and their needs of workers, rights of unemployed persons and other job seekers, in connection with employment and insurance in case of unemployment and other matters in regards of services and measures for the unemployed persons. The Law and internal by-rules regulate the institutional setup, governance, and competencies of the Employment Service Agency (ESA).

**Law on Recordkeeping in the Field of Labour**<sup>21</sup> regulates the establishment of records in the field of labour and the manner of their conduct.

**Law on Internship**<sup>22</sup> regulates the procedure and conditions for the realisation of an internship, the rights and obligations of the intern and the employer where the internship is carried out, the internship contract and internship record keeping. The Law is aligned with the core principles of the 2014 Council Recommendation on Quality Framework for Traineeships.

**Law on Youth Allowance**<sup>23</sup> regulates the right to youth allowance for a young person under 23. Its purpose is to incentivise the employment of young people in manufacturing for a more extended period and improve their economic position.

**Law on Employment of Persons with Disability**<sup>24</sup> and related by-rules regulate the special conditions for (self)employment of persons with disabilities, as well as the conditions for the establishment of sheltered enterprises and the subsidies for employment of persons with disability that could be paid from the so-called Special Fund. A new Law on the Employment of Persons with Disabilities has been prepared, introducing professional rehabilitation and supporting the employment of persons with disabilities.

A first-ever **Law on Social Enterprises** is under preparation, creating legal ground conducive to establishing and growing social enterprises.

### **Social Protection and Inclusion Sector**

**Social Protection Law**<sup>25</sup>, as supplemented by extensive rulebooks, regulates the system and organisation of social protection, the beneficiaries of social protection, the rights to cash assistance and social services, the conditions and procedures for claiming cash benefits and for using services, minimum standards for the delivery of social services, licencing of service providers, personnel, financing, and supervision over the performance of social protection, etc.

**Child Protection Law**<sup>26</sup> regulates the system of protection of children, which entails entitlements to child cash benefits and the possibility to enrol in preschool and other types of child protection services. Child protection is an organised activity ensuring full respect of all children's rights, parents' rights and obligations for family planning, and the state and local self-government units for making humane population policies. Children are protected by creating conditions and enabling a standard of living that corresponds to children's physical, mental, emotional, moral, and social development.

**Law on Social Security for the Elderly**<sup>27</sup> regulates the entitlement to social security for older persons.

The pension system in North Macedonia is regulated by the **Law on Pension and Disability Insurance**<sup>28</sup>. Pension and disability insurance rights include the right to an old-age pension; the right to a disability pension; the right to a family/survivor pension; the right to the lowest pension amount, the

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<sup>20</sup> Law on employment and insurance in case of unemployment - Consolidated Text (Official Gazette of RM No. 112/2014).

<sup>21</sup> Law on Recordkeeping in the Field of Labour - Consolidated text (Official Gazette of RM no. No.31 / 2013))

<sup>22</sup> Law on internship (Official Gazette of RNM No.98/19)

<sup>23</sup> Law on youth allowance (Official Gazette of RNM No.18/20)

<sup>24</sup> Law on Employment of Disabled Persons - Consolidated text (Official Gazette of RM no. 87/2005)

<sup>25</sup> Social Protection Law (Official Gazette of RNM, No.104/2019))

<sup>26</sup> Law for Amending and Supplements of Child Protection Law (Official Gazette of RNM, No.104/2019),

<sup>27</sup> Law on Social Security for the Elderly (Official Gazette of RNM, 104 /2019)

<sup>28</sup> Law on Pension and Disability Insurance (Official Gazette of RM no. 63/2013)

right to professional rehabilitation and appropriate compensation and the right to monetary compensation for physical impairment.

**Family Law**<sup>29</sup> regulates marriage and the family, relations in marriage and the family, certain forms of special family protection, domestic violence, adoption, guardianship, and maintenance, as well as the procedure before the court in marital and family disputes and the process for imposing temporary measures for protection from family violence.

**Law on Equal Opportunities of Women and Men**<sup>30</sup> regulates establishing and fulfilling equal opportunities and treatment principles in different segments of societal life. It fully aligns with the Directive 2006/54/EC, Directive 2010/41/EU and Council Directive 2004/113/EC. A new Law on Gender Equality is being prepared to strengthen further the system and the national mechanism for gender equality.

### 2.3 Institutional setting, leadership, and capacity

Sectors such as employment, social protection, and inclusion are multi-dimensional. Therefore, policymaking and implementation in these fields require the common work and coordination of many institutions and the involvement of social partners and the civil society sector. Overall, the institutional set-up for the employment and social protection sectors supports ongoing and planned sector reforms with clear responsibilities allocated to the relevant national authorities.

The **Ministry of Labour and Social Policy (MLSP)** is the lead responsible institution for creating and implementing labour market policies, social security, equal opportunities, protection, and prevention of discrimination following international and EU standards and principles. Its mandate and competencies are towards ensuring a flexible labour market, followed by proactive, inclusive social security, equal opportunities for citizens, and applying international and EU standards and principles through social dialogue involving social partners and civil society. The MLSP organisational structure comprises 16 departments and 53 units, and the Directorate for Affairs for War Veterans and War Invalids is within its scope. 243 working posts were filled out of 550 planned in the Systematization of Working Posts Act.

#### **Institutional framework for the employment sector also includes the following bodies:**

The **Employment Service Agency (ESA)** is a public institution that provides labour market-related services to employers and unemployed job seekers through 30 Local Employment Centres and implements passive and active employment programmes and measures. Its key mandate is labour market exchange and matching the supply and demand of the labour force. Thus, the ESA's overall objective is to contribute towards alleviating structural discrepancies between supply and demand in the labour market. According to the Act of Systematization of Working Posts in ESA, 137 working posts for 650 employees are planned, and only 375 working posts have been occupied at the end of 2022. The ESA human capacities have been gradually improved through various capacity-building activities in previous years, mainly through EU/ IPA and other funded actions.

The **State Labour Inspectorate (SLI)** has been a legal entity independent from the MLSP since 2014. The SLI is in charge of enforcing the implementation of laws, collective agreements, employment contracts and other acts in labour relations, employment, and OSH. It does so primarily by performing inspection supervision. The SLI has six departments and one independent unit. At the end of 2022, SLI had 192 employees, from whom 115 were inspectors (71 in the field of labour relations and 44 in the field of occupational safety and health), from whom 14 inspectors did not have a valid licence.

**Social partners (trade unions and employers' organisations), as well as civil society organisations, academia, economic partners (such as private sector partners, chambers of commerce, confederations) and other relevant counterparts,** are constantly involved in ensuring the support of policy initiatives implemented by the Government of North Macedonia to strengthen the inclusiveness of labour market policies in the country.

#### **Institutional framework for the social protection and inclusion sector also includes the following bodies:**

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<sup>29</sup> Family Law (Official Gazette No. 115/14)

<sup>30</sup> Law on Equal Opportunities of Women and Men (Official Gazette, No.6/2012)

The **Institute of Social Affairs (ISA)** is a public institution responsible for competencies in the Social Protection Law, such as supervision of professional work, monitoring and analysing social phenomena and problems, developing skills and qualifications, and professional development and licensing of social protection professionals. ISA also sets quality standards for the delivery of social services and implements monitoring activities for social service providers. At the end of 2022, the Institute completed its programme activities with 22 employed professionals across four departments. Additionally, the Commission for licencing professional work in social protection, the Commission for Approval of Programmes for continuing professional education, and the Ethics Board.

**Social Work Centres (SWCs)** are institutions with public authorisations for administering social protection cash benefits, taking decisions about matters as per the Family Law, taking actions as per Criminal Code, and performing other activities determined by law and by-laws. There are 30 SWCs in all towns across the country.

**Social services providers** are legal entities licenced by the MLSP to deliver social services to the citizens as per the Social Protection Law. There is a network of authorised providers of social services that consists of public institutions for social protection and other authorised non-state providers of social services (associations, other domestic and foreign legal entities), with which the MLSP, i.e. the municipality, the city of Skopje and the municipalities in the city of Skopje, concluded an administrative contract for the provision of social services, as well as a natural person who received a licence to perform work from social protection as a professional activity and concluded an agreement with the SWC. Licenced non-state social services providers, which are not in the network of authorised social services providers, may still provide social services on commercial grounds. By May 2023, 82 social providers were licenced to provide different social services (professional help and support services, counselling services, personal assistance, home-based support and care, and community-based and out-of-family protection services). Social protection institutions and other social service providers in implementing social protection cooperate with institutions for children, schools, health institutions, police, judicial and other state bodies, associations, and other legal and natural persons.

**Local self-government units (municipalities)** are responsible for planning social protection responses to local needs under the Social Protection Law. Concerning the provision of social protection by the municipalities, the city of Skopje and the municipalities in the town of Skopje, it is defined to be founded municipal councils for social protection and councils for social protection of the planning region. By the end of 2022, all local self-government units have established councils for social protection, while the eight planning regions set up regional councils for social.

## **2.4 Sector(s) and donor coordination**

The Sector Working Group (SWG) on Education, Employment and Social Policy (EESP), which ensures sector coordination, was established in 2015. Sector coordination has gained momentum from 2018 onwards. The SWG is co-chaired by the Minister of Labour and Social Policy and the Minister of Education and Science and is guided by the Secretariat for European Affairs (SEA). At the same time, it involves the remaining national stakeholders, donors, businesses, and civil society organisations active in the sector.

The mandate of the established Sector Working Group is broad – it involves the establishment of sector priorities, sector and donor coordination in the implementation of national sector policies, and reporting on sector targets. Thus, it ensures that the foreign / development assistance by donors and creditors is aligned with the national policies and that there is a synergy between the various funding sources.

The SWG works in two formats: technical, involving the experts from the participating organisations, and decision-making, involving the heads of the participating bodies.

Collaboration has been established primarily with World Bank-IBRD and bilateral donors/ agencies active in the country (Austria, Switzerland, USAID).

Social partners and civil society organisations are also involved in the work of this SWG and regularly consulted through the plenary sessions.

In addition to the IFIs and bilateral donors, collaboration with multilateral organisations is foreseen for this sector. In that regard, the UN organisations play an essential role in the EESP sector (UNICEF, ILO, UNFPA, UN Women, IOM, UNHCR, UNOPS, UNESCO and WHO).

Additionally, regarding the work of the National Investment Committee (NIC), SWG works following the Methodology for Identification, Preparation and Selection for Financing of Sectoral Infrastructure Investment Projects adopted by the Government of North Macedonia.

A total of twelve (12) plenary meetings and many technical meetings of EESP SWG till the end of 2022 were held on issues related to sector policies creation and implementation, identification of priorities for EU-IPA funding, setting of performance assessment framework in this sector and presentation of other donor-funded actions.

The sector policy dialogue, encompassing the IPA III 2024-2027 OP on human capital and its areas of support, was presented and discussed at the 12th plenary meeting of EESP SWG held on 18 May 2023.

## **2.5 Mid-term budgetary perspectives**

The Fiscal Strategy comprises medium-term guidelines and goals for fiscal policy, main macroeconomic projections, amounts of the main categories of projected revenues and expenditures, and budget deficit and debt projections. It reflects the medium-term fiscal goals and strategic priorities of the Government of North Macedonia.

Key elements of the medium-term fiscal policy are redesigned and improved public finance structure, through an increased share of capital expenditures, as well as gradual fiscal consolidation, by reducing the budget deficit as a percentage share of GDP, as follows: 4.6% in 2023, 3.4% in 2024, 3.0% in 2025, 3.0% in 2026 and 2.8% in 2027. Total revenues of the Budget of North Macedonia (Central Budget and Funds) for 2023-2027 are projected to be around 30.4% of GDP.

In the next period, the expenditure side of the budget of the North Macedonia is entirely created to achieve the strategic priorities, such as accelerating economic growth, the EU integration process and the obligations deriving from NATO membership.

The 2023-2027 Fiscal Policy<sup>31</sup> reflects the commitment to further strengthening public finance management and fiscal sustainability, which is to contribute to maintaining macroeconomic stability and gradual fiscal consolidation. In the coming medium-term period, private consumption of citizens and additional support for the business sector related to innovative and export activities will be continued, accompanied by boosted competitiveness and productivity, as well as modernisation and digitalisation of the processes.

Medium-term priorities will be geared towards coping with the consequences of the COVID-19 pandemic by scaling up investments through direct support of investment activities of companies, promotion and facilitation of the investment climate, job creation through active employment measures, as well as support and development of micro, small and medium-sized enterprises. This means such support will be realised by establishing development funds, innovation support funds, guarantee funds, equity funds, venture capital funds and similar instruments to support export-oriented companies, small- and medium-sized enterprises, and social enterprises.

The MLSP budget for 2022 compared to 2021 increased to 54 280 824 thousand MKD, of which 3.4% is coming from loans, and less than 1% is donor funded. The following budgetary and governmental programmes are instrumental to the sector strategies: Social Protection Programme (1 715 379 thousand MKD), Social Protection Benefits Programme (13 235 843 thousand MKD), Programme for Decentralization (2 465 628 thousand MKD) and Programme for Support of Social Funds (28 073 500 thousand MKD), Measures for Poverty Alleviation (3 909 000 thousand MKD).

Capital expenses equalled 895.4 million MKD, which accounted for 1.6% of the total budget (74% covered by development loan). The budget in 2022 led to an increase of the national annual budget for active employment measures of 2,2% compared to the initial budget for 2021. These funds include the funding for the youth guarantee, activation, employment services, etc.

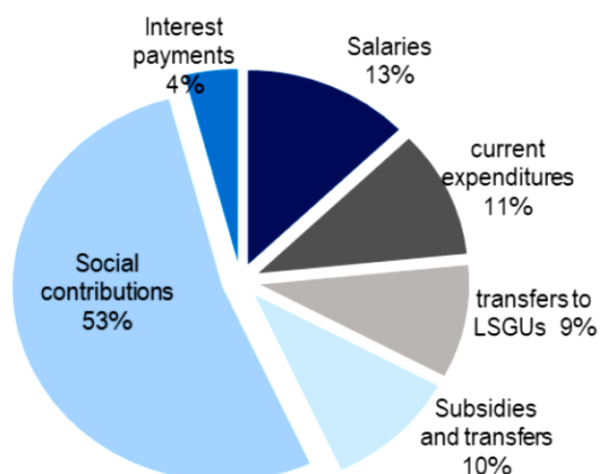
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<sup>31</sup><https://finance.gov.mk/wp-content/uploads/2021/06/%D0%A4%D0%98%D0%A1%D0%9A%D0%90%D0%9B%D0%9D%D0%90-%D0%A1%D0%A2%D0%A0%D0%90%D0%A2%D0%95%D0%93%D0%98%D0%88%D0%90-%D0%9D%D0%90-%D0%A0%D0%95%D0%9F%D0%A3%D0%91%D0%9B%D0%98%D0%9A%D0%90-%D0%A1%D0%95%D0%92%D0%95%D0%A0%D0%9D%D0%90-%D0%9C%D0%90%D0%9A%D0%95%D0%94%D0%9E%D0%9D%D0%98%D0%88%D0%90-2022-2026-1.pdf>



The Government remains committed to fiscal sustainability, supporting the economy with investments in infrastructure projects, redesigning the public finance structure by increasing the share of capital expenditures, and strengthening the process of planning, executing, and reporting regarding public finance.

Average structure of current expenditures for 2023-2027 (in %)



Source: Projections of the Ministry of Finance

In the medium-term period, fiscal policy remains focused on ensuring substantial public investments, a precondition for improving economic perspectives and better living conditions for the citizens. To this end, a significant amount of capital investments has been projected (following figure) by using budget funds, including funds under loans extended from international financial institutions and bilateral creditors.

## 2.6 Performance assessment framework

Key strategy documents, especially those developed after 2017, use rich data collection and measure success with SMART indicators. They are developed through a participatory process and benefit from the participation of relevant stakeholders, including civil society organisations and international donors. Authorities, donors, and civil society discuss general and specific strategic directions and thus increase the compliance of the strategies with international and EU standards.

**As of 2020, the country established a Performance Assessment Framework (PAF)<sup>32</sup>**, streamlining the policy objectives; based on impact and outcome indicators, targets, and baseline data. The indicators formulated and agreed upon for this window provide a robust system for measuring compliance with the evidence-based approach to policymaking.

The OP contributes to meeting a list of several key impact indicators of the Performance Assessment Framework (PAF) as follows:

- Employment Rate (15+): total, men, women.
- Employment rate (20-64): total, men, women.
- Youth Employment Rate (15-29): total, men, women.
- Employment rate of recent graduates (20-34) (male and female).
- Unemployment rate (15 – 74 years): total, men, women.
- Youth Unemployment Rate (15-29): total, men, women.
- Young people neither in employment nor in education and training by sex, age and labour status (NEET rate 15-29, 15-24 and 25-29).

<sup>32</sup> The PAF is available under <https://pafnorthmacedonia.mk/PAF/>

- Coverage of young persons with active labour market programmes, measures, and employment services.
- Long-term Unemployment Rate: total, men, women.
- Activity rate: total, men, women.
- Public budget for Active Employment Policies.
- Roma people involved in labour market services and active employment programmes.
- Expenditures on all types of social protection expenditure as a share of GDP.
- At-the-risk poverty rate (after social transfers).
- At-the-risk poverty rate (after social transfers and before pensions) (% of the population).
- At-the-risk poverty rate (after social transfers, except pensions).
- People aged 0-59 living in households with very low work intensity.
- Enrolment rate of children in pre-school education and care (between the age of four and the starting age of compulsory primary education who participated in early childhood education).
- Pre-school staff/children ratio.
- Share of Roma children in the total number of children enrolled in preschool and care.

## 2.7 Socio-economic analysis (including SWOT analysis)

### Macro-economic situation<sup>33</sup>

The global economy in 2022 experienced many challenges and uncertainty. Inflation higher than seen in several decades, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic weigh heavily on the global economic growth outlook.

North Macedonia belongs to the upper-middle-income group of countries. Economic activity in North Macedonia in 2022 was impacted by the challenges and uncertainty caused by global factors. Under such circumstances, the national economy experienced a solid growth of 3.2% in the first half of the year, with the growth rate moderately slowing down to 2% on an annual basis in Q3 as a result of the further deterioration in the international environment, and the average growth in the first nine months reached 2.7%. Analysed by the expenditure side of GDP, the growth of economic activity in the first nine months was entirely a result of the more robust domestic demand amid increased consumption and scaled-up gross investments, while the contribution of net export was negative. Gross investments picked up by 26.5%. Thus, their further recovery continued. The regional distribution of the GDP per capita shows a significant income inequality between Skopje and the rest of the regions.

### Labour Market developments

In the past decade, North Macedonia has experienced a noteworthy economic growth rate, with an average annual increase of 2.5% during the 2010s. However, the extent to which this growth has translated into employment opportunities has been relatively low. From 2011 to 2019, the employment-to-population ratios increased by an average of 1.7 percentage points, compared to the 2.7% output growth rate<sup>34</sup>.

In 2022, positive shifts in the labour market continued, with the unemployment rate decreasing to 14.4% (from 15.7% in 2021), while the employment rate stagnated at 47.3%. The most significant drop in employment was observed in the construction sector, followed by the service sector, with fewer employees. In contrast, the industry and the agricultural sector recorded an increase in employment.

Since 2020, the inactivity of the population has increased, and the trend has continued to be present in 2021 and 2022. Inactivity is explained first for health reasons and then due to discouragement.

In 2022 the average net wage grew by 10.9% in nominal terms, intensifying in March and April due to the minimum wage increase. The average salary was increased in all sectors, most notably in the catering industry, arts, and trade.

### Labour market activity rate

The active population in the labour market consists of the employed and unemployed registered as looking for employment, and according to the last data from the Labour Force Survey, North Macedonia

<sup>33</sup> The data are drawn from North Macedonia: ECONOMIC REFORM PROGRAMME 2023-2025

<sup>34</sup> The data are drawn from North Macedonia: National Employment Strategy, 2022-2027

had a working-age population of 808.078<sup>35</sup> in 2022 with an activity rate of 55,2% (% of the working-age population)<sup>36</sup>.

Data series for the country show that the overall number of the economically active population over the last decade is decreasing (a decrease of 14,8% or 140.047 persons from 2012<sup>37</sup>), signalling the country's labour force loss. In addition, a high rate of 44,8% of the inactive working-age population presents a challenge for North Macedonia's society.

However, considering just the age group from 15–64 (working age population according to the Labour Law of North Macedonia<sup>38</sup>) activity rate is higher, up to 66,4% in 2022.<sup>39</sup>

Results from the Labour Force Survey also show differences in economic activity of the working-age population by gender, education level, age, and region. Low participation rates are mainly due to the low activity rates of women and young people (15-29).

In North Macedonia, a gender gap exists in the labour market. According to data from 2022<sup>40</sup>, the activity rate of the economically active female population in the country was significantly lower than that of the male population. It amounted to 44.3%, while the male activity rate was 66.2%. Compared to the activity rates in the last decade, more progress was needed in activating the female working population. The activity rate of economically active women decreased by 0,5% (in 2012 was 44,8%)<sup>41</sup>. Comparing the data for the age group from 15 – 64, activity rates are higher (for women up to 54,3% and males 78,4%); however, they still indicate a significant gender gap in the population's economic activity.

The educational level of the labour force is, for the majority (49,2%), a 4-year secondary education, followed by 26,4% of the population with university-level education. Additionally, 6,7% have three years of secondary education, and 2,1% have higher vocational education. Primary and lower secondary education, incomplete primary and lower secondary education or without education at all is noticeable in 15,5% of the working-age population in North Macedonia. In the last decade, a significant increase in the labour force with 4-year secondary education and university level education has been made (an increase of 7,3% for university level and 5,1% for 4-year secondary education)<sup>42</sup> signalling that the labour market has shifted to a more educated population. In addition, the share of economic activity is higher among women who have completed higher vocational and university education (for women, 2,7% and 36,9%) than among men who have identical schooling (1,6% and 20,7%).<sup>43</sup>

The total share of young people in the labour force (age 15 -29), according to the last data from 2022, is low, only 18,4%. In addition, young people's activity rate is also at a low level -46,1%. The labour force population in the age group from 50 – 64 constitute a share of 28,7%, as well as 1,2%<sup>44</sup> of the elderly people (65 years and above) have declared themselves as economically active in North Macedonia according to the Labour Force Survey.

Vast discrepancies in activity rate are visible on the regional level as well. The Southeast region had the highest recorded activity rate in the country at 64,7%, while the lowest activity was seen in the Polog region at 47,2%. Above average activity rates were in Pelagonia region (62,2%), Vardar region (61,9%) and East region (59,0%), while below the average activity rates were in the Skopje region (56,0%), Northeast region (52,9%) and Southwest region (52,9%).<sup>45</sup>

## Employment

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<sup>35</sup> Active population in North Macedonia - processed data from the Labour Force Survey for 2022 all quarters.

