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**IPA II Sectoral Monitoring Committee on**

**Education, Employment and Social Policies**

**Fourth Meeting**

**(31.05.2022, Thursday, 10:30 hrs, via Webex)**

**Minutes**

The representative of the NIPAC Office, Secretariat for European Affairs (SEA) and the representative of the Delegation of the European Union (EUD)co-chaired the fourth online meeting of the IPA II Sectoral Monitoring Committee on Education, Employment and Social Policies. The meeting was attended by representatives of EUD, Embassies of EU Member States, NIPAC Office – SEA, Line Ministries – Ministry of Education and Science (MoES) and Ministry of Labor and Social Policy (MLSP), and other relevant national institutions.

The representative of the NIPAC Officeinformed that the SMC discussion will focus on the progress of implementation of the programmes funded under IPA II, in particular the IPA 2017, 2019 and 2020 programmes with versatile implementation mode of direct management combined with sector budget support and indirect management for IPA 2017, and with sector budget support for IPA 2019. The projects that will be addressed in the education sector are related to teacher training, primary education reforms of the concept of primary education, gender equality, inter-culturalism, inclusion and environment protection, respect of human rights and establishment of Regional Vet-centres. Specific issues in the sector of employment and social policies include challenges faced in the country due to low participation of women and young people in the labour market, slow increase of youth and women employment rates, high percentage of long-term unemployed persons, high rates of temporary and casual employments, Roma Decade and assistance that EU is providing for the implementation of Roma Strategy, and the Deinstitutionalization Strategy as part of inclusion policies.

She added that SEA, in cooperation with the ТА Project “Support for the Management of EU funds”, delivered extensive training programme for newly employed staff in IPA structures, in particular those of MoES and MLSP, encompassing PRAG rules, logical framework matrix and types of contracts (technical assistance, works contracts, supplies contracts). She noted that this will enable the new staff to proceed smoothly with their working tasks.

The representative of EUDexpressed his hopes that some progress in the implementation of recommendations and conclusions can be demonstrated by the next, autumn cycle of SMC meetings. He added that unlike the previous SMCs dealing with capital expenditures in infrastructure, this SMC dwells on expenditures and investment in people, of very high significance, also in terms of EU support. The implementation in these sectors is particularly mixed, not only in terms of management modes with EUD, the institutions and Ministry of Finance acting as contracting authority and the sector budget support, but also in terms of topics covered. These include some works simplifying access, refurbishments, rehabilitation, finalization of a kindergarten and a lot of technical assistance supporting reform processes.

The representative of the NIPAC Officepresented the NIPAC’s assessment of implementation of conclusions and recommendations of the previous SMC meeting held on 2 December 2021. Hence, she added that out of the total of 6 conclusions and recommendations which SMC agreed upon, only 2 have been completed, 3 are ongoing and 1 is not implemented. She informed that the Focal Point (FP) that should follow the implementation of IPA has been appointed in MoES, i.e. in the Minister’s Cabinet. However on the 25th of May he assumed the position of a director of another institution. Therefore the related conclusion is considered as not implemented. As for the sector budget support contract, many meetings have been organized, one of which on 30 March, which SEA, NIPAC Office attended. She added that the purpose of the meeting was to inform the national authorities of the current developments relating to the request for modifications.

The representative of EUDagreed with the assessment of the implementation of conclusions and recommendations which needs to be closely monitored. The conclusions related to the focal point (FP) in MoES will need to be repeated in this SMC. He added that if the concerns related to the follow up of concrete projects are addressed this will by itself help address the conclusions as many of them are related to challenges of implementation. He then provided an overview of overall statistical data and implementation issues in the education sector:

* He added that after a successful contracting phase in the autumn of 2021, the education sector is now facing the big challenge of implementation of several projects taking place at the same time. He underlined that these projects need to be properly led and coordinated by the MoES leadership.
* Considering the high number of contracts under implementation, EUD highly recommends the appointment of MoES FP, which has to be looked into again, precisely with the aim to provide institutional leadership and coordination for the implementation of all of these interventions. One possibility would be to have a FP or Contact Point, located at an appropriate high level (e.g. Cabinet of the Minister) with a sufficient level of authority and oversight. He indicated that there are some challenges within the sub-branches of MoES when it comes to coordination.
* The Budget Support Contract “EU for Youth” has been affected by delays caused also by COVID -19 but mainly related to the implementation of the Vet Policy Reform. He noted that EUD needs to see an improvement of the implementation of the ongoing Technical Assistance accompanying the process in MoES and related institutions. Several decentralized indirect management operations approved in 2021 are already facing delays. He noted that this is due to different management modes - direct, indirect management - and especially the interaction between MoES and CFCD. Thus there have been some delays in the approval of experts for a couple of months which impacts projects significantly and brings about difficulties in their implementation.

