



REPUBLIC OF MACEDONIA
MINISTRY OF LABOR AND SOCIAL POLICY
S k o p j e

02-4506/1

Skopje, 31 March, 2009

LETTER OF ACCEPTANCE

With reference to the United Nations Development Programme (UNDP) Project Document titled "**Implementation of Self-employment III Project as part of the Governmental Operational Plan for Employment for 2009**", I hereby confirm, on behalf of the Government of the Republic of Macedonia, that the Government of Macedonia agrees to be bound by the aforementioned Annex (Project Document) and accepts the rights and duties stipulated in the Project Document.

This acceptance of the Ministry of Labour and Social Policy on behalf of the Government of the Republic of Macedonia that the Project Document is concluded by the Letter of Acceptance does not prejudice that the Government of the Republic of Macedonia accepts to refer to itself otherwise than its constitutional name of our country - Republic of Macedonia.

Hereby the Government of the Republic of Macedonia understands that the aforementioned Project Document as attached to this Letter of Acceptance constitute an agreement to be obligatory for the both parties to this Project.


Minister of Labour and Social Policy,
Xhelal Bajrami



Ms. Maria Luisa Silva Mejias
Resident Representative
United Nations Development Programme

United Nations Development Programme

"Self-employment III and Technical Assistance to Support the Government Operational Plan for ALMMs for 2009"

Project Document

Country: Former Yugoslav Republic of Macedonia

UNDAF Outcome(s): Increase in sustainable employment opportunities, particularly among vulnerable group

Expected CP Outcome(s) Employment opportunities created for all, with specific focus on marginalized communities

Expected Output(s) Increased capacities of ESA to implement developed business model for ALMMs-Self-employment and Formalization; Mechanisms for implementation of ALMM Training & re-training strengthened and improved; and Improvement of the Monitoring and Evaluation system for all ALMMs, according to the ESA needs.

Specifically: Creation of sustainable 600 family businesses; Formalisation of 250 informal businesses; Coordination of the activities for further development and improvement of the Training and re-training ALMM; Improving procedures for development, implementation and evaluation of the training modules, including capacity building of involved institutions, as well as assisting in preparing necessary by-laws; Further developed and improvement of OP 2009 MIS. In addition, as part of the envisaged activities emerging from the Governmental Operational Plan 2009 for ALMMs, activities will be undertaken in regard to the additional candidates that will be supported from the funds remaining as per implementation of the Operational Plan for 2008 due to the VAT return and other remaining sources.

Implementing partner: UNDP

Other Partners: Ministry of Labour and Social Policy, Employment Service Agency, Ministry of Education and Science, Centre for Vocational Education and Training, Agency for Promotion of Entrepreneurship

Narrative Description

The project shall contribute to development of the partnership with state/governmental bodies and agencies. In particular it will closely collaborate with Ministry of Labour and Social Policy (MLSP), Employment Service Agency (ESA), Agency for Promotion of Entrepreneurship (APE), and Central Register (CR) in development and implementation of ALMMs (Self-employment and Formalization of existing business), and Ministry of Education and Science (MES) and Vocational Education and Training Centre (VETC) in improving the arrangements for short-term training and retraining programmes. In addition, the project will try to assist and initiate preparation and adoption of the by-laws as part of the Law on Adult Education, and shall support capacity building of Adult Education Centre. At the same time, the project will strengthen capacities of MLSP and ESA to further develop proper M&E strategy for all ALMMs within the OP 2009, as well as capacities for impact assessment of already implemented activities

Programme
 Period: March 2009-December 2009
 Programme
 Component: Promoting an enabling environment for poverty reduction
 Project Title: **"SELF-EMPLOYMENT III TECHNICAL ASSISTANCE TO SUPPORT THE GOVERNMENT OPERATIONAL PLAN FOR ALMMs FOR 2009"**
 Project Duration:
 March -December 2009- 10 months
 Management Arrangement: NEX

| | | |
|---------|------------------|-------------------|
| Budget | USD 3,749,451.03 | 180,311,100.03MKD |
| GMS Fee | USD 108,883.53 | 5,236,209.00MKD |


Allocated Resources:

| | | |
|---------------------------|------------------|-------------------|
| Government | USD 3,629.451.03 | 174,540,300.00MKD |
| UNDP | USD 120,000.00 | 5,770,800.00MKD |
| UNDP in-kind Contribution | USD 87,125.51 | 4,189,865.78MKD |