<sup>36</sup> Working age population, by LFS methodology, comprises all persons aged from 15 to 79 years.

<sup>37</sup> Active population in North Macedonia - processed data from the Labour Force Survey, for 2012 all quarters.

<sup>38</sup> According to the Labour Law in North Macedonia, the working age for men is considered 15 – 64 and for women 15 to 62 years of age

<sup>39</sup> Active population in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>40</sup> *ibid*

<sup>41</sup> Active population in North Macedonia - processed data from the Labour Force Survey, for 2012 all quarters.

<sup>42</sup> *ibid*

<sup>43</sup> Active population in North Macedonia - processed data from the Labour Force Survey for 2022 all quarters

<sup>44</sup> Active population in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>45</sup> Report on Regions of North Macedonia, 2022,

[https://www.stat.gov.mk/PrikaziPoslednaPublikacija\\_en.aspx?id=32](https://www.stat.gov.mk/PrikaziPoslednaPublikacija_en.aspx?id=32)

The employment conditions in North Macedonia have gradually improved during the last decade, although some stagnation is noted due to the negative impact of both the COVID-19 pandemic and energy crisis.

According to the last available data, the employment rate in North Macedonia was 47,3%.<sup>46</sup> Over the past decade employment rate in North Macedonia has been growing steadily and has increased by 8,0% (in 2012 employment rate was 39,3%<sup>47</sup>). The overall number of employed persons in 2022, by the Labour Force Survey, was 692.034. Considering just the age group from 15 – 64, which constitutes a working age population according to the Labour Law, the employment rate is higher and amounted to 56,7% in 2022.

Gender differences existing in the economic activity of the in-country also reflect in the employment rates. The employment rate of women was significantly lower than men's since in 2022 male employment rate was 55,9% while the female employment rate only amounted to 38,8%. Higher employment rates are recorded in the age group from 15 – 64, where the female employment rate is 47,5%, and the male employment rate is 65,9%.<sup>48</sup>

Concerning the positive changes in the overall educational structure of the economically active population in North Macedonia, the structure of employed persons has changed positively towards a more educated population. The share of employed persons without formal schooling, having not completed or completed primary education decreased to 14,3% (in 2012 was 21,6%). At the same time, the share of employed persons with 4-year secondary education increased to 48,9% (in 2012 was 44,9%), and those with higher university education increased to 26,4% (in 2012 was 20,6%)<sup>49</sup>.

Same as with activity shares, the share of employed women according to educational level shows a strong bias towards the more educated groups, i.e. of the total employed women of 287.360 in 2022, 36,3% have a university education, and 2,8% hold a higher vocational education. In comparison, out of the 404.673 employed men in 2022, 22,0% have a university-level education, and 1,6% hold a higher vocational education.<sup>50</sup>

The employment rate of young persons aged 15-24 showed still very low rate of 19,2% in 2022, mainly due to the high level of unemployment of young people, their engagement in informal work and as well as their school attendance (as secondary education is obligatory in North Macedonia). The data on employment of the young people in the age group 15 – 29 show a bit higher rate – at 34,4%, however still significantly lower than for other age groups. The employment rate in the 25-49 was the highest, at 70,2%. The employment rate of persons aged 55-64 was relatively high – 55,2%<sup>51</sup>.

The employment rates of the population at the regional level show significant fluctuations (differences) concerning the total rates at the country level. The employment rate in the Skopski, Vardar, East, Southeast and Pelagonia Region was above the total rate at the national level, with the Southeast Region having the highest employment rate of 62,3%. The lowest employment rate was observed in the Northeast Region at 33,7% and Polog region at 35,6%.<sup>52</sup>

The growing importance of the private sector is reflected in the number of employed persons. Thus 74,5% of the total employment in 2022 was within privately owned organisations. According to the data from 2022, 83,2% of the total number of employed persons were employees, 4,1% were employers, and 9,3% were self-employed. In addition, 3,4% of the employed persons were unpaid family workers, mainly in rural farming but not formally registered as being employed or forming part of the active labour force.<sup>53</sup> The total share of self-employed out of the total employment figures in the last decade in North Macedonia has decreased by 3,6%, while the share of employers has decreased by 1,3 %.

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<sup>46</sup> Employment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>47</sup> Employment in North Macedonia - processed data from the Labour Force Survey, for 2012 all quarters

<sup>48</sup> Employment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>49</sup> *ibid*

<sup>50</sup> *ibid*

<sup>51</sup> Employment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>52</sup> Report on Regions of North Macedonia, 2022,

[https://www.stat.gov.mk/PrikaziPoslednaPublikacija\\_en.aspx?id=32](https://www.stat.gov.mk/PrikaziPoslednaPublikacija_en.aspx?id=32)

<sup>53</sup> Employment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

The decrease in the overall share of the self-employed and employers in the country can be interpreted through the employment consequences of the COVID-19 pandemic. In addition, the transition to the informal sector of the self-employed and micro businesses can be interpreted as one of the reasons for the overall decrease in the share of self-employed and employers.

The employment structure in the last decade followed the structural shift of the economy, with a declining share of workers engaged in agriculture (from 18,6% in 2012 to 10,0% in 2022) and a stable proportion of workers employed in manufacturing (19,6% in 2022). In addition, there is a growing share of wholesale and retail trade workers, amounting to 14,1% in 2022.<sup>54</sup> These three sectors remain most recruiting in North Macedonia. Additionally, construction sector (with having in total 6,0% share of total employment and accommodation and food service activities (with 3,5% share) have most prospects of employment of workers in the country<sup>55</sup>. However, with new Growth Acceleration Plan for 2022 – 2026<sup>56</sup>, as a general framework which consists of all the elements that could contribute to better utilisation of resources and increased growth potential on a medium-term basis, Government of North Macedonia will provide a stronger impulse in the following years in greening measures in the post-COVID-19 economic recovery with the introduction of several instruments to promote and finance enterprises green projects<sup>57</sup> In recent times, they have been mentioned in North Macedonia's national contributions to the Paris Climate Agreement, with which the country has obliged itself to lower the carbon dioxide emissions by 30% until 2030. In that document it is stated that if the planned measures for energy efficiency in the sector of the buildings and low-carbon energy from renewable sources and gas are implemented, then by 2030 in North Macedonia around 5,600 green jobs can be expected. One of the industries that are quickly opening green jobs is the renewable sources of energy.

Informal employment in North Macedonia declined from 24.3 % in 2011 to 12.2% in 2022. Such decline was particularly pronounced for young workers, whose informality rate fell from 45.9 % of total youth employment in 2011 to 17,7% in 2022. Informal employment is more widespread among men (14,3% of total men's employment compared to 9,1% for women), young people, older workers (65+, possibly due to the need to supplement pension-related incomes), and low-skilled individuals and for workers. The reduction of the informal economy was partially reflected in the growth of the overall employment rate in the North Macedonia, but also in the increase in the number of workers who migrated outside the country.

The data indicate that high-risk sectors for the informal economy include wholesale and retail trade, repair of motor vehicles and motorcycles; manufacturing; accommodation and food services; real estate; business and administrative activities. However, there are indications that the informal economy continued to decrease during the COVID-19 pandemic because companies have been using governmental measures and had to report the subsidised jobs due to the adverse effects of the pandemic.

## Unemployment

There are two sources of information on the unemployment level. Employment Agency Service (ESA) administrative data, where unemployed and other persons register when seeking jobs, and State Statistic Office data from (quarter) Labour Force Survey (LFS), based on a sample of households in line with ILO and EUROSTAT standards.

According to the LFS, the unemployment rate in North Macedonia has been on a steady decline for a decade. In 2012 unemployment rate was high, amounting up to 30,6%. By 2022, the unemployment rate had dropped to 14,4%<sup>58</sup> (in total 116.045 persons). Although, over the years, there was a stable decline in the unemployment rate, it is still relatively high compared to the average EU unemployment rate (6,6% in 2022)<sup>59</sup>. Considering just the age group from 15–64, which constitutes a working-age population according to the Labour Law, the unemployment rate amounted to 14,5% in 2022.

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<sup>54</sup> *ibid*

<sup>55</sup> *ibid*

<sup>56</sup> [https://finance.gov.mk/wp-content/uploads/2022/01/Growth-Acceleration-Plan\\_final-1.doc](https://finance.gov.mk/wp-content/uploads/2022/01/Growth-Acceleration-Plan_final-1.doc)

<sup>57</sup> SME Policy Index: Western Balkans and Turkey 2022: Assessing the Implementation of the Small Business Act for Europe, OECD, 2022

<sup>58</sup> Unemployment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>59</sup> Unemployment rate EU, Eurostat, 2022

The decline in the overall unemployment rate showed positive changes in the structure of unemployment. By the 2022 data, women's unemployment was lower than men's, amounting to 12,5% compared to 15,7% of male unemployment rate<sup>60</sup>. However, differences in employment rates and activity rates by gender indicate that the decrease in the unemployment rate for women was mainly due to a transfer in inactivity, not due to their employment.

The highest unemployment rate among the age groups is observed with young people aged 15 to 24. The unemployment rate (15-24 years) significantly decreased in the past decade from 53,0% (in 2012) to 32,5% (in 2022). Although the unemployment rate decreased, the high unemployment rate of young people in the country still represents a challenge. While women's unemployment decreased to levels lower than men's, such trends are not visible in the category of young people (15-24). By the available data, the unemployment of young females is higher, 8,7%, than that of young males (38,2% for young females compared with 29,5% for young males). The lowest unemployment rate is within the age group of 50 – 64, up to 10,7% and within the age group 25 – 49 (up to 14,5%)<sup>61</sup>.

Regarding educational attainment, a high share of unemployed persons without formal schooling, having not completed or completed primary education, is still present. In 2022 their share in overall unemployment amounted to 21,5%, a decrease of 10,0% compared to the last decade. However, it still makes more than one-fifth of overall unemployment. The share of unemployed persons with four years of secondary education makes up more than half of the overall unemployed persons in the country (51,6% in 2022). It has increased in the last decade (42,3% in 2012), the same as the share of unemployed with university-level education (17,3% in 2022 compared to 15,8% in 2012)<sup>62</sup>.

Vast differences in unemployment rates are recorded on the regional level as well. The lowest unemployment rate of 3,8% was recorded in the Southeast Region, which also had the highest employment rate. The East region as well records a low unemployment rate of 6,8%. The highest unemployment rate in 2021 was registered % in the Northeast Region at 36,3%. In addition, above-average unemployment rates are also recorded in the Polog region (22,8%) and the Southwest region (21,2%)<sup>63</sup>.

The long-term unemployment rate refers to the share of unemployed persons for 12 months or more in the total number of active persons (either employed or unemployed) in the labour market. By the last data (for 2022), the long-term unemployment rate was 12,5%, a significant decrease in the last decade (25,9% in 2012). Long-term unemployment affects adult people (in the age group of 25-64) more than young people. Gender differences are more pronounced among young people, as 69,6% of unemployed young men are long-term unemployed compared to 57,6% of young women.<sup>64</sup> ESA, within its database, records active and passive job seekers (unemployed persons). At the end of 2022, 112 733 unemployed persons (active job seekers<sup>65</sup>) and 47 090 others (passive job seekers) were recorded.

Regarding the structure of the unemployment of the active job seekers, some negative trends are noticeable and differences between results from Labour Force Survey. With regards to the gender structure, registered unemployment shows that there is a higher percentage of unemployed women than men. By the end of 2022, within the total number of unemployed active job seekers, there were 51,4% (57 970) of unemployed women and 48,6% (54 763) of unemployed men<sup>66</sup>.

The age structure shows a small share of young unemployed persons (15-29 years) of 18,9% (21 304 persons) registered within the ESA database. On the other hand, LFS indicates the highest unemployment rate in this age group, which can be interpreted as young people being reluctant to register as active job seekers within the ESA. In addition, data indicate that there is a high share of people of elderly working age (50 years and more) that are registered as unemployed. Their share

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<sup>60</sup> Unemployment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>61</sup> ibid

<sup>62</sup> ibid

<sup>63</sup> Report Regions of North Macedonia, 2022

<sup>64</sup> Unemployment in North Macedonia - processed data from the Labour Force Survey, for 2022 all quarters

<sup>65</sup> An unemployed person (active job seeker) is a person registered within ESA database who is unemployed and actively looking for work as well is ready to accept any suitable or convenient employment that will be offered to him/her.

<sup>66</sup> ibid



represents 40.6% (45.824 persons) of the total registered unemployed. Unemployed persons aged 30-49 constitute 40.5% of the total registered unemployed (45.605)<sup>67</sup>.

Educational attainment of the registered unemployed shows that the majority (58.2% or 65.663) are persons without any education or only with primary education. In addition, 9.2% (10 379 persons) have incomplete secondary education<sup>68</sup>. A quarter of registered unemployed persons (24.4% or 27 505) have completed secondary education, and 7.3 % (8.268) have a university education<sup>69</sup>.

Data on the duration of unemployment of registered unemployed persons in ESA highlight the problem of long-term unemployment. By the 2022 data, 73.1% (82 352 persons) were long-term unemployed.

## NEET

The concept of NEET represents young people not in employment, education, or training. According to the Youth Guarantee Implementation Plan<sup>70</sup>, in 2021, there were approximately 94,000 young people 15–29 years of age who were not in employment, education or training (NEET) in North Macedonia, corresponding to approximately one-quarter (24.2%) of the total youth population. In 2022, approximately 74,000 NEETs corresponded to less than one-quarter (23%) of the youth population. This share is declining compared to 2016, when young NEETs accounted for 31.3% of the youth population (roughly 136 000 young people). This drop was partly due to the progressive decline of the youth population (15-29) but also to the decrease recorded when the Youth Guarantee in North Macedonia was piloted (the share of young NEETs dropped from 29.7% in 2018 to 22.8% in 2022).

In 2021 NEET rates were higher for women compared to men (26.1% and 22.4%, respectively), for young people in the 25-29 age group compared to the younger cohort (34.4% and 17.8%, respectively), for young people living in the Northeast region (39.7%) and for young people with secondary educational attainment (27.5%). In the same year, roughly 11.3% of young NEETs were short-term unemployed (approximately 10 600 individuals). In comparison, 39.7% (or 37 300 young persons) had been unemployed for longer than one year, on a declining trend compared to 2016 (14.6% short-term and 44.3% long-term unemployed, respectively).

Among inactive NEETs, there is a prevalence of young people detached from the labour market due to care and family responsibilities (22.1% of the total NEET population, over 20 000 people) and discouragement (16.2% or 15 200 young people). In 2021, young people inactive due to illness or disability accounted for 3.7% of the total (3 400 youth).

Due to discouragement, the share of inactive NEETs started to increase in 2019 to peak in 2021 at 16.2%, twice the percentage recorded in 2016 (7.5%). The gender gap in NEET rates – 3,7% in 2021 - is explained mainly by the predominance of women among those who are inactive due to family and care responsibilities (96.7% of the total NEET in this category). These young women are mainly in the low-to-medium-skilled category and live predominantly in rural areas, in non-poor households. Young men, conversely, are more represented in other NEET categories, particularly among the long-term unemployed and discouraged workers.

The findings of the NEET mapping show that young people aged 25-29 have a lower probability of being unemployed and inactive (by 14.7% and 7.7%) compared to the younger cohort (15-24). Also, young men face a lower likelihood of being NEET compared to women (5.2% for unemployment and 18.4% for inactivity), with the larger “inactivity” effect for young women deriving solely from the “care and family responsibilities” group (20.4%). Compared to young people with at most primary education, the probability of being NEET for young unemployed with secondary and tertiary education decreases by 16.6% and 15.9%. In addition, living in urban areas decreases the probability of being NEET (but only for inactive youth), while living in Skopje increases the likelihood of being unemployed or inactive. In 2021 the levels of young NEETs remain worrisome in Skopje (over 27,200 young NEETs), in Polog (over 22,800), in the North-East (over 14,000) and in the Southwest (over 12,600).

## Labour Market Mismatch

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<sup>67</sup> *ibid*

<sup>68</sup> *ibid*

<sup>69</sup> *ibid*

<sup>70</sup> Youth Guarantee Implementation Plan: North Macedonia, May 2022

Within North Macedonia, there is an evident labour market mismatch. A notable improvement has been achieved in the educational attainment of the population. However, there is evidence that the increase in education level has not necessarily been accompanied by a rise in the skills acquired by workers. Few adults were involved in continuing education and training, as the LFS data shows that only 2.3% of the population aged between 25 and 64 in the country participated in education and training in the four weeks before the survey, compared with the EU average of 10.9%<sup>71</sup>. A similar finding holds for participation in job-related non-formal training and education. This data shows that few adults upgrade and augment their skills and knowledge throughout their working life, which probably hinders their productivity, and, consequently, their wages and promotion prospects. In addition, given the mismatches present in the labour market, the lack of interest in upgrading skills and knowledge seems at odds with employers' incentive to train and upskill their workers, but also workers' incentive to improve their own skills. Employers are generally not prepared to finance or co-finance non-formal employee training. This calls for considerable involvement by government institutions to mitigate the mismatches between the skills that are in demand and those that are supplied.

The analyses of labour demand and supply show that there has been a relatively large change in the structure of jobs by occupation, industry, skills and other variables. Employment probability is closely related to workers' education: workers with a low level of education experience high levels of inactivity and unemployment. The employment structure by occupation shifts towards intermediate- and high-level occupations over time. Most of the current and near-future demand will be for workers with secondary vocational education and/or skills, despite the large increase in the supply of tertiary-educated graduates. Young workers face high unemployment and difficulty transitioning from education to the labour market. Many young people remain inactive even after completing their education.

Mismatches restrict productivity growth and are costly for both society and individuals. Calculations based on available LFS data and previous studies show that horizontal mismatch is in a range between 30% and 45%, whereas vertical mismatch is in a range between 27% and 53%. The data also shows that mismatches are higher for workers with secondary education relative to tertiary-educated workers. It is inconclusive if the mismatches are higher for younger workers. On one hand, the studies that focus on recent graduates find larger mismatches than those for the general population. On the other hand, some regression analysis (for instance in Handel et al., 2016) shows that over-education is higher for workers aged 30+. The available evidence also finds that certain factors are related to a lower probability of workers being mismatched, such as good family connections, assistance from well-connected professors in finding a job or studying in small, interactive groups. On the other hand, labour market discrimination against females is found to limit the matching quality. The data shows that the fast-growing and export-oriented sectors of the economy experience unmet demand for workers and/or skills. This can hold back the growth of the economy.<sup>72</sup>

## Youth Guarantee

The Ministry of Labour and Social Policy (MLSP) – as Youth Guarantee Coordinator and ESA- started implementing the Youth Guarantee in 2018 as a pilot activity in 3 employment centres (Skopje, Strumica and Gostivar). In 2019 it was piloted throughout the country. Special attention is paid on three regions (Polog, Northeast and Southwest), where the most significant number of young people belong to the NEET category.

The Youth Guarantee as an initiative allowed young people up to the age of 29 who are not employed or involved in education or training (NEET) to receive a suitable job offer, to continue their education or to be involved in any of the active employment programs and measures, in a period of 4 months after their registration as unemployed persons in the ESA.

The first activity under the YG was an outreach to young people to join the programme, which was done with the support of selected CSOs in the country. Upon completing the outreach, young people were registered as active job seekers within ESA. After being recorded in the register of unemployed persons, they are immediately referred to their first interview with employees of the ESA, who profile their employability using a control questionnaire and prepare Individual employment plans. These plans defined the activities that enable the young unemployed person, in a period of 4 months, to be re-

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<sup>71</sup> Skills Mismatch Measurement in North Macedonia, ETS; 2019.

<sup>72</sup> *ibid*



involved in the educational process (not in regular education) or to be involved in any of the active employment measures or services, which will enable to increase his employment opportunities or to be offered suitable employment that suits his education and skills. Activities included group and individual counselling; job search assistance services; motivational training; involvement in any of the measures for labour market integration (employment, education, and training).

Since its introduction in 2018, more than 90 000 young NEETs registered in the Youth Guarantee, and over 26,000 have received an offer of employment, continued education or training, or a traineeship. Follow-up monitoring indicators show that around 40% of those who received an offer were in a favourable situation 18 months after leaving the YG service delivery system. The YG contributed to the decline of the young unemployed, while the drop in inactive individuals was less pronounced.

The implementation in the previous period showed some challenges for implementing the YG that should be addressed in the following period. First - and despite the results achieved by the Youth Guarantee, a substantial number of young people 15-29 still need to be in employment, education, and training, especially in some areas of the country. Second, the YG has effectively focused the policy actions of several stakeholders towards the common goal of improving the transition of young people to gainful employment. More and better partnerships across governmental and non-governmental entities will ensure that more young people are offered a reasonable opportunity for education, employment, or traineeship. Third, more needs to be done to reach out to those young people detached from the labour market and reverse the shift towards inactivity engendered by the COVID-19 crisis. Fourth, the YG data clearly show that increased coverage of the NEET population can be achieved only by reforming the organisational structure, staffing levels and financial resources available to the Employment Service Agency as the leading implementing partner in the YG service delivery system. Finally, more must be done to increase the quality of offers for young NEETs. YG data show that “recycling” (i.e., the return of YG beneficiaries to the YG service delivery system) is about 20% and that this affects mainly young NEETs who received an offer of employment.

### **Active Labour Market Measures**

ESA implements a portfolio of active measures to support job creation and increase the employability of unemployed persons, especially young persons, the long-term unemployed and beneficiaries of guaranteed minimum assistance. The ALMPMSs are implemented through national funding and complemented by international donors (EU, UNDP, etc.), as more funding would allow for greater coverage.

Support for self-employment (entrepreneurship) is the programme to support unemployed people in establishing their own companies and formalising an existing (informal) activity. In 2022 self-employment contracts have been concluded with 2001 persons, of which 23 contracts are with persons with disabilities and nine persons (of which two persons are young up to 29 years old) with grant support as additional employment in companies registered by persons with disabilities.

Job subsidies are provided as direct grants to employers recruiting unemployed persons, with higher amounts granted for recruiting young people (up to 29 years old). The grant obliges employers to maintain the job for one year after the end of the subsidy. During 2022, 355 contracts were signed with employers to employ 446 unemployed persons.

ESA organises training for the unemployed comprised of on- and off-the-job training targeted to the requirements of employers, occupations in demand, and primary and advanced IT skills. All programmes lead to a recognised qualification. In 2022 through various training programmes, 678 people were included.

The internship programme (targeting young people up to 34) organised by the ESA as a part of ALMPMSs is in line with the traineeship programmes implemented in the EU and the European Quality Framework regarding design, compensation levels, duration and social protection entitlements. In 2022, 1520 internship contracts were signed.

Public works are organised at the municipal level, providing unemployed persons with temporary work opportunities and much-needed infrastructure locally. The programme targets individuals with no or low skills, including social assistance beneficiaries. In 2022, 616 contracts for participation in the measure were concluded (219 women, 97 young people up to 29 years old and 129 Roma).