The representative of the NIPAC Officenoted that the NIPAC Office should be part of such meetings in order to discuss in details future actions for every project that is under implementation or in a procurement stage.

The representative of the Ministry of Education and Science (MoES)provided feedback on the most pressing issues identified by EUD and the NIPAC Office. The signing of contracts was very successful, but now they are facing the technical implementation of projects which has been affected directly. MoES invested the best of their efforts to carry out all activities on time and according to the contracts. However, they have been facing the challenges of different modes of implementation and of the change of policy, internally, which led to small delays needed in order to transfer the requirements and know-how of every contract to the Cabinet. She added that the newly appointed FP was shortly in MoES but he was really active and transferred some of the pressing issues to the new Cabinet of the Minister. She found this to be very helpful, especially for the project implemented through the sector budget mode. She informed that there is a new FP for IPA Affairs in the Cabinet of the Minister. A formal notification on his appointment is expected from the Cabinet, following which she will notify EUD as well. She added that the sector budget mode is a specific mode implemented in the country for the first time, especially in the education sector and this is a huge challenge for MoES. Somehow it is IPA money but it is outside the authorization of the IPA Coordinator. Hence, she emphasized that the direct involvement of the Cabinet is required as it deals with the national commitment and national policies and someone needs to steer the process. Their programme indicators are very tough, with a lot of policy and politics in their background which creates difficulties for MoES.

The establishment of Regional Vet Centres poses several challenges not limited to the internal procedures that should be put in place. She added that though the project started during COVID-19 crisis, it was somehow thriving at the time. Currently its status of implementation is status quo as there is no formal and regular discussion on open issues related to the implementation of activities behind every indicator. She advised that the specialized meetings on the sector budget programme should be immediately resumed in order to catch up and make all stakeholders and cabinets aware of the requirements. A common agreement has been reached that the reconstruction of Tetovo Vet Centre needs to continue regardless of the timeframe. She noted that there is a commitment of the Cabinet to this effect and some activities have already started, e.g. MoES increased the communication with Tetovo in order to resubmit the request for a reconstruction permit, which is a step where they are stuck. She informed that together with the previous FP she held several meetings with the municipality of Tetovo in the past. She informed that they will continue the process together with the Department of Capital Investments of MoES.

The representative of the Central Financing and Contracting Department (CFCD), Ministry of Financeagreed with the statements of EUD and MoES and provided general figures on the annual programme implemented through indirect management:

* CFCD signed 10 contracts within the annual programme 2017. Out of the available budget of EUR 12 million and 650,000 they have managed to contract around EUR 11.7 million and there are unused EUR 900,000.
* All contracts in the education sector were signed, before the contracting deadline, which now causes problems with implementation. She noted that CFCD is facing a problem with a lot of companies not responding to their requirements. In the case of two service contracts signed in the education sector, they have not produced the team leaders offered during the tendering process. As regards to the approval of experts that was raised as a problem, she mentioned that the intention of CFCD was to have a process in accordance with the national legislation. The proposal of the contractors was not in line with the national legislation and that is why CFCD had comments. Moreover, she added that the process of approval of inception reports was very long. The companies are not able to present a detailed plan for the period of the contracts’ implementation. She explained that these are long-term contracts and there is no possibility for delays due to the period of eligibility of the programme. Six months after the contracts were concluded CFCD is facing delays in the commencement of projects and a very low level of activities under implementation.
* She noted that in the labour sector, the contracts were signed previously and were amended mostly due to COVID-19 crisis. CFCD is anticipating the next cycle of amendments in view of the fact that the activities are still ongoing, the deadlines for implementation of contracts will not be met and that there are requests for additional activities and additional budget to be allocated to the ongoing projects. She asked all stakeholders present to consider the possibility of signing an addendum for this programme, with the available funds that were not contracted until the contracting deadline, around EUR 900,000. She also inquired whether CFCD can proceed with these funds for amendments of the existing contracts. This is the most successful programme in terms of contracting - 93% were contracted. However in view of the implementation of contracts CFCD considers that they will not end up with big percentage of payments and with reaching the deadline for eligibility for paying all of these contracted funds.

The representative of EUDinformed that all stakeholders (EUD, IPA Unit of MoES and CFCD) had very good collaboration and achieved the target of contracting all delayed operations in the education sector.

As regards the decentralized operations, EUD is aware of problems related to improving the project quality and the inception report still not having been approved due to non-performance of experts. The team leader of the second contract “Increasing the Attractiveness” resigned a few months ago. The formal replacement of this expert has been pending. It has to be formalized through an addendum which has not yet arrived from CFCD. Apparently there was a selection procedure but the addendum has not been signed yet. That project lacks a team leader though there is a sort of replacement. There are also delays in the contracting of the short-term mission related to the project.