* Official UNDP exchange rate for March 2009, 1USD= 48.09 MKD

Agreed by Ministry of Labour and Social Policy (MLSP): Mr. Xhelal Bajrami, Minister

Agreed by United Nations Development Programme (UNDP): Ms. Maria Luisa Silva Mejias, RR




I. SITUATION ANALYSIS

Introduction

This Project Document outlines the Technical support to the Ministry of Labour and Social Policy (MLSP) and Employment Service Agency (ESA) by the United Nations Development Programme (UNDP), in implementation of four actions, part of the Operation Plan for ALMMs in 2009. The Operational Plan is determined by Government's commitment of funding of ALMMs (Budget for 2009) and unemployment-related actions under Component 4 of the EU's *Instrument for Pre-Accession Assistance* (IPA) as well as other sources of funds.

Employment and unemployment in country

Unemployment in the country is extremely high (33 %¹ in the III Quarter of 2008, as compared to the 7.7 % in EU) and long-term unemployment significantly high. Unemployment is high amongst all ethnic groups (Macedonian, Albanian, Roma and Bosniaks). According data of the Employment Service Agency, status on 31.12.2008, out of the total number of unemployed people, 52.8% are unqualified and low-qualified, meaning that educational structure of the registered unemployed people is extremely unfavourable. In this group of registered unemployed people, women participate with 40, 2%. In line with the data of the State Statistical Office female unemployment rate in 2007 (41.5%) is higher than that in 2006 (38%).

In addition, data of the Employment Service Agency, status on 31.12.2008, 30, 8% of registered unemployed people had been without a job for at least eight and more years. Young unemployed people in the age group 15-29, participate with 27,7% in the total number of registered unemployed people. In regard to the location or place of residence, the unemployment is more pronounced in urban areas, where 66,5% of the total number of unemployed registered people are located, while in the rural areas we have 33,5% of the unemployed people.

Activity rate is low (56.7% in the III Quarter of 2008), as is employment rate (38% in the III Quarter of 2008 against 66% in the EU Member States for the IV Quarter of 2007) with, in both cases, poorer outcomes for women and ethnic minorities.

There is a particularly serious problem of youth unemployment. Recent studies showed that, as in the other countries in the region that emerged from Yugoslavia, young people aged 15-24 are more likely to be unemployed than those in other age groups. Participation of young people aged 15-24 in the total number of unemployed, status on 31.12.2009, is 14.3 %. In comparison unemployment rate for those aged 25-29 is 13.4%, aged 30-34 is 12, 4% and even among those aged 55-59 was 9.3%. Not surprisingly, there is evidence of youth discouragement (i.e. young people not even looking for a job) with the likelihood of emigration, social exclusion, marginalization and resort to illegal activities.

Comparisons between educational attainment and unemployment show that workers without or with basic education account for a disproportionate share of unemployment. Thus, workers with primary education or less have very high unemployment rates (52.8%). This suggests excess supply of low skilled labour and obviously means that young people entering the labour force with low qualifications and/or limited educational achievement face great difficulties in getting a job.

In overall terms, labour market is stagnant with limited opportunities for new entrants. This is indicative of low job creation and, indeed, rates of job creation, destruction and turnover are low in absolute terms and compared to other transitional countries. And while, as expected, the private sector does better than the public sector, the highest job creation rates are in enterprises employing up to 250 people. This means that job creation is still concentrated in the emerging private sector, and there has yet to be substantial successful grow-up into larger firms.

Arrangements for adult re-training have yet to be finalized in accordance with the adopted Law on Adult Education. Arrangements for short term re-training are, however, a central element of improved labour market efficiency and are key to correcting skills mismatches. As the portion of the young population decreases in the total number of population, importance and the share of the adult population in relation to the country's development and growth will increase. Productivity and efficiency will also increase in the knowledge based job posts. Modern labour market demands will require knowledge and ability to adapt and adjust to the changes. More over, modern labour market demands will lead to decrease of the total labour force needed, promoting the importance of education and training available

¹ Source: State Statistical Office of R.M

to all age groups. Adult Education development can greatly contribute to the creation of significant possibilities for inclusion, participation and influence.