Training and employment of persons to provide care services in the community were aimed at existing citizens' associations/non-governmental organisations that deliver social services in the home and community for people with disabilities, those with the most severe chronic diseases, and long-term sick people. In 2022, it was selected 12 NGOs that will deliver social services to the following vulnerable categories at the local level with the support of 150 unemployed people.

In 2022 ESA piloted a new active labour market measure - support for the creation of employment through green investments to contribute to the reduction of unemployment in the country by encouraging the creation of new jobs and the process of green transformation of the private sector through the introduction of green products, services, technologies, or processes in enterprises. The measure consists of three components: (i) Financial support with the purpose of providing grants by encouraging the creation of new jobs and the process of green transformation of the private sector through the introduction of green products, services, technologies or processes in enterprises; (ii) Support for vocational training on green skills provides support for professional training for green skills for the enterprises and to the unemployed persons in order to facilitate their transition to employment in areas that need such skills; (iii) Green Investment Advisory Services Support that provides support for advisory services enterprises. By the end of 2022, contracts were signed with 20 employers for employment of 44 unemployed people.

In addition to the ALMPMSs that are implemented by the ESA, based on the Law on employment of PwDs, financial support through a Special Fund is given for the employment of disabled persons for an indefinite time, adaptation to working place, procurement of equipment and jobs of personal assistant for PwD who is involved in work training, at his request or the request of the employer. In 2022, the Fund supported employment on 126 PwDs, ensured procurement of equipment for 36 requests and adaptation on two working places.

### **Social Dialogue**

Developing and fostering social dialogue is an essential element of the European social model since social dialogue plays a crucial role in promoting competitiveness, sharing gains, and enhancing economic prosperity and social well-being for all. Labour administration systems require continuous development to enable the government to further improve informed and inclusive decision-making based on reliable and up-to-date data, strengthen its capacity to promote compliance with labour legislation, and, where necessary, take the necessary enforcement action, and engage with the social partners constructively and effectively.

In 2010-2022, infrastructure was established for the national ESC, and its capacity was significantly enhanced. The ESC now plays a more prominent role in shaping economic and social policies, including the minimum wage, anti-crises relief packages, Youth Guarantee etc. Linkages with the Local Economic and Social Councils (LESCs) are still weak. In support of the objectives of NES, the development of Local Employment Partnerships, as a decentralised implementation of employment policy catalysed by the local ESCs, has the potential to complement active labour market policies or other policy interventions such as the Youth Guarantee.

Bipartite social dialogue faces more serious challenges, and the government and the social partners need support to develop collective bargaining fully. Collective agreements must better reflect workers' and employers' interests and needs in certain sectors. The social partners should exploit the potential of collective agreements as a normative tool to introduce new and innovative content in employment relationships. Future agreements also need to include more substantial regulations of working conditions and terms of employment, including new forms of employment and gender aspects. As North Macedonia has ratified key ILO Conventions concerning collective bargaining, including Convention No. 98 and Convention No. 154, it has clear obligations to ensure their application in law and practice.

In addition to promoting social dialogue, the government established the system for amicable settlement of labour disputes (ASLD). However, the outreach of ASLD is still limited. There are some encouraging results concerning the settlement of collective disputes (3 prominent cases of disputes or strikes were resolved in 2022). Still, the system has never been used to solve individual disputes.

### **Social Protection and Inclusion developments**

Social inclusion/protection is a fundamental pillar of social policies. It is essential to protect people from falling into poverty and destitution, help people cope with adverse idiosyncratic or systemic shocks and smooth consumption over their lifetime, ensure access to jobs and promote human capital accumulation.

The social security system in North Macedonia consists of the following schemes: social insurance (*mak. socijalno osiguruvanje*), social protection (*mak. socijalna zashtita*) and family benefits (*mak. zashtita na decata*) schemes. The social insurance schemes are covering three basic types of insurances, i.e. the health care insurance (*mak. zdravstveno osiguruvanje*), the pension and invalidity insurance (*mak. penziskoinvalidsko osiguruvanje*) and the unemployment insurance (*mak. osiguruvanje vo slucaj na nevrabotenost*). They are primordially financed based on social security contributions and are of a professional nature. They cover professionally active persons (employees, self-employed people, farmers and civil servants), family members and some assimilated groups.<sup>73</sup> In particular, pension and invalidity insurance rights are acquired depending on the period and amount of investment in the funds for pension and disability insurance. The procedure is provided through the Pension and Disability Insurance Fund, having regional units throughout the country. The pension and disability insurance system has undergone several major reforms to address its sustainability and efficiency. There is a need for adjustments to improve its transparency for the beneficiaries.

On the other hand, social protection schemes are taken care of by the state and focus on prevention and coverage of basic social needs. Social inclusion/protection comprises a variety of policy tools, ranging from cash transfers to people with low incomes and persons with disabilities to social services for vulnerable populations, employment and labour market programs and unemployment insurance, and old-age pensions. In the sectors of social inclusion and protection, North Macedonia has implemented a reform process of the system of financial benefits for children to eradicate child poverty and provide equal opportunities for all children. The country is committed to following further the new EU policy on early childhood development and care, benefiting from the EU support. The strategic framework on Roma well reflects the EU policy. The Law on Social Protection ensures guaranteed minimum assistance for low-income people, including women and children. In contrast, the Law on Social Security for the Elderly assists elderly persons above 65 without regular incomes.

While social protection covers more than half of the population in North Macedonia, this is driven by high and rising spending on social insurance<sup>74</sup>. In contrast, social assistance spending remains below regional averages. At the same time, North Macedonia has been implementing an ambitious social protection reform, including establishing a guaranteed minimum assistance scheme that offers the opportunity to improve coverage, targeting and adequacy and appears to be more effective than the previous, scattered programmes in alleviating poverty. The reforms to social protection are anticipated to provide adequate cash transfers to people experiencing poverty and deliver a broader range of quality services to vulnerable populations in their homes and communities.

### Standard of living

North Macedonia has the third lowest poverty rate among Western Balkan countries. The poverty rate<sup>75</sup> is on a downward trend. The risk of poverty rate decreased from 27% in 2010 to 21.8% in 2020. This progress has been uneven over the years, as poverty is more pronounced in specific regions and particular population groups. Households with less educated adults and those with more children are likelier to be poor.

According to the latest data published by the State Statistics Office (SSO) from the Income and Living Conditions Survey in 2020, the poverty rate in North Macedonia is high and amounts to 21.8%.<sup>76</sup> Analysed by household types, the at-risk-of-poverty rate in households of two adults with two dependent children in 2020 was 20.7%. According to the most frequent activity status, the at-risk-of-poverty rate for employed persons was 7.9%, while for pensioners, it was 7.0%. The Gini coefficient (income distribution inequality) decreased from 40.9% in 2010 to 31.4% in 2021.

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<sup>73</sup> <https://rm.coe.int/north-macedonia-introduction-2/168096b241>

<sup>74</sup> Data drawn from the study “NORTH MACEDONIA: Social Protection Situational Analysis”, 2022, International Bank for Reconstruction and Development /The World Bank

<sup>75</sup> [https://www.stat.gov.mk/pdf/2022/4.1.22.40\\_mk.pdf](https://www.stat.gov.mk/pdf/2022/4.1.22.40_mk.pdf)

<sup>76</sup> [https://www.stat.gov.mk/PrikaziSoopstenie\\_en.aspx?rbtxt=115](https://www.stat.gov.mk/PrikaziSoopstenie_en.aspx?rbtxt=115)

Analysed by profiles, the most vulnerable groups are multi-member households, bearing in mind that 48.5% of the poor live in homes with five or more members. The poverty rate for the unemployed is 40.7%, i.e. 46.0% of all poor people are unemployed. The education of the household head also influences the number of poor people; namely, 54.6% of people with low incomes live in households where the head of the family has no, or at most primary education. These households with more children and lower incomes were disproportionately hit by the energy crisis and subsequent price shocks during 2022, given their household budget's more significant share of food and energy costs.

The proportion of the population at risk of poverty before the social security transfers was 42.1%, while after considering the pensions, it stood at 25.7%. The significant discrepancy between the at-risk-of-poverty rate before and after transfers mean that social protection significantly improves the living standard, particularly among the most vulnerable population segments. In the same period, the severe material deprivation rate was 28.6%, while the share of persons living in households with a very low work intensity was 15.1%.

Guaranteed minimum assistance (GMA) is the most prominent support for materially deprived households with no properties as a source of income. A household is considered materially deprived if the total income of all household members during the previous three months is lower than the amount of the guaranteed minimal assistance, as ascertained by the Social Protection Law.

From 2020 to 2021, the Government devised measures to alleviate the socio-economic consequences of the COVID-19 pandemic in six subsequent economic packages. This included efforts toward sustaining the living standard of the most vulnerable citizens by increasing their access to services and relaxing the eligibility criteria for the GMA. The relaxed criteria led to a rise in the number of GMA in 2020 and 2021, which then started declining, albeit at a slower pace in 2022, once the provisions in the Social Protection Law for easier access to GMA ceased to apply.

According to the data of the MLSP, the number of households receiving GMA at the end of 2022 was 36,409 beneficiaries, while the average allowance was MKD 6,501 (EUR 106).

Regarding the educational structure of GMA beneficiaries, people with primary education were 60.7% of the holders of the right to GMA, followed by those with secondary education (18.7%), those without primary education (10.2%) and the remaining percentage with university education. The low educational level of the members of GMA beneficiary households is a significant barrier to their successful transition to employment, and it's why these people fell into poverty and relied on GMA.

Households receiving GMA also receive an energy allowance as an important social protection right to tackle energy poverty. The number of beneficiary households increased continuously over the years. Of them, 79.3% are recipients of GMA, and 20.7% are recipients of the right to social security for older people.

## **Social Protection**

The social protection system in North Macedonia is composed of several types of support. There are 30 Social Work Centres across the country responsible for detecting, monitoring, and analysing social problems, applying appropriate forms of social protection, including prevention and providing support and coordination for civil organisations delivering social services.

According to the revised ESRP 2022, the efficiency of the social protection system is measured by four indicators. These outcome indicators include:

- Percentage of households covered by all types of social protection financial benefits,
- Number of children covered by child protection programmes (child allowance and education allowance), and d) the number of benefits recipients under social security for older people.

Considering that the main objective of the social protection system is to improve targeting and, consequently, to enhance the impact on poverty alleviation, the indicators establish the goals of doubling the coverage of households by social assistance and reducing poverty rates.



## Early Childhood education and care<sup>77</sup>

The EU aims at offering to every child high-quality, accessible and affordable education and care.<sup>78</sup> North Macedonia's childcare system comprises several types of policies supporting children. The total amount spent on childcare measures in North Macedonia in 2021 represented 0.56% of the GDP. Nonetheless, poverty and social exclusion among children (aged 0-17) in North Macedonia in 2020 was 46.3, almost twice the EU average.

Broadening participation of children in early childhood education and care is one of the key goals of the European Education Area. By 2030, at least 50% of children below the age of three and 96% of children between 3 years old and the starting age for compulsory primary education, should participate in early childhood education and care. According to the SSO, in 2021, in North Macedonia 12.5% of children aged 0-2 were enrolled in formal childcare. In addition, 36.5% of children aged 3-5 were attending formal childcare, while the overall average child/staff ratio was 6.<sup>79</sup>

There are two types of institutions for childcare and education (kindergartens) in North Macedonia: public and private. In 2022, a total of 81 public kindergartens (with 333 facilities, from which 210 in urban and 123 in rural areas) were in operation in 68 municipalities, counting the enrolment of 35,933 children and a total of 31 private kindergartens (with 37 facilities) with 1,762 children enrolled in their establishments. Besides these two types of kindergartens, there are two kindergartens within private schools, two public centres for early childhood development, three private centres for early childhood development, and five publicly owned kindergartens within a legal entity to address the parental needs of employees. The total number of children in all types of childcare institutions in 2022 was 37,695, representing a 20.46% increase in enrolment compared to 2021.<sup>80</sup>

Regarding cash benefits for families with children, a child allowance is provided as monetary compensation for covering a part of the costs of raising a child to 18 years, granted depending on household material conditions and, since 2019, being available among others for GMA beneficiaries. In 2022, 46,500 children were entitled to child allowance and 30,179 children with educational assistance.

Besides the child allowance, several other assistance are provided to disadvantaged households to substantially improve children's well-being. The single monetary funding for a newborn child is provided to households for the first and second child, consisting of MKD 5,000 (EUR 81) grants for the first child. In contrast, for the second child, households are entitled to receive MKD 20,000 (EUR 325).

## Inclusion of persons with disabilities

Persons with disabilities are identified as a priority target group in the country hence the improvement of their socioeconomic situation through the promotion of employment opportunities and social inclusion is always one of the priorities. This category of citizens requires special attention in the design and practical implementation of the measures to help them overcome the identified obstacles and challenges, thus enabling more effective integration into the labour market.

Amending the Social Protection Law in 2022 has enabled the application of a new model for assessing the needs of Persons with Disabilities through the functional assessment of children and young people up to the age of 26, as well as determining measures for additional educational, health and social support and finding and opinion on the type and degree of disability given by the professional bodies that perform a functional assessment. An active profile has been made for 2342 children with disabilities by the end of 2022 in these new bodies to assess children with disabilities. Additionally, to provide support for them, to increase their mobility and support for enrolment in the regular education system, legislation has been amended to enable the personal assistance service to be used by children above six years. But

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<sup>77</sup> Data drawn from the study: "Performance of Western Balkan Economies regarding the European Pillar of Social Rights: 2022 Review on North Macedonia, <https://www.esap.online/docs/200/performance-of-western-balkan-economies-regardin-the-european-pillar-of-social-rights-2022-review-on-north-macedonia>

<sup>78</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European care strategy COM(2022) 440 final

<sup>79</sup> Data drawn from the study: "Performance of Western Balkan Economies regarding the European Pillar of Social Rights: 2022 Review on North Macedonia, <https://www.esap.online/docs/200/performance-of-western-balkan-economies-regardin-the-european-pillar-of-social-rights-2022-review-on-north-macedonia>

<sup>80</sup> Ministry of Labour and Social Policy, 2022

further support for obtaining the availability and diversity of social services for each individual is identified as a need.

As the second phase of deinstitutionalisation, the country has envisioned the transformation process of institutions for people with poor mental health to commence after 2023. In this regard, integrated social and health services are evident to be made available for vulnerable groups.

As of December 2022,<sup>81</sup> registered unemployed persons with disabilities amounted to 1,339 individuals. This unemployed category is particularly unfavourable since 62.6% either do not possess elementary education or only completed educational level, and an additional 16% still need to complete secondary education. In comparison, the remaining 18.5% have completed secondary education. People with disabilities can receive a disability allowance intended to assist in their processes of social inclusion and enable equal opportunities. A disabled person aged 26 to 65 is entitled to a disability allowance. In September 2022, this allowance covered 9,769 beneficiaries, while the average assistance was MKD 6,450 (EUR 105).

### Long-term care

Long-term care (LTC) in North Macedonia is not ensured by a single system. Still, it is partly provided through the social protection and pension insurance system run by the Ministry of Labour and Social Policy and partly through the healthcare system under the responsibility of the Ministry of Health. Each of these systems has its own legal regulations, criteria of accessibility and quality, and a different method of financing<sup>82</sup>. The LTC regime consists of a combination of rights related to residential and non-residential services and financial support; informal caregiving also forms a substantial part of care for dependent people.

Public and private institutions provide long-term care services for older people in North Macedonia. There are five public institutions for the long-term care of older adults in Skopje, Kumanovo, Bitola, Prilep and Berovo. The total capacity of the public institutions is 638 users, which does not satisfy the current needs. In addition, 40 private institutions are providing long-term care for older adults across the country, with a total capacity of 1,593 users<sup>83</sup>.

The Social Protection Law defines the right to use home care and assistance to assist a person in gaining, regaining, or maintaining their ability to care for themselves to enable them to live independently. These services are intended for persons with the most severe disabilities, persons with the highest degree of combined disabilities, persons with total visual impairments, persons who are not able to function independently, persons who are 65 years or older, and all other persons who do not belong in the above categories, but who cannot work independently. 26 social service providers are licensed to provide social service for home care and assistance for 583 beneficiaries<sup>84</sup>.

In 2022, 47 118 persons, on average, were beneficiaries of a cash supplement for assistance and care by another person, while the average value for the cash supplement was MKD 4 798 (EUR 78). In 2022, 10 484 persons on average, were beneficiaries of a cash supplement for social security of elderly persons<sup>85</sup>.

### Community-based care services

To ensure higher availability of social services, local and regional councils were established in all eight planning regions and municipalities requiring further significant support for their functioning. Capacity building of municipalities to create and implement efficient local policies and to provide quality and efficient social services has been provided, so 20 municipalities have plans for social protection by the end of 2022. Yet, municipalities' involvement and financing of social care services remains challenging.

Since 2019, the Government invested heavily in developing new social services. In particular, the MLSP incentivised municipalities to develop new services in cooperation with licenced social service providers under the World Bank loan "Social Service Implementation Project". To ensure the availability and

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<sup>81</sup> Employment Service Agency, 2022

<sup>82</sup> <http://www.missceo.coe.int/>

<sup>83</sup> Ministry of Labour and Social Policy, 2022

<sup>84</sup> Ministry of Labour and Social Policy, 2022

<sup>85</sup> Ministry of Labour and Social Policy, 2022

continuous social services funding, the MLSP publishes a call for financing social services each year from the state budget. It concludes social contracts with the selected civil society associations and private social service providers to provide social services (personal assistance, help and care in the home, daycare service, supported living, treatment and rehabilitation of persons with addiction and professional help and support). A fair number of new community services establishments, including group homes and daycare centres, have been developed and generally function well, although they are unevenly distributed across the economy.

Licensing new social service providers as a key to improving users' access to new quality services has ensured their qualitative provision. At the end of 2022, 82 licensed social service providers can provide services for approximately 3400 beneficiaries under the Social Protection Law. Around 80% of licensed providers are established and/ or provide services through state funding. The number of licensed non-public service providers has also increased, but the quality of community-based care services needs to be improved in many aspects.

Since 2018, deinstitutionalisation has progressed in several aspects: (i) resettling users from residential in community-based settings, (ii) transforming residential social institutions into providers of modern community-based social services, and (iii) creating new care services as described above.

Processes of resettlement of adults from institutional care to foster families or community-based housing is in progress. By the end of 2019, all children without parents and foster care had been re-settled in their biological families or small group homes. A total of 53 residential units for supported living services for children and persons with disabilities, which accommodate 265 children and persons with disabilities, have been established till the end of 2022. At the end of 2022, 150 people still live in residential social care institutions, so their form of care needs to be changed, and they continue to live in the supported living service. This is a relatively small but substantial number of residents living in institutions compared to the total number of social service users.

Group homes and supported living houses were established to facilitate resettling residents from institutions. They represent a move from the operations provided by institutions towards a community-based approach, enabling beneficiaries to enjoy a more pleasant environment and a more home-like atmosphere, allowing for more personalisation and choice. Regarding their responsibilities and organisation patterns, the provider is the mainly responsible organisation for the well-being and safety of residents, and the structure of costs is similar. Regarding work methods and management, group homes in North Macedonia have demonstrated positive outcomes compared to similar facilities in other countries. However, some have developed too high of a threshold or have demanded entry-level requirements (i.e. providing services only for higher-level capacity individuals) and were marred by poor skills and resources to support people with intense, high-level support needs.

Hence, more resources shall be provided to group homes to resettle people needing intensive high-level support.

As the resettlement phase of the deinstitutionalisation process is generally completed, the facilities of previous residential institutions are transformed into resource centres to provide different support activities to a vast scope of social service providers and beneficiaries. One example is the Public Institute for Rehabilitation of Children and Youth-Skopje, in Topansko Pole, which will be transformed into a resource centre to provide social care services. Investments in this regard to reconstruction and equipping were ensured by the EU to fulfil the EU standards and norms to support qualitative tailor-made services for beneficiaries.

To support the foster families, two former residential institutions were transformed into resource centres for foster families. There are three such centres (one being private) rendering support to 358 foster families, who cared for 587 children.

Delivery of home care, personal assistance, supported living and respite care are established. By the end of 2022, most of the new services are services in the home (45.1%), mainly for the elderly, then non-family care services (37.8%), primarily residential homes for the elderly and supported living for people with disabilities, followed by community services (13.4%), as an active ageing centre for the elderly and daycare centres for children with disabilities.

Currently, there are 34 institutions, of which 19 are (small) private and 15 public institutions which accommodate long-stay residents. According to the census, in 2021, there were in total of 2,794 people that were housed in several types of long-stay institutions, which is considerably low, considering the estimate of people in need, which is around 96,400 people, the number of registered beneficiaries with social services which is 57,202 and the assessment of several people with difficulties without contact with social services which is 700.

Regarding the workforce in the care sector, 1269 persons were engaged in the newly licensed services, of which 1119 as direct service providers – 262 personal assistants, 617 caregivers/homemakers and 147 professionals (social workers, psychologists, special education teachers, special educators, nurses) and 93 professionals responsible for the coordination of the services.

To strengthen the capacities of professionals in social protection institutions, the Institute for Social Activities (ISA) conducts initial training as one of the conditions for obtaining a license to work in the social welfare system. In addition, ISA implements Continuing Professional Education Program for staff in SWCs, social protection institutions and other providers of social services. These capacity-building activities are essential for quality care.

### **Social entrepreneurship <sup>86</sup>**

The development of social enterprises in North Macedonia is at an early stage and has only recently become part of public policies. Around 150 legal entities from the civil society sector and others declare as social enterprises or having activity as this entity. The lack of specific legislation on social entrepreneurship in North Macedonia is the main reason entities are guided and can work by the principles of social entrepreneurship but not as social enterprises. Despite several possibilities, they do not enjoy the full-fledged support that social enterprises might be entitled. At the same time, they are either registered as NGOs or as typical company.

Overall, the social economy entities are characterised by these elements:

- Status as a legal entity - Social enterprises have different legal forms in different stages of development and work on various activities. In the last few years, more organisations have identified themselves as ‘social enterprise’ or have started to establish social enterprises.
- Activity area - The most common are social enterprises for work integration, which represent independent economic entities whose primary goal is the professional integration of people who face difficulties in joining the labour market. Integration is achieved through productive activity, training, and education to develop valuable skills. Other sectors in which social enterprises exist are education, rehabilitation and resocialisation, home care and assistance, personal assistance for persons with disabilities, as well as the sale of local products, handicrafts, organic food production, eco-tourism, health care and health promotion, sports and recreation, local community development, promotion and protection of traditional arts and crafts. Social enterprises working on the circular economy, renewable energy, or finances are less represented.
- Economic sustainability - Most social enterprises are in the stage of nascent or early development in terms of significant and continuous economic activities. The activity of social enterprises is often organised as a project or work of a new organisation which has yet to be independent. Only a few social enterprises have increased their economic activities to a certain level of sustainability that can demonstrate the growth potential of social enterprises in the country.
- Legal basis for social cooperatives - While the dominant form of social enterprise in many EU countries, only a few mainly agricultural cooperatives exist in North Macedonia. According to the new Law on Cooperatives adopted in 2023, cooperatives should follow economic, social, cultural or any other interests, which by and large addresses the narrow legal interpretation of the purpose of a cooperative that existed in the legislation of North Macedonia, according to which cooperatives should have followed mutual (i.e. only based on membership), not encompassing general interests (of the community/ society).
- The scale of social enterprises - Most are micro or small enterprises with 3-4 employees and a few volunteers. There are a few cases of social enterprises with more than ten employees and more than ten volunteers.