The representative of EUD provided the following overview of issues of implementation in the sector of employment and social policies:

* The contracting has been conducted successfully. He noted that the Ministry of Labour and Social Policy (MLSP) is also participating in the Sector Budget Support
* The preparation of the proposal for time extension of the grant contract implemented by the Employment Service Agency (ESA) under indirect management has not been completed. The non-finalisation of the addendum for extension may hamper the implementation of the services for the final beneficiaries.
* He indicated that the EUD noted several delays as an effect of the COVID-19 pandemic that will require contractual follow-up, mainly in terms of extensions. He added that it is EUD’s plea that projects that require such an extension are dealt with efficiently. As these are normally no-cost extensions they are rather easy to be carried out. EUD would want these to be followed through more quickly, because it is always difficult for an implementing partner to have a reliable implementation schedule when projects are not extended.

The representative of MLSPprovided feedback on the implementation issues in the sector of employment and social policies. She further added that most of the other projects are nearing their end and it is necessary to extend the duration of some of them. There have been delays which impacted the achievement of the set outputs as the projects are quite ambitious in terms of outputs and results, and some had some managerial problems. Hence, it is not a matter only of no-cost extension. There is also additional budget involved given that additional activities have been identified in consultations with beneficiaries. So far MSLP has agreed upon the addendum on the Project Raising the Quality of Pre-school Education. They are still working on the Addendum for the project Improving Working Conditions which is somewhat problematic because the Team Leader had to be replaced, and there have been a lot of difficulties in the past. She added that it is being finalized and it will be shared with CFCD. She added that MLSP received a request for increase of the budget for the reconstruction of the kindergarten in Tetovo from the contractor. They are facing difficulties regarding the costs for this construction. She advised that the issue should be discussed with CFCD and decided upon in the following month.

The representative of the NIPAC Office inquired whether it is possible to ask for additional funds, i.e. cost extension of the project and increase the budget in an addendum at this point in time.

The representativeof CFCD, MoF, noted that CFCD raised the same issue previously. There are available funds in the Financing Agreement (FA) for 2017 Annual Programme as EUR 900,000 were savings, i.e. not contracted. She inquired whether these non-contracted available EU funds within the FA can be used for addenda to the contracts.

The representative of CFCDadded that there has been an e-mail exchange on the issue between CFCD and EUD. The question CFCD raised was regarding Article 12 (General Conditions) of the Financing Agreements (FA). The contracting deadline ended on 2 November 2021, and there is a possibility for CFCD to sign addendum to contracts, but they need to be justified with a good rationale provided by the beneficiary institution. The explanation of EUD was that it needs to be related to the activity that should be implemented and benefit the implementation of the programme. The FA as such allows addenda to the contract to be signed even after the expiry of the contracting deadline, but within the implementation period of the respective FA.

The representative of EUD clarified that the FA allows for such a possibility, but recently EUD received instructions from DG NEAR. He added that it appears that this is a contingency provision which has not been explicitly specified in the Financing Decision. According to the guidance received, if a contingency is to be used which is up to 10% of FA, a non-substantial amendment to the Financing Decision should be adopted first. EUD will discuss first with their Finance and Contracts Section to clarify these procedural steps to see what is possible and how it should be done.

The representative of MLSP added that there is a need for time extension of the Project on Social Entrepreneurship (PSE) under direct management. MLSP considers it is important to have additional time to finalize the work on the Law on Social Entrepreneurship as it took more time to consult with various parties involving various interests. She also noted that it is important to identify the modality to ensure sustainability of the National Centre for Social Entrepreneurship established with the support of this project. The issue will be also discussed within the project SC but she wanted to raise it within the SMC so that EUD would take note of it.

The representative of EUDindicated that he has been waiting for the official suggestion or request of the implementing partner of the PSE with whom he has already discussed the issue. Once it has been received officially EUD will communicate it to MLSP for official confirmation on the agreement and proceed with it.