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<sup>86</sup> Data drawn from the National Strategy for Development of Social Enterprises in North Macedonia 2021-2027



The Social Enterprises Centre<sup>87</sup> was opened on 19 November 2021 with the assistance of the IPA II project 'Support for Social Enterprises' funded by the EU. Its vision is to function as an incubator to support existing and newly established social enterprises and civil society organisations with social and economic activities. The Social Enterprise Centre aims to create favourable conditions for the development and support of social entrepreneurship as a way to strengthen local communities. Together with 8 Regional Centres for Support of Social Enterprises in all planning regions across the national economy, the Social Enterprises Centre in Skopje is part of the mutual support network for developing social entrepreneurship. This network facilitates cooperation with municipalities, companies, civil society, and citizens to encourage and develop a future community of development initiatives. The enterprises, organisations, initiatives, and citizens in these centres are planned to have at their disposal a wide range of services and activities, such as workshops for the exchange of experience and knowledge, direct support for capacity building, formal and non-formal education and training, business training, mentoring, organisation of events, and other services.

### Roma communities

Concerning the socio-economic status of Roma<sup>88</sup>, the employment rate is 22%<sup>89</sup>, almost twice lower than the national average. The employment rate for Roma women is 8%. On the other hand, the unemployment rate reaches 67%.

Although general unemployment has dropped significantly over the past years, reaching 14.4% in 2022, the unemployment rate of Roma has remained low. According to the ESA administrative data, the percentage of Roma participation in the total number of registered unemployed persons in ESA (%) in 2022 was 8.7%, in 2021 was 9.5% and in 2020 was 10.2%.

A relatively low number of Roma use the services of ESA and the active employment measures compared to the total number of beneficiaries at the national level. A large part of Roma is registered in the ESA only to benefit from the social welfare system (mainly guarantee minimum assistance), and most of them are not acquainted with the active labour market measures. The number of Roma benefiting from active labour market measures is increasing (478 in 2022 against 431 in 2021) and employment services (7 768 in 2022 against 4,396 in 2021). Although there has been a slight improvement compared to 2011, the gap between Roma and non-Roma remains. Since 2022, the Government committed to an annual 5% quota of Roma among the users of labour market services and measures.

On average, around 17% of the Roma children at preschool age and 94.99% of the Roma children aged 6-14 are enrolled in primary schools. Similar unfavourable indicators can be highlighted concerning the health status and dwelling of the Roma population.

According to the results of the social mapping conducted in 2019 in 14 municipalities in North Macedonia, numerous significant challenges are identified in the Roma communities regarding infrastructure, adequate housing, and employment. The housing issue continues to be the biggest problem for the members of the Roma community in North Macedonia. According to the same data, settlements, inhabited mainly by Roma, lack access to public services and infrastructure, such as asphalted roads, sewage including atmospheric sewage system, power supply and waste removal. A significant share of Roma housing is insecure and overcrowded, with a harmful effect on their health.

Due to urbanisation issues, certain settlements must be put in urban planning. In the last 25 years, the municipalities did not identify adequate solutions to urbanise or include the Roma settlements in the municipal territories' general and detailed urban planning, thus deepening the problems related to the absence of legalisation and many houses being left out of the legalisation process. As a result, many households are at threat of security of tenor since they are built on state-owned land and do not have property documents; these houses are considered illegal buildings by municipal authorities according to

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<sup>87</sup> Social Enterprises Centre, 2022

<sup>88</sup> In the absence of national statistics disaggregated by ethnic origin, the social situation of the Roma is presented on the Social Mapping Report drafted for the purposes of the Ministry of Labour and Social Policy, June 2019, based on a sample of 14 municipalities where the Roma population is concentrated. The mapping covered around 90% of the total Roma population in the country.

<sup>89</sup> <https://www.eurasia.undp.org/content/rbec/en/home/library/roma/regional-roma-survey-2017-country-fact-sheets.html>

spatial-urban planning. Moreover, some Roma settlements face natural upheavals, such as landslides and floods, which worsens their situation.

### **SWOT Analysis**

The SWOT analysis aims to illustrate the main findings of the data and information presented throughout the sector analysis section by determining strengths, weaknesses, opportunities, and threats and therefore identifying the developmental needs and potentials that will be addressed through the OP on human capital. These sectoral needs will then be prioritised and reflect the OP's overall strategic and specific objectives.

**Strengths** are areas, resources and abilities within the beneficiary institutions based upon which measures and projects can be developed, with the most significant potential for success.

**Weaknesses** indicate which areas, resources and abilities within the beneficiary institutions are limited or prevent its development.

**Opportunities** include areas, resources, and possibilities that they could use to develop (increase power and/or reduce weaknesses).

**Threats** are areas, resources and possibilities that can endanger its development (reduce power and/or increase weaknesses).

Weaknesses and threats are analysed in the context of employment and social inclusion sectoral deficiencies and strengths and opportunities in the context of development potential.

**In the following table, the two SWOT analyses, one for the employment sector and one for the social protection and inclusion sector, provide an overview of the current situation, reflecting holistically the overall sectoral needs derived from the abovementioned sectoral socio-economic analysis.**

STRENGTHS	WEAKNESSES
<p><b>Employment and labour mobility</b></p> <ul style="list-style-type: none"> <li>• Labour legislation is in place, and there is an ongoing process for its improvement in line with the European Pillar of Social Rights.</li> <li>• Experience in implementing ALMPMSs for NEETs, being the first non-EU Western Balkan country to introduce a fully-fledged Youth Guarantee (YG) scheme.</li> <li>• Existing CSOs and private entities work with hard-to-employ groups, vulnerable groups, the long-term unemployed and NEETs.</li> <li>• An updated and adopted policy framework aligned with the EU agenda (i.e. National Employment Strategy, Youth Strategy, Youth Action Plan, ERP, and Social Entrepreneurship Strategy) is in place.</li> <li>• Solid database on labour market recordings done by ESA within its IT system.</li> <li>• Designed and implemented of ALMPMSs for a wide range of target groups (i.e. vulnerable people, people with disabilities, Roma, etc.) within ESA.</li> <li>• Law on employment of PwDs and Special Fund provides basic in the employment of the PwDs, as well as the new Law.</li> <li>• The strategic framework was developed for further streamlining and functioning of the social economy in the country.</li> <li>• The Tripartite Economic and social council is an established and functional platform contributing to the economic and employment policy in the country</li> <li>• Action Plan on Collective bargaining endorsed by all parties.</li> </ul> <p><b>Social protection and inclusion</b></p> <ul style="list-style-type: none"> <li>• A well-structured policy and legislative framework is in place, governing the social protection and inclusion system in the country, aligned with the European Pillar of Social Rights.</li> <li>• A number of experienced staff serving in the competent authorities appointed to the social protection and inclusion system at the central level.</li> <li>• Good practices and experience in the deinstitutionalisation process based on which strategic framework has been done.</li> <li>• A network of social service providers, CSOs, etc. is developed, as well as gradually advanced.</li> <li>• Introduced a system for licencing the providers and financing of licensed and authorized providers of social services in North Macedonia.</li> <li>• New community-based services are developed and implemented.</li> <li>• Gradual increase of financial resources for the development of Social Services (from EUR 2 million for 2022 to EUR 7 million for 2023 for deinstitutionalization)</li> </ul>	<p><b>Employment and labour mobility</b></p> <ul style="list-style-type: none"> <li>• The existing gender gap in the labour market in North Macedonia (high rate of inactive women, low employment rate of women).</li> <li>• High rate of inactive and unemployed young people (15 – 29) in North Macedonia.</li> <li>• Vast discrepancies in regional labour markets in North Macedonia.</li> <li>• Informal employment, particularly among young people, is still high.</li> <li>• High rate of long-term unemployment people.</li> <li>• Labour market mismatch is present in North Macedonia</li> <li>• High rate of unemployed with only primary education or early leavers from education and training.</li> <li>• Outreach of the YG didn't fully cover those young people who are detached from the labour market.</li> <li>• Limited development and application of digitalisation solutions and tools to support ESA in monitoring and reporting on YG based on new monitoring methods.</li> <li>• Limited funding for the ALMPMSs is tailored to the needs of different vulnerable groups.</li> <li>• Systemic weaknesses for activation of long-term unemployed and guarantee minimum recipients.</li> <li>• Insufficient human and technical capacities in ESA to deal with challenges in the labour market.</li> <li>• Insufficiently developed activities for supported employment (such as mentorship, psychosocial and counselling support).</li> <li>• Social entrepreneurship is still in the early stage of development, faced with challenges due to its market existence and recognition.</li> <li>• Insufficient human and technical capacities of the social partners for negotiations and conflict resolution.</li> </ul> <p><b>Social protection and inclusion</b></p> <ul style="list-style-type: none"> <li>• Limited institutional and administrative coordination at central, regional, and local levels for the implementation of social services, including child protection services.</li> <li>• A limited number of trained, specialised and qualified human resources to provide adequate social services.</li> <li>• Inadequate and insufficient monitoring and evaluation system of the overall protection and inclusion system.</li> <li>• Insufficiently qualified human capacities in the institutions in the social sector.</li> <li>• Uneven geographical distribution of social services.</li> <li>• Very low coverage for social and community-based services in the rural areas of the country.</li> <li>• Lack of interest and unwillingness on the side of municipalities to improve conditions in Roma settlements.</li> <li>• Unfavourable working conditions of caregivers hired to provide the service, which reflects the quality of the service and the attractiveness of this profession.</li> </ul>

<p>and social services in the community).</p> <ul style="list-style-type: none"> <li>• Capacity building of pre-school staff in last 5-6 years led to improvement of ECDC.</li> <li>• Piloted parenting programmes, as successful stories for further replication within the national system.</li> </ul>	<ul style="list-style-type: none"> <li>• Not all regional offices/ regional units of the National Coordination Body for ICF are established.</li> <li>• Limited offer of training for all profiles of pre-school staff,</li> <li>• Pre-school institutions lack systematic support for the improvement of services,</li> <li>• Outdated ECDC programmes, especially regarding children with disabilities.</li> <li>• Low coverage of children aged 0-6 in pre-school education and care system.</li> <li>• Unfavourable legal framework for professional and career development for pre-school staff.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<p><b>Employment and labour mobility</b></p> <ul style="list-style-type: none"> <li>• The EU accession process offers opportunities to drive and accelerate through essential revisions and improvements in the sectoral legislative and policy framework.</li> <li>• An improved business and investment environment that leads to new jobs creation in North Macedonia in new dynamic sectors (e.g. digital &amp; green)</li> <li>• The ongoing improvements in the education sector and the modernisation of the VET and AE systems increase the offer of advanced self-employment opportunities, an essential pathway to reducing unemployment.</li> <li>• Possibilities for increasing (self)employment through creating green jobs and transition.</li> <li>• Diaspora of North Macedonia in the EU and particularly possible capitalisation of its knowledge and skills when investing in North Macedonia</li> <li>• Open Balkan initiative and free movement of workers opportunity for further economic growth</li> <li>• Harness the potential of the just transition through social dialogue and creation of green jobs.</li> </ul> <p><b>Social protection and inclusion</b></p> <ul style="list-style-type: none"> <li>• Strategic focus and available funding by EU and International donors for reforming and improving the social protection and inclusion system.</li> <li>• Strengthening knowledge exchange and collaborations at the national and European levels with all pillars of the quadruple helix (public sector, academic community, private sector, and civil society) for the further development of the social protection and inclusion system</li> <li>• The digitalisation of services, especially after the Covid-19 pandemic, enhances and scales up interoperability between institutions.</li> </ul>	<p><b>Employment and labour mobility</b></p> <ul style="list-style-type: none"> <li>• The ageing population and a long tradition of emigration pose challenges in the labour market in North Macedonia.</li> <li>• Migration of the skilled workforce to EU due to better wages and working conditions</li> <li>• Imbalances between the supply and demand side of the labour market in North Macedonia</li> <li>• Lack of tradition of trust among the social partners.</li> <li>• Risks on training on obsolete industries and risk to miss the transition to green which is prevalent in Europe.</li> </ul> <p><b>Social protection and inclusion</b></p> <ul style="list-style-type: none"> <li>• Deterioration of the socio-economic environment at international, national, and local levels</li> <li>• Global financial, migration and humanitarian instability influences the ongoing implementation of the envisaged reforms and the supply and demand balance for the provision of social services.</li> <li>• Frequent political changes at the national and local level can lead to significant delays in the sector implementation reforms.</li> <li>• High rates of brain drain within the sector institutionally and in the country.</li> </ul>

### 3 Overall Objective and Specific Objectives of the Operational Programme

The overall objective of the OP on human capital is to promote equal opportunities, access to employment, and quality social protection for all.

The specific objectives of the OP on human capital are (i) to enhance employment and employability of the labour force focusing on youth, women, and vulnerable groups, (ii) to improve social inclusion and the quality of social services, focusing on vulnerable groups, and (iii) to increase the readiness of North Macedonia for EU accession negotiations under Chapter 22.

#### 3.1 Coherence with the IPA III Programming Framework and with the specific policy instruments of the enlargement process

The Operational Programme is fully coherent with the IPA III objectives under the IPA III Programming Framework, Window 4, Thematic Priority 1: Education, employment, social protection and inclusion policies, and health, that aim to strengthen access to and quality of inclusive education, including vocational education and training, participation in Early Childhood Education and Care and lifelong learning opportunities at all levels.

More specifically, the OP on human capital aims the following:

- Ensure equal opportunities, access to the labour market, fair working conditions, social protection, and inclusion.
- Enhance employment opportunities for youth.
- Build strong links to the education sector and implement a broad range of active labour market measures to increase participation and employment, particularly for youth.
- Support implementing the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport.

The intervention also meets the IPA III Programming Framework requirement that investments should always be associated with those institutional regulatory reforms undertaken in the context of the alignment with the EU *acquis* and standards and likely to ensure stable and sustainable social and economic returns.

The Government of North Macedonia should consider the provision of Technical Assistance support to local governments within decentralisation to enhance their capacity for the delivery of social services.

With regards to the alignment with the EU *acquis*, the OP on human capital is designed to support the legal and policy reforms relevant to the EU accession process, especially concerning the negotiations around Chapter 19 on Employment and Social Policies, Chapter 23 on Judiciary and Fundamental Rights and to some extent Chapter 26 Education and Culture. As such, the interventions included in the OP on human capital aim to address the recommendations outlined in the Commission's Reports.<sup>90</sup>

The recommendations of the Commission's Report **for Chapter 19: Social Policy and Employment** include continuing the implementation of activation measures and establishing a monitoring and evaluation system for social services. Decentralisation of social assistance and the progress of the deinstitutionalisation process are also recommended within the Report. Regarding Chapter 22: Regional Policy and Coordination of Structural Instruments, the recommendations suggest upgrading institutional, administrative and technical capacities to manage EU funds.. Moreover, the reforms of economic governance and structural systems and their implementation will remain the primary means through which the EU and the country jointly identify reform priorities.

The actions of the OP on human capital are linked to the social cooperation established under the **Stabilisation and Association Agreement** and to the recommendations of the Subcommittee on Innovation, Information Society and Social Policy, related to supporting the efforts of North Macedonia to develop its economic cooperation and support the steps to complete the transition into a functioning market economy. More specifically, the interventions of the OP on human capital will address the medium-term priority of implementing a comprehensive strategy for promoting employment and reducing unemployment due to labour market reforms by involving all relevant actors. It will also

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<sup>90</sup> [https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports\\_en](https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports_en)



materialise the intentions to upgrade job-search and careers advice services, provide backup measures, and promote local development to assist industrial and labour market restructuring. The separate projects will materialise the intentions of respecting democratic principles and human rights, particularly Roma people. It will address close cooperation on a wide range of policy areas to help the development and growth potential of the country.

The **Economic Reform Programme (ERP) 2023-2025** has defined the key challenges that entail necessary reforms to ensure inclusive and sustainable economic growth in the medium-term pace regarding: - strengthening human capital for inclusive development, - fostering a green transition, and - improving the competitiveness of domestic enterprises, their integration into global value chains and formalisation of the economy. Among ERP measures defined is a further development of the qualifications system, increasing labour market flexibility and security, strengthening the system for social inclusion of vulnerable categories of persons, financial support to Roma entrepreneurs and introducing mechanisms for formalising informal work in sectors most likely to have undeclared work.

The OP support areas are linked with the **Economic and Investment Plan (EIP) for the Western Balkans (WB)**. The vision of Europe for Western Balkans is set as a geostrategic priority of good governance for its sustainable economic growth and development. The investment flagships regarding investing in human capital will ensure reform priorities identified in the Economic Reform Programme (ERP) process and joint policy guidance in employment and social protection and inclusion to be intervened in the OP actions. Emphasis will be put on improving labour market participation, especially of young people (as further reinforced support of Youth Guarantee) and women, disadvantaged groups, and minorities, mainly persons with disabilities and Roma. These investments must also be inclusive, addressing those experiencing high poverty rates and low employment opportunities. The interventions will enhance employment opportunities, further education, an apprenticeship, and traineeship, offering solutions and perspectives in the labour market. Attention will also be given to the capacity building of social partners, the development of social dialogue and collective bargaining, and amicable settlements of disputes and local employment partnerships. Reforms of social protection and inclusion systems, including social care services, will be a priority considering the human development in the country. The development of active inclusion strategies will be supported, especially regarding the social economy. Thus, the OP actions will tackle Flagship 10 Youth Guarantee priorities and Flag Ship 9 Investing in the Competitiveness of the Private Sector.

The **Youth Action Plan in the European Union external action for 2022-2027** is EU policy framework for a strategic partnership with young people around the world to build a more resilient, inclusive and sustainable future. This plan is guided by three pillars of action that will help shape the EU's partnership with young people in partner countries: 1) partnership to engage: increasing young people's voices in policy and decision-making; 2) partnership to empower: fighting inequalities and providing young people with the skills and tools they need to thrive; and 3) partnership to connect: fostering opportunities for young people to network and exchange with their peers worldwide. The further support of Youth Guarantee and ensuring the youth activation in the labour market are considered as one of OP prime objectives.

The **European Education Area** identifies quality education, alongside equity, inclusion and success in education and training, as one of its top priorities. The European Education Area stresses the key role that quality early childhood education and care can play as a basis for future educational success. OP activities contributing to enhancing the quality and inclusiveness of North Macedonia's early childhood education and care system are aligned with the European Education Area's objectives. The implementation of these activities can namely benefit from, and promote synergies with, the European Education Area Working Groups,<sup>91</sup> which North Macedonia takes part in, and in particular the Working Group on Early Childhood Education and Care.

The **European Green Deal** identifies a vital role that should be played in helping Europe's workforce to acquire the skills they need to transfer from declining sectors to growing sectors and to adapt to new processes. In contrast, the Skills Agenda and the Youth Guarantee will be updated to enhance employability in the green economy and the vulnerable groups for their activation in the labour market.

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<sup>91</sup> <https://education.ec.europa.eu/about-eea/working-groups>

This OP is also in line with **EU Gender Action Plan (GAP) III**, applying the standards of conducting and using updated gender analysis to inform decision-making, in particular in the field inclusion of gendered indicators and needs assessment of women and members of other vulnerable groups, where applicable, in the targeted sector. Activities will contribute to applying gender-sensitive and sex-disaggregated indicators and statistics in all mentioned fields.

The OP on human capital contributes towards compliance with international law, including the Universal Declaration of Human Rights; International Covenant for Civil and Political Rights; International Covenant for Economic, Social and Cultural Rights; Convention of the Rights of a Child; Convention of the Rights of Persons with Disabilities, and ILO Decent Work Agenda.

The OP on human capital aligns with the **European Pillar of Social Rights and Action Plan 2030** under the several chapters and relevant principles for fair, inclusive, and full of opportunities. Specifically, the OP on human capital will address the principles of equal opportunities and access to the labour market, including active support for employment; principles of education, training, and lifelong learning; gender equality; and equal opportunities for all, regardless of gender, race, religion, disability, age, or sexual orientation (Chapter I). These principles ensure that individuals can participate fully in society and manage successful transitions in the labour market while fostering equality and equal treatment within Chapter II (fair working conditions) principle 5. Secure and adaptable employment (entrepreneurship and self-employment, the transition towards open-ended forms of employment and innovative forms of work shall be forced) will be addressed through the implementation of the OP. In addition, the OP will address the principles of social protection and inclusion (Chapter III). It includes the right to affordable and quality early childhood education and care and specific measures to enhance equal opportunities for children from disadvantaged backgrounds. The chapter also addresses the right to adequate social protection, services that enable people with disabilities to participate in society and the labour market, affordable and quality long-term care services, and access to essential services of good quality such as water, sanitation, energy, transport, financial services, and digital communications. These principles ensure that all individuals have access to essential services and social protection, regardless of their background or circumstances.

The OP implementation will also ensure a shared responsibility for the institutions, national, regional, and local authorities, social partners and civil society to apply the principles.

Also, the OP on human capital is in line with the following European-related policies and action plans:

The **Commission Recommendation to Effective Active Support to Employment (EASE)** following the COVID-19 crisis defines the labour market challenges resulting from this pandemic, as well ongoing transition from declining sectors to economic activities that have higher growth potential and strategic value in the context of green and digital transitions and demographic change, it shall be promoted a job-rich recovery by encouraging skills development and supporting people in their transition to new quality jobs.

The **EU Reinforced Youth Guarantee and its Youth Employment Support package** define strategic commitment to ensure that all young people under 30 receive a good quality offer of employment, continued education, apprenticeship, and traineeship within four months of becoming unemployed or leaving education.

As a five-year plan, **the European Skills Agenda** defines guidelines on the 12 flagship actions to help individuals and businesses develop better skills and use them by strengthening sustainable competitiveness, ensuring social fairness, and building resilience to react to crises.

The newly adopted **European Social Economy Action Plan** puts forward concrete measures to help mobilise the social economy's full potential further to build the social business, start-up, and scale-up initiatives. In this regard, key aspects include improving the right framework conditions for the social economy, including improved access to finance and markets.

The OP is in line with **EU Quality Framework for Early Childhood Education and Care** and its several quality statements related to the provision that encourages participation, strengthens social inclusion and embraces diversity; well-qualified staff with initial and continuing training; supportive working conditions including professional leadership which creates opportunities for observation, reflection, planning, teamwork and cooperation with parents; monitoring and evaluating produces

information to support continuous improvements in the quality of policy and practice; monitoring and evaluation which is in the best interest of the child.

The OP also considers the **European Roma Strategic Framework for Equality, Inclusion and Participation 2020-2030**, which addresses a need to renew and step up the commitment to Roma equality, inclusion, and participation at both European and national levels. A strengthened commitment is necessary to improve the inclusion of Roma people in education, employment, health, and housing and tackle persistent discrimination (antigypsyism).

North Macedonia actively takes part in the **Erasmus+ programme** as an associated country for the period 2021-2027. The implementation of the action can benefit from the experience and expertise gathered by education stakeholders in the country that are taking or have taken part in current or past Erasmus+ actions, for instance thanks to projects<sup>92</sup> on strengthening the capacities of youth workers in Roma women organizations,<sup>93</sup> on support and inclusion of children and youth with disabilities in the community,<sup>94</sup> or on capacity building for professionals working with socially excluded young people<sup>95</sup>.

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<sup>92</sup> Examples of relevant projects extracted from the Erasmus+ projects database at : <https://erasmus-plus.ec.europa.eu/projects>

<sup>93</sup> Project ID: 2022-3-MK01-KA210-YOU-000100744

<sup>94</sup> Project ID: 2018-1-MK01-KA125-047043

<sup>95</sup> Project ID: 2014-1-MK01-KA105-000160



## 4 Operational features of the programme

### 4.1 Interaction of the programme with IPA III annual action plans or measures and interventions from other donors/International Financial Institutions

#### IPA III annual action plans

Ensuring complementarities and avoiding overlaps of interventions between the different sector programmes under IPA III are essential in ensuring coherence and efficiency to maximise the benefits of IPA assistance for the country.

The country's IPA III Strategic Response outlines how North Macedonia plans to utilise the EU financial assistance under IPA III in line with the IPA III Programming Framework. It elaborates on actions planned across the 17 key thematic priorities within each of the five thematic windows.

In this context, the intervention logic of the OP on human capital envisages that cooperation and complementarity can be achieved by interacting with the other IPA III annual action plans, measures, and interventions from other donors and International Financial Institutions.

The Sector Working Group (SWG) on Education, Employment and Social Policy (EESP), as already presented under section 3.4, is responsible for the coordination and ensures regular dialogue and exchange of information between institutions responsible for preparing, implementing, and monitoring activities under the different programmes of the IPA III Programming Framework.

The Action Document "EU for Improved health, social protection and gender equality" was elaborated for the programming year 2022. The Action Document "EU for Improved health, social protection and gender equality" is worth 11 000 000 EUR. The overall objective of the Action is to improve health and well-being and promote equal opportunities and access to quality employment and social protection for all. Expected outcomes are to improve the OSH system and practices; enhance the system's effectiveness for preventing and protecting against gender-based and domestic violence; improve the quality of social services; and improve the state response to the significant health threats in the country.

The activities envisaged in the IPA 2024 Action Document "EU for Rights and Security" (in preparation) will tackle some aspects of the EESP sector and will create the ground on which OP will build up, such as improving the availability and access to specific social services for victims of gender-based and domestic violence and legal housing of Roma.

In regard to ensuring the complementarity with other IPA-funded regional programmes, several IPA multi-country multiannual action plans for 2021-2027 period tackle some areas of support envisaged with this OP.

The IPA Multi-country Multiannual Action Plan in favour of the Western Balkans and Turkey for 2021-2022 "EU support to fundamental rights of Roma in the Western Balkans and Turkey" foresees support for fundamental rights of Roma (as the most discriminated minority in the region<sup>96</sup>). It will contribute to combating discrimination of Roma; support implementation of inclusion policies; and enhance access to basic socio-economic rights: civil documentation, education, employment, healthcare and housing. The action will also assist the progressive implementation in the enlargement region of the "2020-2030 EU strategy for equality, inclusion and participation"<sup>97</sup>, progress on fulfilment of Roma inclusion commitments taken under the negotiations chapter 23 and the Poznan declaration conclusions.

As well, the Multi-country Multiannual Action Programme in favour of the Western Balkans and Turkey for 2021-2022 "Strengthening employment, labour and social protection systems and policies in the Western Balkans with SOCIEUX+" envisages the countries of Western Balkans to access to the European Union Expert Facility on Employment, Labour and Social Protection (SOCIEUX+)<sup>98</sup>, as a demand-driven facility which provides short-term, peer-to-peer technical assistance in regards to the employment and social protection systems and policies.

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<sup>96</sup> [Breaking the Cycle of Roma Exclusion in the Western Balkans](#)

<sup>97</sup> COM(2020) 620, 7.10.2020

<sup>98</sup> The SOCIEUX+ actions are micro-projects (actions) implemented through single or several short-term technical assistance (TA) interventions (activities) addressing needs and/or shortcomings in the areas covered by the SOCIEUX+ scope of work. Activities are in general implemented through TA missions onsite, but these may be complemented by distance-support. The activities will have a strong component of knowledge development.

The Multi-country annual action plan in favour of the Western Balkans and Türkiye for 2024 “EU4 Roma inclusion” is foreseen to support the progressive fulfilment of Roma inclusion commitments taken by the Western Balkans, including in the Berlin Process and the 2019 Poznan Declaration and subsequent annual Ministerial meetings. The Action will also overcome key challenges facing by the Roma populations<sup>99</sup> in the Western Balkans and Türkiye, including the lack of disaggregated data, access to economic opportunities and social exclusion. The three areas of support this Action will be the Regional Roma Survey 2024, Support to Roma entrepreneurship phase II and the 6<sup>th</sup> EU Roma Integration Award for the Western Balkans and Türkiye (2025).

The Multi-country annual action plan in favour of the Western Balkans and Türkiye for 2024 “EU4 Gender Equality – Women’s Economic Empowerment and Safety” foresees support for women and girls to participate in society, fully enjoying and exercising equal economic, labour and social rights, in a safe and secure environment. The action consists of three components: Component 1 Improving women’s economic empowerment, by strengthening their access to managerial and leadership roles, entrepreneurship, specialised employment opportunities (notably in the digital labour market and green transition) as well as Science, Technology, Engineering and Mathematics (STEM) education and employment; Component 2 Providing increased access to digital essential services for women and girls who are survivors of online and technology-facilitated violence, and tools to protect themselves from such violence; and Component 3 Integration of the Western Balkans and Türkiye into the core work areas of the European Institute for Gender Equality.

The Multi-country annual action plan in favour of the Western Balkans and Türkiye for 2024 “EU-ILO Technical Assistance Facility for the Youth Guarantee in the Western Balkans” will facilitate the integration into the labour market for unemployed and disengaged young women and men in the Western Balkans relevant IPA beneficiaries, in a systemic manner through the implementation of the YG. This action sets up a Technical Assistance Facility (EU-ILO Technical Assistance Facility on the Youth Guarantee in the WB) around two interlinked Specific Objectives (Outcomes) that are rooted in the underlying complexities of the YG, which are: 1) to enhance overall capacities, as well as policy and legal frameworks, for the establishment, gradual implementation, and monitoring of the YG in the Western Balkans; and 2) to enable the application of the YG policy principles throughout the phases of the YG, including through a culture of peer learning, triangular cooperation, regional dialogue, and networking on the YG in the Western Balkans.

The Multi-country annual action plan in favour of the Western Balkans and Türkiye for 2024” Employment and Social Affairs Platform III (ESAP III)” is aimed to increase competitiveness and resilience of labour markets and decent work conditions in the WB in line with the European Pillar of Social Rights (EPSR). Its overall objective will be achieved through (1) making the WB Network Tackling Undeclared Work fully functional, aligned with the best European practices and involved in and mirroring the work of the EU Platform on Undeclared Work; (2) generating reliable evidence on transition to formality; (3) improving the performance of Labour Inspectorates<sup>100</sup> in the area of Occupational Safety and Health (OSH); (4) strengthening the Ministries of Labour and Social Affairs and Public Employment Services in the development of competitive and resilient labour and social policies and measures, aligned with the EU standards and the EPSR; and (5) increasing the effectiveness of tripartite and bipartite social dialogue.

#### Other donor support

IFI and bilateral financial assistance to North Macedonia is substantial. All major IFIs, such as the World Bank - IBRD as the country's largest creditor, are in the field. In addition, EU member states and other bilateral and multilateral donors provide financial and technical support. IFIs and other donors’ assistance has not only decisively contributed to stabilising and improving the country's political, economic and social situation but has also complemented the EU enlargement agenda, which all members of the donor community recognise.

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<sup>99</sup> In line with the terminology of European institutions, the umbrella term ‘Roma’ is used here to refer to a number of different groups (e.g. Roma, Sinti, Kale, Gypsies, Romanichels, Boyash, Ashkali, Egyptians, Yenish, Dom, Lom, Rom, Abdal...) without denying the specificities of these groups.

<sup>100</sup> Hereafter referred to as the Inspectorates.

With IFI and other donors' assistance being channelled into all possible areas, the most significant challenges to EU financial assistance IPA III programming were avoiding overlaps and ensuring that different but related activities were aligned. Cooperation and coordination with international financial institutions are aimed at complementary financing to address the different labour market and social inclusion issues drawing from many sources of funds. Every project will have a single funding source, i.e., OP projects will be co-financed by IPA III and national contribution; coherence and complementarities aim to enable joint intervention in the same field, not in the same specific project and avoid overlapping.

The following programmes supported by loans provided by the IFIs are under implementation and are aligned with the interventions planned within the OP:

**Social Service Improvement Project (WB-IBRD)** aims to expand access to and improve the quality of social services, including preschool services, for vulnerable groups. The project comprises three components. The first component, promoting social inclusion through improved access to social benefits and services, is strengthening the overall social protection delivery system for improved services by existing social assistance recipients and vulnerable groups. The second component, expanding access to and improving of the quality of preschool services, focuses on improving access to quality early childhood education and care (ECEC) services, in particular for children from socially disadvantaged backgrounds (that is, poor children, children with disabilities, and Roma children) and children in migrant and minority groups, and refugee children as. The project will end in 2024, and planned interventions within Area of Support 2 (namely decentralisation of the social services, early childcare and preschool, and Roma inclusion) will continue to address the need for social inclusion through improved access to social benefits and services. A follow-up loan in the same area is in preparation.

**Social Insurance Administration Project (WB-IBRD)** aims to improve the quality of services in administering social insurance and strengthen the regulatory framework for people with disabilities and hazardous occupations. This project has two components. 1) The first component, Improving the quality of the social insurance administration services, has the following sub-components: (i) Establishment of a Single Unified Registry System for social insurance; and (ii) Improvement and modernisation of business processes in Pension and Disability Insurance Fund of North Macedonia (PIOM). 2) The second component, Strengthening the regulatory framework for persons with disabilities and hazardous occupations, has the following sub-components: (i) Establishing a unified disability assessment system and Central Disability Certification Coordination Unit (CDCCU); (ii) Reforming the system of employment of persons with disabilities; and (iii) Revision of the list of hazardous occupations eligible for early retirement with extended service period (ESP). The project will finish at the end of 2024, providing much-needed reform in state insurance administration. It will enable a better system of employment for persons with disabilities, which will help the effective implementation of ALMPMSs for PwDs that will be supported through the OP.

**North Macedonia Emergency COVID-19 Response Project (IBRD)** aimed to prevent, detect and respond to the threat posed by COVID-19 and strengthen the national public health preparedness system. The project activities that are implemented within component 2 - Financing temporary income support to eligible individuals and households to enable them to comply with the social distancing measures the Government has introduced to contain the COVID-19 pandemic (quick social assistance support and temporary social unemployment insurance support) ensured passive measures for all affected by the Covid-19 crises. Implementing the activities within Area of Support 1 – YG and ALMPMSs will additionally support the recovery of these people to the labour market.

In addition to programmes supported by loans, several projects have been financed through bilateral cooperation and are aligned with interventions planned within the OP.

**Income Increase and Socio-Economic Empowerment of Vulnerable Groups from Rural and Suburban Areas (IISEE)** project funded by SIDA (Sweden) supports increased growth, income and employment for rural people, especially for youth, women and Roma in North Macedonia through facilitating access to the market for companies that empower rural women and youth, promoting supporting services and enabling environment (rules and regulation) for local communities and facilitating access to skills and access to finance for employment and self-employment of Roma people.

Two projects (“**Roma und COVID-19: Build Back Better through sustainable waste management**” and “**Alleviation of COVID-19 Effects and Consequences on the most vulnerable in Society with a Special Focus on Older People– Development and piloting of home help services in North Macedonia**”) financed by the Austrian Federal Ministry for social affairs have the aim to tackle consequences of the COVID-19 pandemic on most vulnerable groups in North Macedonia.

To improve employment prospects in North Macedonia, the Swiss Agency for Development and Cooperation finances the implementation of several critical projects. **Education for Employment**, a project that will be implemented by 2026, addresses the high youth unemployment rate caused by the mismatch of the skills provided by the education system and those required by the economy. The project supports the Ministry of Education and Science and the private sector in strengthening the newly established dual school- and company-based vocational education and training system. Project “**Increasing Market Employability**” aims to address issues of high unemployment by creating jobs and increasing income through the improvement of the quality of products and services, expansion of markets, and creation of an enabling environment in the Sustainable Agribusiness, Adventure Tourism, and Information and Communications Technology (ICT) sectors. Project “**Creating Job Opportunities for All in North Macedonia**” facilitated employment for vulnerable groups (particularly PwDs and Roma) by introducing appropriate active labour market measures, improving the capacities of responsible stakeholders to coordinate employment measures, and sensitising and incentivising the private sector.

The “Roma Inclusion Activity” Programme implemented by USAID supports the Roma people. The Programme aims to empower Roma community members and civil society organisations (CSOs) to take leadership roles in the development and implementation of national strategies and policies about Roma inclusion and to hold government institutions accountable for addressing Roma issues and needs, especially new National Roma Strategy 2022-2030 and its accompanying action plan. In addition, the USAID programme “**Together for a Prosperous Community**”, part of USAID North Macedonia’s Local Works initiative, wants to establish sustainable systems and develop the capacities of Roma communities to plan, finance, and implement solutions to their development priorities and needs.

USAID implements a youth programme in North Macedonia that aligns with planned interventions within OP. The programme “**Youth Actively Create Opportunities**” in the following period will support the youth of North Macedonia who faces significant challenges, including a lack of attractive careers, unemployment and underemployment, inadequate skills for jobs, and minimal opportunities for career advancement.

Project “**Building Capacity towards sustainable human capital development in North Macedonia**” implemented by GIZ-GCF SHCD Green Climate Fund aims at building capacities and creating an evidence-based and enabling environment in the health, education, and labour & social protection sectors, as these sectors are dealing with the socially vulnerable and marginalised groups but are often over-looked in climate finance discussion.

**Employment and Social Affairs Platform (ESAP 2)** is a regional project financed by the EU and implemented jointly by the Regional Cooperation Council and International Labour Organisation (ILO) that aims to improve employment opportunities and working conditions of women and men in the Western Balkans by providing technical supports to key national stakeholders during the reform process. As the project is ending its second phase, it is expected to continue with the 3<sup>rd</sup> phase during the implementation of the OP. Moreover, under the EU/ILO Technical Assistance Facility, the relevant authorities, and stakeholders from the Western Balkans, including North Macedonia, receive support from the ILO and the ETF for designing, implementing, and enhancing Youth Guarantee schemes.

## 4.2 Description of the programme

### 4.2.1 Intervention Logic

As the basic socio-economic indicators demonstrate, North Macedonia faces employment and social protection challenges. The COVID-19 pandemic and, more recently, the energy and price shocks led to an economic crisis, which is expected to create further vulnerability and has pushed more persons and families into poverty. North Macedonia is committed to adequately responding to this new crisis in partnership with the EU. The Government is pursuing the policy actions planned in the Economic Reform Programme 2023-2025, which focuses on promoting economic recovery after the COVID-19 pandemic, creating resilience to external shocks, increasing the economy's competitiveness, supporting job creation and raising the population's living standards.

The strategic framework is well-developed. It is based on the Economic Reform Programme 2023-2025 (ERP), which is the strategic document which guides the country in addressing the key challenges and advancing on the structural reforms, the National Employment Strategy of North Macedonia 2021-2027, and the National Programme for Development of Social Protection 2022-2032, as well as several sub-strategies.

The OP's overall objective is to promote North Macedonia's progress towards the principles and headline targets of the European Pillar of Social Rights model and the country's alignment with the EU *acquis* in Employment and Social Policy.

The employment and social policy objectives of North Macedonia are well in harmony with the EU Pillar on Social Rights and the EU policy on Fundamental Rights, and the Gender Action Strategy. The country is committed to continuing to invest in decreasing the gaps with the EU standards. The national sectoral strategies are well developed and address the EU enlargement policy requirements, particularly the Western Balkans Strategy, the Economic and Investment Plan for Western Balkans supporting human capital development and promotion of employment opportunities for the youths.

The progress towards the European Pillar of Social Rights model and the alignment with the EU *acquis* pose two different challenges to North Macedonia, according to the areas of intervention. In some areas, it implies progress in adopted strategies (as shown in Section 2). In others, it may suggest acknowledging new problems, adopting new measures, innovating in service delivery, and defining priorities where they still need to be determined.

This OP and its interventions envisaged will positively influence the country's context, and thus hopefully, at a scale in which quantitative impacts in macro indicators, such as employment or unemployment rates or poverty levels, would adequately contribute to the significant achievements on country level.

In the areas covered by nationally defined strategies and quantified targets, the OP results will contribute to the realisation of adopted targets and a qualitative effort to align with European best practices.

Social protection of the population and the labour force have been mainstreamed into the country's employment policy as a requirement for an active and productive workforce, for societal development, and sustainable economic growth. Combating discriminatory practices, improving working conditions and social care of the workforce, and promoting equal social opportunities, socio-economic inclusion, and well-being remain priorities for North Macedonia.

In concordance with the diagnostic process performed by the national authorities as presented under section 2, the OP intervention logic is structured as an overall objective, areas of support, outcomes, and outputs (see figure below) to guarantee the proper focus of eligible interventions in addressing the identified problems.

In this regard, the **Overall Objective** is to promote equal opportunities, access to employment, and quality social protection for all.

## Overall Objective

To promote equal opportunities, access to employment, and quality social protection for all.

### Area of support 1: Employment and Labour Mobility / Specific Objective (Outcome) 1.1:

*To enhance employment and employability of the labour force focusing on youth, women, and vulnerable groups.*

### Area of support 2: Social Inclusion and reduction of poverty/ Specific Objective (Outcome) 1.2:

*To improve social inclusion and quality of social services, focusing on vulnerable groups.*

### Area of support 3: Other support/ Specific Objective (Outcome) 1.3:

*To increase the readiness of North Macedonia for EU accession negotiations under Chapter 22.*

#### Outputs

- 1.1. Improved employment outcomes of young people (15 -29) through the implementation of reinforced YG and improved capacities of ESA.
- 1.2. Improved employment of vulnerable groups in the labour market through ALMPMSs and employment services.
- 1.3. Boosted development of social and micro-enterprises for (self)employment among vulnerable groups, including focus on green and circular economy.
- 1.4. Promoted social dialogue and local employment partnerships.

#### Outputs

- 2.1 Supported development of high-quality, affordable, and accessible social (care) services.
- 2.2 Improved social inclusion of Roma and impoverished people.

#### Outputs

- 3.1 Improved management of EU financial assistance in the human capital sector in accordance with EU requirements and best practices.

## Area of support 1: Employment and Labour Mobility

The **Specific Objective (Outcome)** is:

*To enhance employment and employability of the labour force focusing on youth, women, and vulnerable groups.*

The **Outputs** to be delivered contributing to the corresponding Specific Objective (Outcome) are:

- 1.1. Improved employment outcomes of young people (15 -29) through the implementation of reinforced YG and improved capacities of ESA.
- 1.2. Improved employment of vulnerable groups in the labour market through ALMPMSs and employment services.
- 1.3. Boosted development of social and micro-enterprises for (self)employment among vulnerable groups, including focus on green and circular economy.
- 1.4. Promoted social dialogue and local employment partnerships.

## Area of support 2: Social Inclusion and reduction of poverty

The **Specific Objective (Outcome)** is:

*To improve social inclusion and quality of social services, focusing on vulnerable groups.*

The **Outputs** to be delivered contributing to the corresponding Specific Objective (Outcome) are:

- 2.1. Supported development of high-quality, affordable, and accessible social (care) services.
- 2.2. Improved social inclusion of Roma and impoverished people.

## Area of support 3: Other support

The **Specific Objective (Outcome)** is:

*To increase the readiness of North Macedonia for EU accession negotiations under Chapter 22.*

The **Output** to be delivered to the corresponding Specific Objective (Outcome) is:

- 3.1. Improved management of EU financial assistance in the human capital sector in accordance with EU requirements and best practices.

### 4.2.2 Detailed description of each area of support



## Area of support 1: Employment and Labour Mobility

### Rationale

While the labour market in North Macedonia started to recover in 2022 from the negative impact of the COVID-19 global pandemic, some challenges remained. Most notably, the labour market still faces problems with economic activity and employment of women, youth (15 – 29) and vulnerable groups, as well as the labour market mismatch that is present in North Macedonia.

The inclusion of young people (15 – 29) in the labour market is a particular issue that the country faces. By the recent data, the total share of young people in the labour force (age 15 -29) is low, only 18,4% and their activity rate is also at a low level, amounting to 46,1%. Hence, the employment rate of the young people was also low, at the rate of 19,2% in 2022, mainly due to the high level of unemployment, their engagement in informal work and as well as their school attendance, as secondary education is obligatory in North Macedonia. Particular focus on labour market inclusion in the following period will be given to the NEET group, representing young people not in employment, education, or training. By the last data, approximately 94 000 young people 15–29 years of age were not in employment, education, or training (NEET) in North Macedonia, corresponding to approximately one-quarter (24.2%) of the total youth population.

A reinforced Youth Guarantee (YG) will be implemented to address this challenge. MLSP, as YG Coordinator, and ESA, the main implementing agency, started with implementing Youth Guarantee in 2018 as a pilot activity. The Youth Guarantee as an initiative allowed young people up to the age of 29 who are not employed or involved in education or training (NEET) to receive a suitable job offer, to continue their education or to be involved in any of the active employment programs and measures, in a period of 4 months after their registration as unemployed persons in the ESA. While implementation of the YG in the previous period showed significant results in the activation and employment of young people, some challenges were identified that will be resolved in the following period. Namely, it was recognised that more and better partnerships across governmental and non-governmental entities must be built to ensure that more young people are offered a good opportunity for education, employment, or traineeship. Additionally, more needs to be done in terms of outreach to young people who are detached from the labour market, encouraging and motivating them to join the labour market and reverse the shift towards inactivity engendered by the COVID-19 crisis. An increase in offers for the NEET population, expected in the following period, can be achieved only by reforming the organisational structure, staffing levels and financial resources available to the Employment Service Agency as the leading implementing partner in the YG service delivery system. Capacity building is particularly needed in establishing a better monitoring system for the young people entering YG. Finally, more needs to be done to increase the quality of offers provided to young NEETs, as the data show that the return of YG beneficiaries to the YG service delivery system is about 20%, mainly affecting young NEETs who received an offer of employment.