The representative of the Audit Authoritypresented the following information on their audit work in the sector of education, employment and social policies under Annual Action Programme 2017 in the period between the 3rd and 4th meeting of this SMC:

* The Audit Authority has prepared and issued the Annual Audit Activity Report and Annual Audit Opinion for 2021 expressing unqualified opinion with emphasis of matter. They drew attention to the fact that the absence of long-term retention and motivation policy and strengthening of the capacity of human resources management within the IPA structure could affect the proper implementation of the assistance under IPA II.
* With the system audits of the sector education, employment and social policies during 2021 and the first quarter of 2022 they performed five system audits, three horizontal - NIPAC, NAO/ Management Structure and CFCD, and two in the relevant IPA structures within MoES and MLSP.
* In addition, they performed a follow-up of the recommendations of previous years arising from the horizontal thematic system audit for the efficiency of the human resources management in the IPA operating structure. These audit engagements included recommendations for 35 open findings, for 17 of which the recommendations were implemented.
* As regards the recommendations related to the IPA structure in MoES out of the two recommendations, one recommendation was implemented and the finding was closed. In MLSP there are recommendations for four open findings, two of which are for findings of previous years and two for the open findings of the system audit conducted in 2021.
* Due to the fact that NAO declared expenditures in 2021, the audit of operations was carried out in NAO/Management Structure, CFCD and IPA structures in MLSP. Under the audit of operations, the auditors performed detailed testing of the declared expenditures. Based on the verifications made and conducted analyses no findings and recommendations were issued.
* The Audit Authority carried out also a separate audit engagement - the audit of annual accounts and annual financial reports for the financial year 2021 and no new findings and recommendations were issued.
* According to the updated Audit Strategy 2022-2024 the Audit Authority in the next period will be conducting system audits in NIPAC, NAO/Management Structure, CFCD and IPA structures in MoES and MLSP.
* By 30 November 2022 the Audit Authority will update the Audit Strategy for the period 2023-2025. They will issue the Annual Audit Activity Report and Annual Audit Opinion for this sector for 2022 no later than 15 March 2023.

The representative of NAO**/**Management Structure, MoF provided a short overview mainly on staff capacities. She assessed that there has been great progress in the field. Currently there are around 90 employees engaged in this programme, representing 82% occupancy rate of posts. Similarly to previous years, during this period CFCD was one of the institutions which encountered most of the problems in this area. She added that there is still a significant outflow of staff at CFCD with 8 employees having left the institution in 2022. The focus in CFCD should be on monitoring in its Finance Unit since the process of procurement, at least for this programme has been completed. She noted that at the end of 2020 an Action Plan for Recruitment, covering all IPA institutions, was established. In 2020 and 2021 the Action Plan was closely monitored, on weekly basis even, by the Minister of Finance, EUD and Management Structure. Currently 70% of this plan has been implemented and all activities foreseen on the side of MoF have been completed with the employment rate of MoES reaching at one point in time 130%, which has decreased to 100% occupancy rate after two employees left.

The Retention Policy has been finally implemented with the 15% having been granted already. NAO/Management Structure have started an initiative together with other IPA countries in the region in order to look into the possibility to include the retention policy in the forthcoming programmes under IPA III. NAO/Management Structure have already sent two letters to EC requesting that this issue be discussed and that this possibility be taken into consideration. Other IPA countries are also in favour of this initiative and the NAO/MS anticipates that they will also approach EC. She explained that this initiative is nothing new as they have been trying to introduce such an opportunity since IPA I, so far unsuccessfully. Hopefully with the support of other IPA countries, and all developments related to COVID crisis and this new economic crisis, the EC would manage to locate some funds for the retention policy.

The implementation rate of audit recommendations is 47% which is a significant improvement when compared to previous periods. CFCD and Line Ministries have contracted all contracts as planned. What should be monitored is the payment. She noted that the percentage of disbursement is still very low, only 5% at the level of the programme. They have considered the EUR 0.9 million as already de-committed funds. In view of the request for amendments for additional funds, they hope that this de-commitment rate would be only decreased, and not increased in the future.

The representative of EUDunderlined that though there has been some improvement in the rate of implementation of findings of previous audits, this rate is still very low, under 50%, and significant improvements on the side of the auditees are required.

**Conclusions and Recommendations:**

1. Ministry of Education and Science to appoint a focal point with relevant level of authority with the aim of provision of institutional leadership and coordination for the implementation of all EU interventions by end-June 2022. (From previous SMC)
2. The Ministry of Education and Science to increase its monitoring capacity by recruiting at least 1 knowledgeable person in monitoring by end-June 2022.
3. Project on the Education Information Management System – the Ministry of Education and Science will send proposal for members of the Steering Committee to the EU Delegation by 03/06/2022.
4. The finalisation of the addendum for non-cost extension of grant project implemented by Employment Service Agency to be done by mid-July.
5. The finalisation of the addendum for non-cost extension of all projects in labour and social policy sector to be done by end-August 2022.
6. The Ministry of Education and Science to restart with the organisation of the monthly progress review meetings, also inviting NIPAC office, as of June 2022.
7. All stakeholders to ensure timely and full implementation of the Audit Authority recommendations. (From previous SMC)