North Macedonia acknowledges the potential of green jobs as a solution to youth unemployment. The transition to a low-GHG economy is expected to lead to a net creation of jobs. Climate change mitigation can keep future adaptation costs down and bring about net employment creation through, inter alia, a substantial reallocation of labour. The implementation of the measures needed to meet the emissions reduction objectives in the Long-term strategy on climate action is expected to create 10,000 green jobs in 2035.

A gender gap is still present in the labour market. According to data from 2022, the activity rate of the economically active female population in the country was significantly lower (21,9% lower) than that of the male population. Gender differences in economic activity are also reflected in the employment rates. The employment rate of women was also significantly lower (17,1%) than men's and amounted to only 38,8%. In addition, registered unemployment within the ESA shows a higher percentage of unemployed women than men. By the end of 2022, 51.4% or 57 970 unemployed women were within the total active unemployed job seekers.

Furthermore, emphasis in the following period will continue to be given to the vulnerable groups in the labour market, most notably long-term unemployed, low-educated unemployed persons, unemployed persons that use guaranteed minimum assistance, and unemployed persons with disabilities. Data on the duration of unemployment of registered unemployed persons within the ESA highlight the problem of long-term unemployed persons. By the last data, 73.1% or 82.352 persons, of all registered unemployed

were long-term unemployed persons. Educational attainment of the registered unemployed within the ESA shows that most unemployed (58.2% or 65.663 persons) are persons without any education or only with primary education. The poverty rate for the unemployed is also at a high of 40.7%, with most of them living out of some form of social assistance or/and being involved in informal work. While the share of unemployed PwD is not so high, as the total number of registered unemployed people with disabilities amounted to 1.339 individuals, their situation is particularly unfavourable since 62.6% either do not possess elementary education or only completed educational level and an additional 16% have not completed secondary education.

To enhance the employment of women and other vulnerable groups in the labour market, ESA will implement active labour market policies targeting these groups (such as support for self-employment, job subsidies, training for the labour market, internships, etc.) and individual employment support. While ESA implements a portfolio of ALMPMSs annually with solid results, insufficient funding through the national budget limits them in a broader scope.

Supporting employment and social inclusion of vulnerable groups in the labour market will also be addressed by supporting further development of social entrepreneurship in North Macedonia. The development of social entrepreneurship in the country is in its infancy. It is characterised by a lack of legal framework for social entrepreneurship and by many associations, micro or small enterprises with 3-4 employees and a few volunteers needing further development support. In addition, the most common are social enterprises for work integration, which represent independent economic entities whose main goal is the professional integration of people who face difficulties joining the labour market. By boosting the development of social enterprises in North Macedonia within this programme, new opportunities for employment and social rehabilitation and inclusion for the most vulnerable groups will emerge.

### Applicable EU legislation

The recommendations of the **Commission’s Report** for Chapter 19: Social Policy and Employment include continuing implementing the Youth Guarantee as well as activation measures, especially for low-skilled unemployed people that will be implemented through this Area of Support.

### Outcomes (Specific objectives)

Enhanced employment and employability of the labour force focusing on youth, women, and vulnerable groups.

### Typologies of outputs

To achieve the stated outcome within this area of support, three key outputs will be accomplished:

- 1.1. Improved employment outcomes of young people (15 -29) through the implementation of reinforced YG and improved capacities of ESA.
- 1.2. Improved employment of vulnerable groups in the labour market through ALMPMSs and employment services.
- 1.3. Boosted development of social and micro-enterprises for (self)employment among vulnerable groups, including focus on green and circular economy.
- 1.4. Promoted social dialogue and local employment partnerships.

### Impact, outcome, and output indicators (incl. baselines and targets)

	Indicator	Baseline (2022)	Target (2032)	Source
<b>Impact</b>	Employment rate (20 – 64) total %	Total: 61,2%; Male: 71,2%; Female: 51,3%	Total: ≥64,5%; Male: ≥75,5%; Female: ≥52,5%	LFS
	NEET rate (percentage of the population aged 15-29)	22.8%	<20%	LFS
<b>Outcome</b>	Clients in employment after exiting the ALMPMS under the OP (at six- and 12-month intervals)	0	6 months target 30% 12 months target 40%	ESA
	Collective bargaining coverage rate	49%	>55%	MLSP/LFS

	Indicator	Baseline (2022)	Target (2032)	Source
<b>Outputs</b>	Number of unemployed clients, incl. long-term unemployed who received an offer, i.e. were treated with ALMPMSs <sup>101</sup> under the OP by type of programme, measure and service (by sex)	0	10000	ESA
	Number of young persons between 15 and 29 years of age who received an offer, i.e. were treated with ALMPMSs under the OP by type of programme, measure and service (by sex)	0	20000	ESA
	Capacity ESA Staff and YG workers trained	0	600	Project reports
	Number of social enterprises supported	0	At least 20	MLSP data on SE
	Number of Local Employment Partnerships	0	At least 8	Project reports
	Number of collective agreements signed	0	At least 3	Project reports/ MLSP database

## Type of activities

### Output 1.1. Improved employment outcomes of young people (15 -29) through the implementation of reinforced YG and improved capacities of ESA

#### Description of eligible activities, including major projects:

##### [1] Implementation of outreach activities for young people offering a line of support for labour market inclusion

The outreach component of the YG in the previous period was done in partnership with umbrella youth organisations that envisaged the building of the outreach capacity of youth workers, establishing a common framework for monitoring outreach activities and an online pre-registration system for young people targeted by outreach activities. The initiatives to be undertaken within this programme will include the upscaling of outreach activities, implemented by the youth organisation in partnership with ESA, Municipal Youth Centres or other organisations; the introduction of an outreach methodology (including criteria for profiling and needs assessment; definition of quality service delivery, data gathering and processing, transition indicators to monitor progress); the development of an online pre-registration module for the referral of outreach beneficiaries to the ESA-managed YG service delivery system (with assisted and non-assisted registration modalities), the introduction of social inclusion line in the outreach component and the potential for inclusion of other organisations (e.g. municipal Youth Centres, career counselling associations) in outreach responsibilities. The above-mentioned outreach methodology should include information, communication tools, awareness-raising activities, including on promotion of opportunities in growing green sectors and circular economy, etc.

##### [2] Implementation of active labour market measures for young people in the labour market

After young people register in the unemployment database of ESA, to increase employability and employment of young people, ESA will offer a range of active labour market measures that include employment, training and traineeship, and orientation on relevant sectors and jobs to support the transition to green economy. Employment offers will include employment subsidies, employment subsidies for employing young persons with disabilities, self-employment programmes and business start-up loans, and sectoral guidance while paying special attention to prospective sectors that focus on trends and new jobs, including opportunities linked with the green and digital transition. Training and traineeship will include training for in-demand occupations, training for advanced IT skills, training for

<sup>101</sup> Treated with ALMPMS means to participate and complete any active labour market programme, measure or service

known employers, on-the-job training (accredited employers) and an internship scheme targeting young people. The action envisaged is to increase the number of subsidised posts available to young NEETs.

### [3] Improving policies and capacity building in ESA to implement YG

The ESA's human resource structure and staff profile will be modified to strengthen individualised service delivery and management of the YG. Aside from the portfolio of employment services already provided to young NEET registering the YG, the service delivery model of the ESA will be upgraded to establish specialised services for employers, including through partnerships with private employment agencies (online platforms catering to the needs of large employers).

YG monitoring system is already aligned with the methodology developed by the European Commission Employment Committee - EMCO (Indicator Framework for Monitoring the Youth Guarantee). However, some adjustments and strengthening of the system are needed. Those adjustments include measuring the quality of offers according to EMCO and establishing data exchange with the MoES and/or its affiliated institutions such as the VET center, Center for Adult Education, etc. The fine-tuning of the monitoring system and additional data sharing requirements (education, social security, cadastre, tax authority, business register) will require upgrading the ESA ICT platform and strengthening human resources dealing with data processing and analysis.

Other digitalisation reforms and initiatives include EMIS and online pre-registration modules for outreach activities and data alignment with ESCO classifications. Investments in the IT platforms of the relevant institutions in the education sector will be supported where necessary for monitoring of the YG (e.g. tracer system of VET students).

Although the capacity of the ESA to provide employment services and programmes has improved significantly over the past years, several structural and organisational issues still need to be addressed before the ESA can fully fulfil its role as the main implementing partner of YG. Activation strategies targeting young people typically include a wide spectrum of interventions: referral to active labour market programmes. Referral is triggered after ineffective job searching or based on the result of profiling approaches geared to determining the unemployment individual's level of labour market risk. ESA profiling system segments the clients into 3 categories 1) no risk of long-term unemployment, moderate risk, and high risk.

ESA is acting as a YG provider, and registration as unemployed automatically confers entry to the YG scheme. The date the ESA youth counsellor enters the data in the electronic form is considered the entry date, from which the period of four months starts counting. In the new programming period, IPA III is considering another possible point of entry into the YG to be developed: the registration on a dedicated web portal (managed by the ESA). Although the pre/registration on the YG web portal will also require an interview with an ESA counsellor to verify that the person can register and is entitled to support, a statistical profiling system can ease the workload of ESA. Every young person will be first subject to statistical profiling, where the risk of becoming long-term unemployed will estimate based on individual characteristics, job history, job-search characteristics, etc. Namely, due to the high ESA workload, beneficiaries are not getting the attention they need, further decreasing individuals' motivation to actively pursue jobs in the open labour market. A tool that may prove useful to prioritise individuals for intervention is the enactment of a statistical profiling system. ESA, with EC/ILO Technical assistance, has started developing a probability model for piloting a statistical profiling system under the YG schemes.

The upgrade of ESA ICT and the introduction of online pre-registration and statistical profiling will impose the need for revision of ESA's internal guidelines, i.e. profiling of job seekers as well as training for introducing new activities and promising green jobs. Other specific tailored training may be organised for ESA staff.

**Delivery methods:** This output will be delivered through grants (including twinning), and procurements (service and supply).

Formal approval of the criteria for selecting operations to be financed under this output will be subject to consideration later by the relevant authorities. Principles to underlie the criteria will include at least the following:

- Relevance of the action,

- Quality and feasibility of the action,
- Financial and operational capacity,
- Complementarity with other funds and policies regarding employment,
- Contribution to the Programme indicators,
- Sustainability of the action.

#### **End recipients and target groups:**

Target groups are the following:

- Young people (15–29),
- Employment Service Agency staff,

The end recipients are the following:

- Employment Service Agency,
- Ministry of Labour and Social Policy,
- Ministry of Education and Science,
- VET Centre,
- Adult Education Centre (AEC),
- (Umbrella) Youth Organizations, other partner organisations and youth workers.
- Employers and Employer’s organisations,
- Trade unions,
- State Statistical Office,
- Schools and training providers.

**Conditions:** Some conditions for the start of the activities have been met. The Government approved the YG Implementation Plan 2023-2026 as a key document in April 2023. Reforms include the revision of the legal framework governing employment promotion as well as the adjustments to the functional organisation and staffing levels of the Agency. ESA shall gradually increase its resources dealing with the management of ALMPMSs during the implementation period of this programme. A detailed plan will be presented along with the grant application. ESA will report on its execution throughout the implementation.

#### **Output 1.2. Improved employment of vulnerable groups in the labour market through ALMPMSs and employment services**

##### **Description of eligible activities, including major projects:**

*[1] Implementation of dedicated employment service and programme lines contributing to the social inclusion of groups at risk in the labour market (youth, women, long-term unemployed, Guaranteed Minimum assistance beneficiaries, persons with disabilities, low-skilled individuals)*

The framework for planning and implementation of active labour market policies in North Macedonia is defined by the National Employment Strategy, Economic Reform Programme. It is per the obligations arising from the Global Jobs Pact of the ILO, the Youth Guarantee Plan 2023-2026, the Law on Social Protection (activation of Guaranteed Minimum Assistance beneficiaries) and Council Recommendation on the integration of the long-term unemployed into the labour market, 2016. They all emphasise the importance of activation strategies, individualised delivery modes, case management and the availability of a wide spectrum of active labour market programmes to ease the transition to the labour market.

On an annual basis, an Operational Plan for ALMPMSs is developed, which defines a range of public programmes aimed at increasing employment, enabling people to move into jobs and achieving a better match between labour supply and demand, especially for vulnerable groups in the labour market such as the long-term unemployed and beneficiaries of guaranteed minimum assistance. As vulnerable groups in the labour market often face very specific or multiple obstacles, providing them with additional support through ALMPMS and, sometimes, even tailor-made support to meet their complex needs will be essential. Lessons learnt from previous pilots will be used to develop a common performance framework when engaging partner organisations in delivering targeted support to vulnerable individuals. The focus of this programme will be improving labour market inclusion for unemployed women, low-skilled unemployed persons, unemployed persons that use guaranteed minimum assistance, unemployed

persons with disabilities and others that will be identified as vulnerable in the labour market. The range of ALMPMS that will be implemented for vulnerable groups will include direct employment measures that include self-employment (support intended for unemployed persons to start or formalise their own business), employment subsidies (subsidising employment of unemployed persons and enhancing job creation within enterprises), upskilling and reskilling (through on- and off-the-job training targeted to the requirements of employers, occupations in demand and IT skills), internship programme (acquiring practical working knowledge and skills needed to perform work tasks in specific workplaces) and work engagement programmes (provides social inclusion of vulnerable groups to acquire specific skills and their gradual inclusion in the labour market, over-implementation of public works on different levels). With the purpose to boost green transition and creation of the green jobs in North Macedonia, ALMPMSs supporting jobs creation through green investments will be implemented as well. During the implementation of ALMPMS, the following basic principles will be respected such as the principle of diversity and inclusiveness for all social categories in the private sector following the principles of fair and adequate representation of ethnic, gender, religious, racial or any other vulnerable category of citizens, by the standards and practices of the UN and the ILO; rules governing occupational health and safety and encouraging balanced regional development, under the data from the Regional Development Bureau and the degree of development of the planning regions in North Macedonia, while also taking into account the number of registered unemployed persons in employment centres belonging to the region. In addition, the inclusion pathway will require a step-by-step approach which relies on the cooperation between ESA and other institutions that provide different types of services (social, health, education, childcare, etc.) as well as providing passive measures and benefits might be needed before as well as during ALMPMS implementation to tackle social integration obstacles more generally.

**Delivery methods:** Grant(s) as will be provided to diversify the active labour market services and measures according to the needs of different groups/persons. See the explanation provided under output 1.1.

Formal approval of the criteria for selecting operations to be financed under this output will be subject to consideration by the MA and IB. The principles to underlie the requirements are:

- Relevance of the action
- Quality and feasibility of the action
- Financial and operational capacity
- Complementarity with other funds and policies regarding employment
- Contribution to the Programme indicators
- Sustainability of the action

**End recipients and target groups:**

Target groups are the following:

- Unemployed women
- Long-term unemployed
- Unemployed PwDs
- Unemployed with low education
- Unemployed beneficiaries of guaranteed minimum assistance
- Other vulnerable groups in the labour market
- Employment Service Agency staff

The end recipients are the following:

- Employment Service Agency
- Ministry of Labour and Social Policy
- Employers' organisations
- Schools and training providers

**Conditions:** Additional preconditions in terms of organisational reforms in ESA are needed. Reforms include the revision of the legal framework governing employment promotion as well as the adjustments to the functional organisation and staffing levels of the Agency.



### **Output 1.3. Boosted development of social and micro-enterprises for (self)employment among vulnerable groups, including focus on green and circular economy.**

#### **Description of eligible activities, including major projects:**

##### [1] Supporting implementation of Law on SE with support GS implementation.

Social entrepreneurship has been a subject of public discourse in the Country for over a decade. The Strategy for Development of Social Enterprises 2021 – 2027 provided much-needed guidance for development in this area in the next period. Strategic Priority 1 foresees the establishment of a legal framework for social entrepreneurship in the country. The first activity planned within the Strategic Priority 1 was developing and adopting the Law on Social Entrepreneurship as the critical legal act that established a legal definition for social enterprises, procedures for their recognition, and rights and obligations of social enterprises. The draft of the Law is prepared in consultation with representatives of social enterprises and relevant stakeholders in the ecosystem and awaits finalisation and adoption.

The planned intervention within this programme would include support to the key beneficiaries in implementing the Law. Specifically, it would include harmonisation of the legal framework through adjusting existing laws and by-laws to support the development of social enterprises. Harmonisation will be made through a review of the legal framework on innovation, commercial companies, employment of persons with disabilities, agriculture and rural development, cooperatives, donations and sponsorships and others to identify whether they contain obstacles to the development of social enterprises or can provide benefits for the development of social enterprises, and, based on that analysis, proposing changes that support the implementation of the Law on Social Entrepreneurship. Additionally, there will be a need to develop a mechanism for systematically collecting data on social enterprises in North Macedonia. It will include opening a register of legal entities that will have the status of social enterprises based on procedures defined within the Law and establishing a mechanism for collecting statistical data on social enterprises with expanded information on their social mission, impact, business model, etc. Based on established mechanisms, monitoring and assessment of the efficiency, effectiveness and impact of the Law and its enforcement procedures will be done by the MLSP.

Special attention will be given to improving the tax treatment of social enterprises by improving the legal framework for private donations and preparing provisions for the better tax treatment of social enterprises in a participatory process. Capacity building of key public institutions, namely the Ministry of Labour and Social Policy, and other stakeholders (other relevant ministries, network of social enterprises, civil society organisations, inspection services, etc.) for law enforcement will be needed. A broad promotion of social entrepreneurship and social enterprises among the community will be needed to boost their development.

The Social Enterprises Support Centre in Skopje was established with EU support under IPA 2017 programme as a place where social enterprising entities come for consultations, advice, training, workshops, networking, etc. The Ministry of Labour and Social Policy will assume the responsibility for financing the core activities of the Center upon the adoption of the Law on Social Enterprises. Under the OP, the Center shall be further supported in improving its operation and expanding the portfolio of services, in particular, those linked to building and accessing local markets, public procurement, integration of social enterprises in the local supply chains, marketing and certifying the quality of product and services, national and local funds allocation for the development of SEs, creating job places and job opportunities including green and digital transition, etc.

##### [2] Supporting the development of new and existing social enterprises in North Macedonia.

A comprehensive intervention will be made to support the further development of social entrepreneurship within the country, particularly concerning the legal requirements and procedures that Law on SE established. In line with this programme, the overall objective of intervention would be to increase employability and sustainable employment prospects for vulnerable groups in North Macedonia through social enterprises, while paying special attention on social enterprises that contribute to sustainable development. This activity will support establishing or growing Centres for social integration as a type of social enterprise that provides opportunities for primarily hard-to-employee individuals in their professional rehabilitation and employment. In addition, support will also be provided for the further development of the existing social enterprises in the country in expanding their business practices, including green transformation to enhance employment opportunities for vulnerable groups

and the establishment and development of new social enterprises. Non-exhaustive types of activities to be supported include the development of internal policies and procedures as well as registration of the social enterprise according to the legal requirements; strengthening the capacity of employees of existing social enterprises through training and educational activities; procurement of needed equipment, supplies and facility upgrading; providing subsidies for social integration within the Centres for social integration; implementing different marketing and sale activities to boost income generation from the social enterprise; building capacities of vulnerable groups in the labour market; employment and mentoring support to the selected vulnerable groups in the social enterprise; provision of different social services for different categories of vulnerable groups through the social enterprise; etc.

**Delivery methods:** This output will be delivered through service and grant scheme(s). Formal approval of the criteria for selecting operations to be financed under this output will be subject to consideration by the MA and IB. The principles to underlie the requirements are:

- Relevance of the action
- Quality and feasibility of the action
- Financial and operational capacity
- Complementarity with other funds and policies regarding employment
- Contribution to the Programme indicators
- Sustainability of the action

**End recipients and target groups:**

Target groups are the following:

- Ministry of Labour and Social Policy
- Centres for social integration
- Social enterprises
- CSOs

The end recipients include:

- Ministry of Economy
- Ministry of Finance
- Ministry of Agriculture, Forestry and Water Management
- Innovation and Technological Development Fund
- Entrepreneurship Support Agency
- Employment Service Agency
- Local self-government units
- Public institutions
- Academia
- Financial institutions
- Network of social enterprises,
- Private sector companies, etc.

**Conditions:** Adopting the Law on Social Entrepreneurship is a steppingstone for implementing the aforementioned activities.

**Output 1.4. Promoted social dialogue and local employment partnerships**

**Description of eligible activities, including major projects:**

*[1] Supporting the development of tri- and bi-partite social dialogue.*

Social dialogue is crucial for promoting competitiveness, advancing equality, and enhancing economic prosperity. It is an essential element of the European social model and is included in the EU *acquis* under Chapter 19. The intervention will continue to support the analytical and policy appraisal capacity of the members of the ESC and promote the use of LESC as a tool for local economic development. Additionally, support will be provided to the social partners in increasing awareness about the added value of collective bargaining at the sectoral and enterprise levels.

Previous IPA-funded projects implemented by the ILO laid the foundation for modernised and active organisations of workers and employers. Their contribution and influence over economic and social policies were pronounced during the COVID-19 pandemic, notably through the work of the National Economic and Social Council.

Overall, this intervention will address the challenge of still low membership of the Trade Unions and Employers organisations in many economic sectors and still the weak institutional ability to address working conditions and the needs of businesses through collective bargaining and other forms of social dialogue. It will tackle the issue of a low degree of unionisation in the private sector, associated with pronounced inequality. On the other side, the employers' organisations will be assisted in expanding their membership base, which has been hard to achieve due to many employers' individualistic approach and free-ride behaviour taken by many enterprises.

It is necessary to continue supporting the Trade Unions and Employers Organizations and building the knowledge and skills of the Economic and Social Council (ESC) members and its secretariat in relevant technical areas to have active partners in the EU accession process and relevant national policy-making processes. That would include strengthening their capacity to implement the new labour legislation properly as well as for devising policy responses to the formidable challenges in the labour market linked to digitalisation and transition to green economy.

The intervention will further support tripartite consultation structures and widen/deepen/ deepening their work. As well the sub-intervention will invest in the bipartite social dialogue in the private sector for its improved functioning, as well to support social partners to reinforce collective agreements. Activities will tackle trade union membership to influence greater workers' representation and higher workers' confidence in trade unions' capacity.

The system's basic architecture for amicable settlement of labour relation disputes was established through previous IPA interventions. As this system is underused, the sub-intervention will make adjustments, upgrades, upgrade and further support and promotion to make it more widely known and used by workers and employers.

Finally, the capacity of the local economic and social councils will be increased to formulate and implement policies and measures for creating decent work in the local economy. Local economic-economic councils, as a platform that brings together representatives of local public authorities, as well as local trade unions and employers' associations and other relevant labour market stakeholders, will identify the key employment challenges and shall suggest concrete actions that would directly address the barriers to (formal) job creation. Local Employment Partnerships (LEP)<sup>102</sup> will be promoted as a tool for improving the situation in the local labour market. The sub-intervention will be built on the experience of the LEP in Bitola and four local employment pacts signed in four municipalities developed with IPA assistance of ILO and will be further tested and accommodated to be used as a systemic tool.

The planned intervention in this programme includes support for:

- Further empowerment of employers and employees for effective functioning of the Economic and Social Council (ESC) through capacity building of their analytical knowledge and skills and digitalisation of the ESC operation;
- Effective collective bargaining and implementation of collective agreements in certain sectors;
- Better unionisation among workers in trade unions and improved collaboration among employers in employers' organisations, and above all, their improved collaboration and improved "voice" for important socio-economic issues in a national context;
- Enhanced implementation of amicable labour disputes;

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<sup>102</sup> Local Employment Partnerships (LEP) are developed and implemented through the following stages:

1. Identification of the geographical area.
2. Identification of potential stakeholders, which contribute to the region's economic and social development.
3. Development of a labour market analysis and discussion with local actors about the problems and drawbacks, common concerns and perspectives of local stakeholders with regard to employment promotion and generation.
4. Identification of potential LEP interventions with an impact on economic development and employment.
5. Mobilization and concentration of relevant capacities and resources at the local level for efficient implementation of LEP interventions.
6. Implementation of services and measures to unemployed people looking for a job.

- Establishment of local employment partnerships involving local employment centres, municipalities, local branches of trade unions, employers' organisations, civil society organisations and monitoring of their functioning.
- Promotion of human resources development in enterprises to increase workers' adaptability and strengthen their capacity to assume the employers' competitiveness fair (just) transition principles.

#### **Delivery methods:**

Support to further advancement of the social dialogue and establishment of local employment partnerships will be implemented by way of grant.

Moreover, the establishment and advancement of local employment partnerships will be further strengthened through grants to those Municipalities where Local Economic and Social Councils have been established. The grants will be awarded following Calls for Proposals. This process will build upon the previous good experience, using the already tested ILO methodology.

Formal approval of the criteria for selecting operation to be financed under this output will be subject to consideration by the MA and IB. The principles to underlie the requirements are:

- Relevance of the action
- Quality and feasibility of the action
- Financial and operational capacity
- Complementarity with other funds and policies regarding employment
- Contribution to the Programme indicators
- Sustainability of the action

#### **End recipients and target groups:**

Target groups are the following:

- Ministry of Labour and Social Policy
- Social partners (employers' organisations and trade unions).

The end recipients include:

- Ministry of Economy
- Ministry of Finance
- Social partners (employers' organisations and trade unions).
- Employment Service Agency
- Local self-government units
- Public institutions
- Academia
- Financial institutions
- Private sector companies, etc.

**Conditions:** Functional Economic and Social Council (ESC) as a steppingstone for implementing the aforementioned activities. Adoption of the Law on Labour Relations.

## **Area of support 2: Social Inclusion and reduction of poverty**

### **Rationale**

The conduction of reforms to the social protection system in North Macedonia continues to be among the top priorities on the economy's policy agenda, particularly in the ongoing EU accession process. The post-pandemic reconciliation process and respective reductions in social protection spending require efficiency and effectiveness improvement. The ongoing reforms to social protection are anticipated to provide adequate cash transfers to the poor and deliver a broader range of quality services to vulnerable populations in their homes and communities. Considering that the main objective of the social protection system is to improve targeting and, consequently, to enhance the impact on poverty alleviation, the indicators establish the goals of doubling the coverage of households by social assistance and reducing absolute poverty rates.

Social protection policies are another form of adaptation to climate change. Cash transfers and public employment programmes are two such instruments. Social protection policies can help promote a just transition to a green economy and protect workers against the detrimental effects of climate change and other forms of environmental degradation (ILO, 2015b). Social protection enables individuals and families to adapt to the negative consequences of climate change for their livelihoods (ILO, 2017b). Social protection measures facilitate the adaptation of individuals and families to environmental degradation and climate change<sup>103</sup>.

Since 2018, deinstitutionalisation has progressed in several aspects: (i) resettling users from residential in community-based settings, (ii) transforming residential social institutions into providers of modern community-based social services, and (iii) creating new care services as described above. Nonetheless, more investments need to be directed in this area to develop high-quality, affordable, and accessible care services, considering the very low coverage for social and community-based services in the country's rural areas and the uneven geographical distribution of social services.

North Macedonia's early childcare system comprises several policies supporting children. However, there is low coverage of children aged 0-6 in the preschool education and care system. Pre-school institutions lack systematic support for improving their services, while the offer of training for all profiles of preschool staff is rather limited.

Lastly, as in other Western Balkan economies, the Roma population in North Macedonia underperforms concerning all labour market indicators, and thus, it is considered a vulnerable segment. Although there has been evident progress in integrating Roma within society, there is still a need for further improvements in this segment and the continuation of positive trends.

### Applicable EU legislation

The recommendations of the Commission Report for Chapter 22: Regional policy and coordination of structural instruments include the decentralisation of social assistance and the progress of the deinstitutionalisation process, which are planned to be addressed by the type of activities foreseen under this area of support.

### Outcomes (Specific objectives)

Improved social inclusion and the quality of social services, focusing on vulnerable groups.

### Typologies of outputs

To achieve the stated outcome within this area of support, two key outputs will be accomplished:

- 2.1 Supported development of high-quality, affordable, and accessible social (care) services.
- 2.2 Improved social inclusion of Roma and impoverished people.

### Impact, outcome, and output indicators (incl. baselines and targets)

	Indicator	Baseline (2022)	Target (2032)	Source
<b>Impact</b>	At-the-risk poverty rate (after social transfers). <sup>104</sup> <sup>105</sup>	Total: 21,8%, Male: 21,7%, Female: 21,9% Children (0-17): 30.3% (2020)	Total: ≤14,1%, Male: ≤15,6%, Female: ≤12,6% Children (0-17): ≤23%	SSO
<b>Outcome</b>	No. of services established/upgraded	0	At least 10	MLSP data
<b>Outputs</b>	Number of persons with access to social protection provided with support of EU-funded intervention (disaggregated by sex, age,	0	At least 200	Project report

<sup>103</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_645572.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_645572.pdf)

<sup>104</sup> Source: [https://ec.europa.eu/eurostat/databrowser/view/ILC\\_LI02/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ILC_LI02/default/table?lang=en)

<sup>105</sup> Source: State Statistical Office, Laeken poverty indicators in 2018. [Државен завод за статистика: Лаекенски индикатори за сиромаштијата во 2020 година - дефинитивни податоци \(stat.gov.mk\)](http://stat.gov.mk)

	Indicator	Baseline (2022)	Target (2032)	Source
	population group, location - urban/ rural)			
	No of pre-school staff trained	0	At least 600	MLSP data
	Number of new Roma settlements at municipal level with permanent urban and housing solutions realized attributed to the OP	0	At least 3	Project reports/ MLSP data

## Type of activities

### Output 2.1. Supported development of high-quality, affordable, and accessible social (care) services.

#### Description of eligible activities, including major projects:

##### [1] Transformation of residential institutions into modern community-based services.

The activity will support the reform of social services and community-based social services to allow vulnerable groups to leave the residential institutions and live in the community with appropriate support. Through strengthening community services, new entrants into institutional care will be slowed and prevented. This may include the transformation of residential institutions into local social services or/and health-social services for PwD and direct support for the development, implementation, and expansion of the range of social services, including community-based housing, prevention, and family support services as well as the upgrading of supported community-based housing, small group homes, day-care centres, homecare, personal assistance, rehabilitation, and other support social services. The social service providers will be assisted in creating the capacity to deliver quality social services and, where needed, meet the criteria for obtaining a licence. The assessment and preparation of technical documentation may be financed under IPA III EUIF.

##### [2] Developing new and enhancing the established social, including child and youth support services at local level, across the country.

The activity will focus on developing community-based services for various target groups, such as youth in social institutions, PwDs, and elderly people, considering there is a lack of support on the local and regional levels to establish such services. Direct support will be provided for the development, implementation, and expansion of the range of social services, including community-based housing, prevention, and family support services, as well as the upgrading of supported community-based housing and living, small group homes, day-care centres, homecare, personal assistance, rehabilitation, respite centres, mobile teams, integrated social and health services, counselling support, innovative and other social services. The social service providers will be assisted in creating the capacity to deliver quality social services, thus meeting the criteria for obtaining the licence.

##### [3] Further supporting of social protection system and social security scheme.

The activity will support, if needed, further modernisation of social protection system and its institutions due to the application of high-quality standards and practices for the advanced implementation of social policies. The activity will include interventions in regard to capacity building for further development and conduct of methodologies and tools for support of the social protection system. Additionally, in line with the EC recommendation concerning access to social protection, the intervention would assist in taking measures allowing the citizens to build up and take up adequate social benefits as members of social protection scheme(s) and facilitating the transfer of social security benefits between schemes. Additionally, measures will be implemented to increase transparency regarding social security systems and rights.

##### [4] Enhancing capacities and improving early childhood and care services.

The goal is to raise the quality of early childhood education and care by modernising the framework for childhood and care services. The activity may include the development/ and or revision of the preschool inclusion services model, in line with the EU care strategy for children aged 0-6, and piloting and introducing in the kindergartens. The focus will be on strengthening the capacities of caretakers,



educators and other staff providing quality preschool and childcare services. The activity may also include interventions for enhancing the implementation of the Strategy for Parents' involvement in childhood care and development. In this regard, the role and participation of parents as collaborators and contributors to the external monitoring and evaluation processes will be considered. Also, it will be explored to focus on children with disabilities (CwD) in preschool by mapping the needs in municipalities for such services, developing adequate services in preschool for CwD, and building capacities of staff to provide services to CwD. Additionally, in terms of reinforcing the capacities of relevant institutions for planning, implementation, and monitoring the quality of early childhood education and care, developing a national strategy for early childhood development may be supported, along with modernisation of the management information system for pre-schools. Additionally, the activity will address other aspects of improving the protection of the child's rights.

**Delivery methods:** This output will be delivered through service, twinning, supply, works contracts, or grant schemes. Formal approval of the criteria for selecting operations to be financed under this output will be subject to consideration by the MA and IB. The principles to underlie the requirements are:

- Relevance of the action,
- Quality and feasibility of the action,
- Financial and operational capacity,
- Complementarity with other funds and policies regarding employment,
- Contribution to the Programme indicators,
- Sustainability of the action.

#### **End recipients and target groups:**

Target groups are the following:

- People at risk of poverty.
- Persons with disabilities.
- Children and youth at risk.
- Professionals in the care sector.
- Social care providers.
- Pre-school institutions.

The end recipients are the following:

- Ministry of Labour and Social Policy
- Social Work Centres (SWCs),
- Civil society organisations (CSOs),
- Units of local self-government.

**Conditions:** All needed conditions for the start of the activities have to be met with urbanisation and construction aspects for the transformation of residential institutions.

### **Output 2.2. Improved social inclusion of Roma and impoverished people**

#### **Description of eligible activities, including major projects:**

*[1] Investments in social housing of Roma and other destitute groups and settlements urbanisation.*

This activity covers implementing investments to improve the housing and living conditions of Roma and other vulnerable groups. This may include the preparation of detailed urban plans and legalisation of settlements and dwellings (where necessary), ensuring access to drinking water, sanitation, or other related communal infrastructure, adaptation and reconstruction of existing public facilities and social housing, including the construction of housing facilities and/or adaptation and reconstruction of existing ones. The activity will concentrate on providing adequate conditions to make a fundamental change in selected settlements (2 or 3, depending on their size). Special attention will be given to deployment of renewable energy sources and energy efficiency. Roma returnees will also be included where possible.

**Delivery methods:** This output will be delivered through service, supply and works contracts (regarding works contracts, the possibility of LOTs per location, including supervision services, will be explored)

or grant scheme. The preparation of technical documentation is planned under the IPA 2024 Annual Action Document “EU for Rights and Security”.

Formal approval of the criteria for selecting operations to be financed under this output will be subject to consideration by the MA and IB. The principles to underlie the requirements are:

- Relevance of the action,
- Quality and feasibility of the action,
- Financial and operational capacity,
- Complementarity with other funds and policies regarding employment,
- Contribution to the Programme indicators,
- Sustainability of the action.

#### **End recipients and target groups:**

Target groups are the following:

- Roma people.

The end recipients are the following:

- Ministry of Labour and Social Policy,
- Units of local self-governments,
- Roma CSOs.

**Conditions:** All needed conditions for starting the activities concerning spatial and urban planning and construction issues must be met before the commencement of tendering procedure.

### **Area of support 3: Other Support**

#### **Rationale**

Considering the wider contextual coverage of the programme and the level of allocation to the sector, the programming, monitoring, tendering and contract management for the Managing Authority (Department for European Integration and International Cooperation, which is to be transformed into a Department for EU Programmes and Funds in MLSP) and the project preparation capacity of the beneficiaries, as well capacities of National IPA Coordinator (NIPAC), National Authorising Officer (NAO), Management Structure (MS) performed by the IPA Funds Management Department within the Ministry of Finance (MF) and Intermediate Body for Financial Management (IBFM) whose functions performed by the Central Financing and Contracting Department (CFCD) within the Ministry of Finance (MF) and Audit Authority (AA), should be strengthened to achieve the maximum benefits from IPA funds. During the implementation period of IPA I and II, MLSP gained significant capacity. The IPA III period, with its novelties and new areas of interventions, requires both re-structuring of the current system and capacity-building activities to cope with the challenges of the new period. The IPA I and II periods of implementation made it clear that the ownership and involvement of the leading institutions of the sector play a significant role in the successful utilisation of funds. Therefore, capacity building for OP beneficiaries (ESA and other departments within the MLSP) is especially important for a new period. The central institutions in the sector need support, especially on programming for the development of solid project pipelines. Therefore, the main stakeholders' programming, monitoring and project management capacity should be improved.

The IPA III period requires progress on waiving the ex-ante controls and improving the institutional capacity to prepare North Macedonia for the responsibilities under the structural funds and cohesion policy. Therefore, the Managing Authority, as well overall structure involved in the IPA indirect management (Indirect Management with the Beneficiary Country - IMBC), must be further supported to increase its human capacity and operational abilities.

Generating new employment opportunities, providing targeted training, and implementing a robust retention policy is essential. This is essential for retaining experienced personnel and ensuring the successful execution of long-term projects, programmes, and strategies in the employment and social protection sectors.

Strategic efforts to increase stakeholder engagement and support are required to address inadequate visibility and communication. This will be accomplished through visibility and communication initiatives ensuring the programme’s benefits are widely understood.

Transparency and accountability are fundamental to the management of EU financial assistance. Consequently, the effective operation of existing monitoring and reporting mechanisms is crucial, necessitating diligent tracking of progress, performance evaluation, and identification of improvement areas by the MA, as well as overall IMBC for this OP. The observance of standard procedures for monitoring IPA programmes, forming Sectoral Monitoring Committees (SMCs), and providing technical assistance will support these efforts.

**Applicable EU legislation**

The recommendations of the **Commission Report** for Chapter 22: Regional Policy and Coordination of Structural Instruments focus on upgrading institutional, administrative and technical capacity to manage EU funds (such as the ESF upon participation in it). This includes enhancing capacities within state bodies to ensure they are ready to manage the Fund effectively, which are planned to be addressed by the type of activities foreseen under this area of support.

**Outcomes (Specific objectives)**

Increased readiness of North Macedonia for EU accession negotiations under Chapter 22.

**Typologies of outputs**

To achieve the stated outcome within this area of support, one key output will be accomplished:

3.1 Improved management of EU financial assistance in the human capital sector in accordance with EU requirements and best practices.

**Impact, outcome, and output indicators (incl. baselines and targets)**

	<b>Indicator</b>	<b>Baseline 2022</b>	<b>Target 2033</b>	<b>Source</b>
<b>Outcome</b>	% of EU funds absorbed under OP	0	≥90%	Annual reports on program implementation
<b>Output</b>	Number of completed OP projects.	0	≥15	Annual reports on program implementation
	Staff turnover rate <sup>106</sup>	0	≤ 10% (2028)	Annual reports on program implementation

**Type of activities:**

**Output 3.1. Improved management of EU financial assistance in the human capital sector in accordance with EU requirements and best practices.**

**Description of eligible activities, including major projects:**

*[1] Technical Assistance for implementing and managing the OP on human capital*

This activity will support the Managing Authority and the Beneficiaries in a sound and efficient implementation of the OP. Technical Assistance will include such activities as delivery of training and consultancy services to (potential) beneficiaries, Managing Authority and overall IMBC, organisation of monitoring activities including SMC meetings and monitoring visits to the site, ensuring the proper visibility of the OP through information days, production of promotional materials, communication campaigns, media events, outreach activities, financing of the auxiliary services to improve the physical conditions of the Managing Authority (rental of a building, operational cost and buying necessary equipment), operating costs of the Managing Authority, setting up and/or improving computerised systems and supporting the Managing Authority and IMF in project selection, tendering, payment, monitoring and evaluation phases with due attention of potential conflicts of interest.

<sup>106</sup> Staff Turnover Rate (%) = (Number of staff who left the organisation during the period (year)/ Average number of staff during the period(year)) x 100. "Number of staff who left the organisation during the period" can be calculated by looking at the number of departures (whether voluntary or involuntary) over a specific period, such as a financial year. The "average number of staff during the period" is typically calculated by adding the number of staff at the start of the period to the number of staff at the end of the period, and then dividing by two.

Specific indicative interventions complementary to those mentioned under the "description" part may be providing support inter alia for:

- Development of project pipelines/project selection and assessment/ preparing tender and call for proposals' documents,
- Quality assurance / overall programme management,
- Conducting evaluations,
- Financial management,
- Communication and visibility,
- Establishment, development, and maintenance of ICT – MIS systems,
- Accreditation and co-delegation activities,
- Increasing the capacity of beneficiaries,
- Back-up, logistics and administrative procedures,
- Negotiation techniques and documentation on the process of related acquis chapters,
- Employment of additional staff in MA and IBFM, staff retention measures,
- TA support to ESA in building capacities as Intermediate Body.

**Delivery methods:** It is expected that this output will be delivered through technical assistance, supply contracts and grant(s). Formal approval of the criteria for selecting operations to be financed under this output will be subject to consideration by the MA and IB. Principles to underline the criteria are:

- Relevance of the action,
- Quality and feasibility of the action,
- Financial and operational capacity,
- Complementarity with other funds and policies regarding employment,
- Contribution to the Programme indicators,
- Sustainability of the action.

#### **End recipients and target groups:**

Target groups are the following:

- Ministry of Labour and Social Policy staff,
- Ministry of Finance staff,
- National IPA Coordinator staff in its office set in the Department for coordination of EU funds and other foreign assistance at the Secretariat for European Affairs (SEA),
- Audit Authority staff,
- Employment Service Agency staff.

The end recipients are the following:

- Managing Authority for the OP (current Department for European Integration and International Cooperation, i.e. newly established Department for EU Programmes and Funds,
- National IPA Coordinator (NIPAC),
- National Authorising Officer (NAO),
- Management Structure (MS) performed by the IPA Funds Management Department within the Ministry of Finance (MF),
- Intermediate Body for Financial Management (IBFM) whose functions performed by the Central Financing and Contracting Department (CFCD) within the Ministry of Finance (MF),
- Audit Authority (AA).

**Conditions:** All needed conditions for the start of the activities have been met.

#### **4.2.3 Indicative List of major projects per each area of support**

As a 'Major project' relate to a project comprising a series of works, activities or services which is intended, to accomplish a definite and indivisible task of a precise economic or technical nature, the Operational Programme on human capital does not contain any such project.

### **4.3 Mainstreaming**

The OP on human capital aligns with IPA III regulation Art. 6.2 as it will contribute to the mainstreaming of climate change, environmental protection, gender equality, equal opportunities for PwDs, human rights, particularly for Roma people, democratic processes, and community resilience.

To guarantee contribution to these mainstream issues, Managing Authority will effectively implement the following measures:

- In the monitoring and reporting of the OP implementation, data on monitoring and evaluation indicators will be broken down by gender and disability to the extent possible.
- The principles of green mainstreaming, gender equality, equal opportunities and human rights will be monitored and evaluated at the levels of the individual projects, the particular OP objective and relevant activities.
- Conducting special studies and assessing the effectiveness and impact of the horizontal principles, including climate change, environmental protection, gender equality, equal opportunities for Persons with Disabilities (PwDs) and human rights, particularly Roma people, in all project reports.
- Incorporating the principles of green mainstreaming, gender equality, equal opportunities and human rights within checklists used by the MA in project formulation and assessment of the project proposals.
- Consulting and informing beneficiaries on forms and ways to incorporate the principles of green mainstreaming, gender equality, equal opportunities, and human rights in their proposals.
- Ensuring that consultations with stakeholders address green mainstreaming, gender equality, equal opportunities, and human rights where possible.

#### **4.3.1 Environmental Protection, Climate Change and Biodiversity**

As part of a broader obligation to sustainable development, the EU has a longstanding commitment to addressing environmental concerns in its assistance programmes. The OP on human capital does pursue significant objective as regards to climate change adaptation. The OP is soft and will not negatively impact or jeopardise the environment.

The proposed interventions within the OP will not directly impact the environment, so environmental screening, including for climate change and biodiversity impacts, was not undertaken at the level of activities. However, green mainstreaming will be taken as a horizontal issue under the OP as there are specific interventions in which environmental protection and sustainable development will be promoted.

Within the Area of Support 1, the YG and related ALMPMSs for vulnerable groups will aim to support the creation of green jobs. Creation and employment in green jobs that contribute to preserving and restoring the environment will be promoted in traditional sectors, such as manufacturing and construction, and new, emerging green sectors, such as renewable energy and energy efficiency. ESA in 2022, piloted several measures to promote green jobs and the economy and will continue through interventions planned within OP. In addition, particular focus will be given to promoting the transition towards a green economy, sustainable consumption and circular economy within the interventions planned for social enterprises.

The interventions within Area of Support 2, should prevent and alleviate energy poverty by promoting and implementing energy efficiency improvement measures, including investments in dwellings to stimulate renovations, while paying due attention to the housing costs for households in vulnerable situations.

#### **4.3.2 Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this programme is labelled as G1. This implies that the principle of gender equality is taken on board at all stages of the implementation of the OP– programming, design, implementation, monitoring, and evaluation.

The two Areas of Support within the OP consider gender equality the core principle. The needs and constraints of men and women and the potential impact on the activities of men and women will be considered. Specific activities targeting women directly will be implemented, particularly under Area of Support 1 through ALMPMSs and in Area of Support 2 through improving childcare services.

All Activities are intended to minimise the adverse implications of prejudices and discrimination women suffer when accessing the labour market. Furthermore, all actions and activities will consider the principle of gender mainstreaming.

The Managing Authority will take measures so that men and women benefit equally from the activities through close monitoring and advising beneficiaries. The number and percentage of women benefiting from project activities, which can be expressed as the situation about the output and outcome indicators, is one of the most important signs of the importance given to women's participation in employment and social inclusion.

#### **4.3.3 Human Rights**

North Macedonia is committed to being a reliable partner in implementing the EU Action Plan on Human Rights and Democracy 2020-2024, which sets out the priorities of the EU and its Member States in relations with third countries, and to participate actively in the political and sector policy dialogue on human rights.

The OP will support the country in this aspect by addressing the principles and rights to non-discrimination on the grounds sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, property, birth, disability, age, sexual orientation and gender identity, supporting the right to have fair and safe working conditions and social care, and raising awareness and empowering the citizens to be active and robust defendants of their economic and social-related rights.

Within the implementation of interventions planned within the OP on human capital, the following basic principles that ensure the protection and promotion of human rights will be respected:

- The principle of diversity and inclusiveness for all social categories following the principles of fair and adequate representation of vulnerable categories of citizens, based on their sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, property, birth, disability, age, sexual orientation and gender identity, per the standards and practices of the United Nations. .
- Encouraging balanced regional development by the data from the Regional Development Bureau and the degree of development of the planning regions in North Macedonia while also considering different needs and possibilities for the persons in different regions.

In addition, including Roma people will be mainly promoted throughout the OP, as it will be mainstreamed within all Areas of Support. Within the Area of Support 1, particular attention will be given to providing active labour market policies to Roma people to enhance their employment. Within the Area of Support 2, including Roma children in preschool education and care will be mainly promoted, and direct interventions in improving Roma settlements will be made.

Also, the OP further invests in an administrative capacity, transparency and accountability of the national and local administration and inspection services, which are supposed to effectively ensure the citizens' rights through planning and implementing sector policies. Targeting all stakeholders - people who use services, service provider organisations, local communities, and administration, the OP promotes the human rights concept horizontally, adding to a new culture in the country.

#### **4.3.4 Disability**

As per OECD Disability DAC codes identified in section 1.1, this programme is labelled as D1. This implies that the principle of inclusion of Persons with Disabilities (PwDs) is ensured within both Areas of support in the OP on human capital.

Within the Area of Support 1, PwDs are recognised as one of the vulnerable groups in the labour market, and special attention will be given to them through the development and implementation of tailor-made active labour market measures to ensure their advanced employability and sustainable employment. In addition, support for social enterprises, as the most effective entities for a professional rehabilitation and social integration of the PwDs, will be ensured within the OP on human capital.

Within the Area of Support 2, better opportunities and better services for PwDs will be created for social inclusion in the community. through the planned interventions in the deinstitutionalisation and decentralisation of social services.



#### **4.3.5 Democracy**

The OP implementation will help foster a functioning pluralistic, and representative democracy through legal and institutional reforms conducted within the interventions. The planned harmonisation of the legal framework regarding the Law on Social Entrepreneurship will be participatory, including all key stakeholders and consulting them in the process of legal reforms.

In addition, OP will promote participatory and representative decision-making, including by supporting political pluralism and inclusiveness, promoting active citizenship and social dialogue in all planned interventions, and will be fostering the role of the civil society sector and social partners in oversight and accountability mechanisms, particularly through the participation in the SWG.

#### **4.3.6 Conflict sensitivity, peace, and resilience**

With regards to peace and resilience, the most significant contribution of the OP in building community resilience will be a multi-faceted effort based on the inclusion of diverse stakeholders, such as governmental institutions and actors, representatives from the different ethnic communities and members of CSOs by actively engaging them in different interventions of the OP that will be done in a coordinated way.

In terms of resilience factors, economic development is one of the key factors contributing to community resilience, and the OP will directly contribute to it. The OP will support projects which promote community inclusion and resilience, particularly projects involving inter-ethnic understanding and cultural awareness, targeting the young population.

#### **4.3.7 Disaster Risk Reduction**

Competencies for crisis prevention and management and how they can contribute to the processes of the key beneficiaries were developed in the past period due to the COVID-19 pandemic. Their enhanced capacities and lessons learned to ensure that all interventions planned with the OP will be done in the case of another crisis, including disasters related to (climate-induced) natural hazards.

#### **4.3.8 Civil Society**

The OP on human capital has been developed in an inclusive process involving civil society as a part of the established sector policy dialogue. This approach will also apply in the next stage, as civil society organisations are part of the EESP Sector Working Group (SWG), channelling the policy dialogue on sector priorities, IPA programming and reporting.

Civil society organisations (CSOs) will participate in implementing the OP as contracting parties, particularly in the parts of Area of Support 1 related to the YG outreach activities and social economy activities. In this way, employers, employees, and gender-oriented organisations can also directly benefit from the OP. Also, the Area of Support 2 activities will guide the service providers, many civil society organisations, to improve their performance standards and capacities and implement their missions and objectives.

#### 4.4 Risks and Assumptions

Category	Risks	Likelihood	Impact	Mitigating measures
<b>4-to legality and regularity aspects</b>	Delayed adoption of the labour legislation (new Law on Labour Relations, Law on Employment and Unemployment Insurance, Law on Social Entrepreneurship) affects the implementation of the planned interventions.	M	M	Building lasting connections, channels of communication and points of information in institutions sharing that does not depend on specific individuals; but rather on institutional memory. Intensified collaboration through the work of established working bodies and information dissemination to the general public on new legal provisions and their application.
<b>3-to people and the organization</b>	Lack of allocation of adequate personnel in the ESA and the MLSP to implement and manage foreseen interventions.	M	H	Building a system of knowledge and skills-sharing that does not directly depend on only a handful of individuals within the relevant institutions. Encourage the transfer of skills and knowledge to a broader spectrum of public administrators. Ensure technical assistance to the key beneficiaries to implement interventions.
<b>3-to people and the organization</b>	Lack of interest and motivation among the key beneficiaries' staff to participate in the capacity development, building and transfer of knowledge.	L	M	Appropriate and well-organized capacity-building activities are implemented according to the schedule. Building trust and investing in sustainable methods of cooperation to achieve the best possible outcomes.
<b>1-external environment</b>	Lack of interest of the target groups to enter planned interventions in YG and ALMPMS	M	H	Ensure appropriate information sharing and promotion of the interventions among public, especially target groups to understand benefits. Proactive engagement of youth CSOs and enhanced dialogue with CSOs and public administrations supported through the Action to increase the trust.
<b>2 -Planning, processes, and systems</b>	Low interest and limited capacities of social enterprises to implement grants funded through grant schemes for Social Entrepreneurship.	L	M	Ensure continuous communication with potential beneficiaries in the development of Grant Schemes. Organise appropriate promotion and capacity building for potential beneficiaries during the Call of Proposals. Ensure continuous functioning of the Centre for Social Enterprises.
<b>4-to legality and regularity aspects</b>	Lack of quality and/or delay in receiving technical documentation for infrastructure works in Roma settlements.	M	M	Maintaining continuous dialogue and communication with the local-self-government (municipal) representatives in order to timely detect any issues which may result in further delays. Encouraging the establishment of strong connections between the relevant actors at the local level in the system in regard to the aspects of spatial-urban planning and construction.
<b>3-to people and the organization</b>	Fluctuation of staff on all levels of involved institutions	M	M	Building a system of knowledge and skills-sharing that does not directly depend on only a handful of individuals within the relevant institutions. Encourage the transfer of skills and knowledge to a broader spectrum of public administrators. Ensure budgeting of the staff for implementation of the operations within the budget.
<b>4-to legality and regularity aspects</b>	Delayed implementation of the Green Agenda and Green Transition of the country, expected to lead to a net creation of jobs and substantial reallocation of labour.	M	M	Regular inter-governmental communication and engagement activities with stakeholders to ensure their active participation and cooperation. This could include regular meetings, workshops, and updates. Regular monitoring and evaluation of the OP's progress towards the green transition path. If progress is insufficient, additional resources or strategies may be needed.

### *External Assumptions*

- Continuing positive trends in economic growth and employment that contribute to programme objectives.
- Continuous support by the Government of North Macedonia for EU Integration processes and implementation of reforms proposed for Chapter 19 and Chapter 2.
- Continuous commitment and cooperation between national and local institutions in planning and implementing the activities and their commitments towards improving the quality and range of local social services.
- Adequate capacities of local stakeholders (public bodies, CSOs, private companies, individuals, social partners and other service providers as envisaged by the legal framework in the country) to participate and implement the planned interventions in employment and social care areas of support.
- Continuous support for social inclusion policy and active participation of the business sector in social partnership in implementing measures and services.
- Adequate concrete measures are put in place to ensure the social economy can grow through mitigating and removing legal and institutional obstacles and implementing financial and knowledge support measures before the end of the implementation period.

## **5 Overview of the consultation process for the preparation of the Operational Programme**

Sectors such as employment and social policies are multi-dimensional by their nature. Therefore, policymaking and implementation in these fields require the coordination and common work of many institutions and civil society. The OP on human capital was prepared through the consultative and participatory approach. The potential priority areas of support were initially in front of the 10<sup>th</sup> SWG plenary meeting held on 16.3.2022 and the subsequent technical meeting on 28.3.2022. Additionally, the key priorities for further funding under IPA III had been presented during the European Commission programming mission conducted on 4-5 April 2022.

The OP's preparation objective was to respect the partnership principle and the involvement of partner institutions and organisations in the process. To ensure compliance with this principle, several stakeholders were involved in programming the OP during several stages. The partnership, transparency and trust of all involved stakeholders were reflected in regular communication, consultations, and feedback. It was recognised as essential to promoting a shared vision of the OP so that all actors understand where they fit in the wider picture of the planned interventions. MLSP Department for European Integration and International Cooperation, as the Managing Authority for the OP on human capital, led the overall process of programming.

A Working Group was established within the MLSP to ensure a strategic overview, and it was composed of relevant staff from its different departments. In the beginning, a series of consultative bilateral meetings with potential institutional beneficiaries of the Programme (namely Employment Service Agency, MLSP - Department for Child Protection, Department for Coordination and Technical Support of the Minister, Unit for Implementation of Strategy and Decade of Roma, Department for Social Protection, Department for Policies in the Area of Labour Legislation and Employment Policies) was held where they presented and elaborated their project ideas, presented needs and constraints in the sector and its relevance following overall strategic framework in North Macedonia.

Following the inputs from the consultative meetings, an indicative project pipeline with defined support areas and potential activities and interventions was prepared. The document was shared and communicated with all stakeholders included in the process.

Additional consultation in preparation for the OP was done through the organisation of the SWOT workshop, where again institutional beneficiaries of the Programme participated. The workshop aimed to clarify and verify the information obtained throughout the sector analysis process, determine strengths, weaknesses, opportunities, and threats in selected support areas and identify the developmental needs and potentials that would be addressed through OP on human capital. Through this process, it was integral to motivate all participants to provide their inputs and comments and to develop a shared understanding of the key challenges in the employment and social protection sectors. All inputs

gathered through the workshop were integrated with the sector analysis, thus SWOT analysis, which is part of this Programme.

The first draft of the OP on human capital was presented to the Sector Working Group “Education, Employment and Social Policy”, as the highest body with a mandate to carry out tasks at the expert level in terms of formulating and implementing national sector policies, including those relevant to EU integration. The SWG, established in the previous IPA II programming period, was formed by respecting the principle of partnership through a multi-level management approach which guarantees the participation of government institutions, civil society, local authorities, and economic and social partners. Specifically, SWG gathers stakeholders from the national (representatives of relevant state administration bodies), social partners, civil society, and representatives from the international community in North Macedonia. Special attention was paid to including partners from civil society organisations to consider their specific needs. More than 80 representatives of the Sector Working Group (SWG) had the opportunity to participate equally and make suggestions on the OP, comment on working materials and propose additions and changes within the OP. The Managing Authority considered all received proposals and comments from members and integrated them into the final document.

## **6 Implementation arrangements**

### **6.1 Financing Agreement**

In order to implement this programme, it is envisaged to conclude a financing agreement (FA) between the Commission and North Macedonia.

### **6.2 Methods of implementation**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the programme with EU restrictive measures<sup>107</sup>.

#### **Indirect Management with an IPA III beneficiary**

This programme will be implemented under indirect management by North Macedonia.

The managing authority responsible for the execution of the programme is the Ministry of Labour and Social Policy of North Macedonia. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility, and reporting of IPA III activities.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments, and revenue operations, shall be entrusted to the following intermediate body for financial management: the Ministry of Finance (MF) / the Central Financing and Contracting Department (CFCD) (contracting authority). It shall ensure legality and regularity of expenditure.

NIPAC and NIPAC office and well as the NAO and Management structure from the Ministry of Finance are part of the IPA structure, having their responsibilities as deriving from Framework Financial Partnership Agreement (FFPA).

### **6.3 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this programme impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

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<sup>107</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

## 7 Financial tables by areas of support and by year (including co-financing rates)

	Year 2024			Year 2025			Year 2026			Year 2027			TOTAL		
	EU contribution	North Macedonia co-financing	Total expenditure	EU contribution	North Macedonia co-financing	Total expenditure	EU contribution	North Macedonia co-financing	Total expenditure	EU contribution	North Macedonia co-financing	Total expenditure	EU contribution <sup>108</sup>	North Macedonia co-financing	Total
<b>Area of Support 1</b>	5 127 666	1 354 475	<b>6 482 141</b>	6 656 299	1 915 029	<b>8 571 328</b>	8.250 049	2 196 279	<b>10 446 328</b>	6 452 653	1 817 549	<b>8 270 202</b>	26 486 667	7 283 332	<b>33 769.999</b>
<b>Area of Support 2</b>	724 625	127 875	<b>852 500</b>	1 731 875	305 625	<b>2 037 500</b>	5 146 750	908 250	<b>6 055 000</b>	3 489 250	615 750	<b>4 105 000</b>	11 092 500	1 957 500	<b>13 050 000</b>
<b>Area of Support 3<sup>109</sup></b>	647 709	114 302	<b>762 011</b>	858 083	151 427	<b>1 009 510</b>	611 583	107 927	<b>719 510</b>	303 458	53 553	<b>357 011</b>	2 420 833	427 209	<b>2 848 042</b>
<b>TOTAL</b>	<b>6 500 000</b>	<b>1 596 652</b>	<b>8 096 652</b>	<b>9 246 257</b>	<b>2 372 081</b>	<b>11 618 338</b>	<b>14 008 382</b>	<b>3 212 456</b>	<b>17 220 838</b>	<b>10 245 361</b>	<b>2 486 852</b>	<b>12 732 213</b>	<b>40 000 000</b>	<b>9 668 041</b>	<b>49 668 041</b>

<sup>108</sup> Other Support, as indicated in Section 4.2.2\*\* The Union contribution shall not exceed 85% of the total eligible costs of the programme.

<sup>109</sup> Evaluation, Audit and Strategic Communication and Public Diplomacy are covered by the budget of Area of Support 3.

## **8 Performance Measurement**

### **8.1 Monitoring and reporting**

Monitoring on implementation of the Operational Programme will aim at collecting and analysing data to inform on progress towards achievement of planned results, to feed decision-making processes and to report on the use of resources.

The day-to-day technical and financial monitoring of the implementation of this Operational Programme will be a continuous process, and part of the responsibilities of the implementing partner's responsibilities. To this aim, this department in MLSP, as the Managing Authority for the OP shall establish a permanent internal, technical, and financial monitoring system for the programme and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the Operational Programme difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators.

The Commission may undertake additional monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

#### **Roles and responsibilities for data collection, analysis, and monitoring:**

The Managing Authority for the OP shall in particular: design adequate monitoring and reporting procedures, considering the internal reporting division of roles and responsibilities.

The overall progress will be monitored through participation of various stakeholders, such as European Commission/ EU Delegation, NIPAC, NAO, Management structure, MA, IB, Final Beneficiaries, AA, and other institutions and civil society organisations.

More precisely, monitoring will also be done through:

- Result Orientated Monitoring (ROM) system (led by DG NEAR): This will provide, as necessary and required, an independent assessment of the on-going or ex-post-performance of the Action.
- IPA Beneficiary's own monitoring: IPA monitoring process is organised and led by the NIPAC, supported by the SEA (NIPAC Office). NIPAC is the main interlocutor between the Government of North Macedonia and the European Commission regarding strategic planning, co-ordination of programming, monitoring of implementation, evaluation, and reporting on the overall IPA assistance. NIPAC monitors the process of programming, preparation, and implementation, as well as the sustainability and effects of programmes, aiming to improve these processes, ensure timely identification, remedying and alleviation of potential issues in the process of programming and implementation of Actions. Through the support of the SEA, the NIPAC prepares regular monitoring reports for the Government and the European Commission based on the reports drawn up by the institutions responsible for implementation. It reports on the formulation of OP, the fulfilment of preconditions for the initiation of public procurement procedures, the implementation of actions under the areas of support of OP, its sustainability and effects, and organises the process of evaluation.
- Self-monitoring performed by the EU Delegation: This is part of the annual assurance strategy process and is done based on the ex-ante risk assessment of actions/contracts that are considered riskier.

The Sectoral Monitoring Committee, as foreseen in Article 53 of the Financial Framework Partnership Agreement, plays a key role in monitoring and reporting of the implementation of the Operational Programme. On the basis of the reports provided by the Managing Authority prior to the meetings, it shall in particular:

- Review the effectiveness, efficiency, quality, coordination, and compliance of the implementation of the programme;
- Review the progress towards meeting the objectives, achieving the planned outputs and results, and assessing the impact and sustainability of IPA III assistance, while ensuring coherence with



the policy dialogue, the related central and regional sector strategies and multi-country or regional activities in North Macedonia;

- Review annual implementation reports, including financial execution of the programme;
- Examine relevant findings and conclusions as well as proposals for remedial follow-up actions stemming from the on-the-spot checks, monitoring, evaluations, and audits if available;
- Discuss any relevant aspects of the functioning of the management and control systems;
- Discuss any problematic issues and actions;
- If necessary, consider or make proposals to amend programmes and take any other corrective action to ensure the achievement of the objectives and enhance the efficiency, effectiveness, impact, and sustainability of IPA III assistance,
- Review information, publicity, transparency, communication, and visibility measures taken.

## **8.2 Evaluation**

Having regard to the importance of the programme, a mid-term and a final evaluation will be carried out for the areas of support falling under this Operational Programme and are included in the Area of support “Other support” as indicated in Section 4.2.2.

The evaluations will be carried out by experts or bodies, internal or external, functionally independent from the management and control system.

The mid-term evaluation will be carried out for assessing to what extent the OP intervention logic is still relevant to the sectoral needs (Relevance), to what extent the OP is achieving its objectives (Effectiveness) and whether the OP structures and processes are leading to the timely completion of the administrative functions for all stakeholders (Efficiency).

Final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), considering in particular the overall impact and sustainability of the OP and its activities carried out in terms of relevance, effectiveness, and efficiency.

The evaluation reports shall be shared with all relevant parties. North Macedonia and the Commission shall analyse the conclusions and recommendations of the evaluations jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the support.

NIPAC Office in consultation with the Commission is responsible for drawing up an evaluation plan presenting the evaluation activities to be carry out in different phases of implementation. The Ministry of Labour and Social Policy, as Managing Authority, is responsible for planning, organising and implementation of the OP evaluation, in coordination with NIPAC Office.

## **8.3 Audit and Verifications**

Technical audits for major projects are mandatory during the implementation.

Financial provisions related to audit and verifications, including technical audits, if applicable, carried out by North Macedonia are included in the Area of support “Other support” as indicated in Section 4.2.2.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this programme, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## **9 Strategic communication and public diplomacy**

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document Communicating and raising EU visibility: Guidance for external actions (or any successor document).

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective, and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations entrusted entities, contractors, and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

Visibility and communication measures specific to this programme shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

## **10 Sustainability**

The OP on human capital has a high potential for sustainability at institutional, regulatory, and financial levels. It is expected to be achieved through cross-pollination through the different scopes of activities of capacity building, legal harmonisation, investments in infrastructure, data management, raising awareness measures, etc. The body of knowledge and skills and the regulative environment will improve. It is expected that the new regulations and practices will become an integral part of the everyday activities of the institutions involved in the OP. Thus, the results of the OP will be sustained.

An important precondition for the sustainability of all the areas of support and the planned outcomes is the cooperation between the end recipients / direct beneficiaries during the implementation of the actions and the projects' teams. Considering the multi-sector nature of OP, ownership is a vital aspect of achieving results, and their contribution to securing sustainable results will be maintained in the long run.

Almost all measures under the two Areas of Support are expected to be replicated in other regions, which will create a multiplication effect and contribute to the sustainability of the OP.

The MLSP and ESA shall ensure participation and coordination between the relevant stakeholders for improving systems, policies and procedures and ensuring constant and enhanced dialogue with youth CSOs. A high-level inter-institutional coordination mechanism for implementing the Reinforced Youth Guarantee will ensure the relevant entities' full involvement to ensure the programme's sustainability. As necessary, all IT and monitoring systems must be ensured for their proper maintenance and further upgrading. Key to ensuring the sustainability of all support areas is the capacity building of staff at all beneficiary institutions so that the processes can be maintained in the future.

Another vector of sustainability is provided by the inclusive policy dialogue, which is expected to support the implementation of the coherent sector policies, underlying the OP by keeping a strong focus on the sector priorities and translating the political commitment into sufficient funding and modern human resource management to ensure that the policy gains are sustained.

Furthermore, the key to ensuring the sustainability of the OP-funded interventions is institutional capacity building as a central element of the support for the ESA and all beneficiary institutions so that the processes initiated can be managed and maintained. The beneficiary institutions of North Macedonia shall ensure that the staffing of all relevant institutions and maintenance of systems are set up. Finally, horizontal support provided to youth CSOs, social enterprises and providers of social services shall also aim to ensure their future sustainability through capacity-building, support for intensified activities and enhanced dialogue with public administration.

The end recipients are obliged to ensure the sustainable use of the outputs in line with the Operational Programme, the contract or equivalent. The end recipients are obliged to allocate budget for ensuring the functioning and maintenance of the outputs and cover the costs of their operation and maintenance. The end recipients should recover the outputs to their initial condition in case of their damage or replace the outputs with those of minimum equal quality and functionality in case of their destruction.

The breach of the conditions for sustainability may lead to refund of the EU contribution in case the end recipients fail to take the necessary corrective measures for removing the deficiencies occurred.