Some of the pronounced weaknesses of adult education in the country are the absence of a good adult education programme in line with the changing labour market conditions, the lack of coordination of activities and the lack of a partnership approach in their realization. In the new situation, the local economies will directly depend on the competencies of the available labour force. It is of interests to the local self – government to continuously monitor the needs and opportunities offered by the local labour market and adapt the educational offer to those needs. At the same time successful anticipation of the future education and training needs will become a prerequisite for development of businesses and the local economy. In that context support will be needed in strengthening of arrangements for short-term training and retraining, including the enlarged scope of participants and programs offered for training and re-training.

Ministry of Education and Science (MoES) though the educational institution, Centre for Vocational Education and Training (VET Centre) is responsible for vocational education and training (VET) in the country, till Centre for Adult Education is not completely enabled to undertake this task. At the same time, the Employment Services Agency has a strong interest in the availability of training and re-training services in order to ensure that the unemployed people can get the skills needed to get back into work.

There are currently weak arrangements for the provision of short-term training and retraining. Partly in recognition of this, the Law on Adult Education being recently adopted by the Parliament and institutions to enact the provisions of this Law are still not functional in their full scope. The intention is that trainings to be provided through existing providers, incising the number of participants on these trainings, and at the same time development of training programs relevant at national but at the same time regional and/or local level.

In this respect there are several Project Activities supported by different donors in almost all involved institutions with no coordination among them. Therefore support from UNDP was requested in coordination of institutions, situation analysis, as well as capacity building of relevant institutions, public training centres involved and trainers trained.

This will help in setting up the institutional arrangements and defining the future activities for this ALMM and will strengthen capacities within ESA for implementation of this measure as a regular one, every year.

Demonstrating that active labour market measures have positive net impacts or, in the case, of support to self-employment, that new entrepreneurs emerge as a result of the assistance, will obviously be essential in showing that expenditure from domestic sources and by donors is justified.

Government policy and strategy for employment and unemployment

The Government's policy and strategy for, and planned actions in, employment and unemployment mitigation are set out in a series of linked papers:

Programme of the Government 2008-2012

In respect of employment and unemployment, this Program encompasses macroeconomic, microeconomic and employment policies. It also emphasises and determines objectives and different types of measures for achieving objectives set in the National Employment Strategy 2010 related to increase of the employment rates, increase of the female employment rates, as well as employment rates of the elderly people.

National Employment Strategy 2010

This also has a demand-side emphasis, but additionally addresses the informal economy and safety social nets. It includes measures for tackling youth unemployment (through training and internship), long term unemployment (training and work practice), female unemployment (education, entrepreneurship, and childcare facilities), vulnerable groups (older workers, ethnic groups, disabled). There is also coverage of education and training.

National Action Plan for Employment 2009-2010

The NAPE continues the demand-side focus, but also specifies supply-side actions derived from the Employment Strategy, including training and lifelong learning; better childcare to enable parents' re-

entry to the labour force; actions aimed at older workers; ways of addressing female unemployment and improving female participation rates; and better job matching.

Government Operational Plan for Employment for 2009

This is the action plan for allocation of 2009 budgetary funding for active labour market programmes. It comprises self-employment (for 600 unemployed of which 250 are youth up to 27, 150 are women and 200 are long term unemployed); formalization of 250 existing business; support to young people through internships (650 people); wages subsidies for single parents, disabled, orphans (450); training for 'known' employers (3,000) and through job clubs in languages and IT skills (2,000) and training and re-training programme for 120 unemployed. In addition, established M&E strategy in relation to the OP 2008 further will be improved for all measures of the OP 2009.

Multi-annual Operational Programme for Human Resources Development 2007-2013 -IPA 4 Operational Programme

It provides the basis for accessing and programming assistance under component 4 of the EU Instrument for Pre-Accession Assistance (IPA). It is a multi-annual indicative programme arranged under 4 priority axes, with the principal focus on employment in axis 1 which defines target groups and sets out the objectives as integrating young people in the labour market, reducing and preventing long-term unemployment, and increasing women's employment rate.

UNDP Relevance

UNDP support to employment and unemployment mitigation

The UNDP in the country has long term experience in technical assistance for implementation of wide range employment - and unemployment-related programmes. A central element of UNDP support has been in piloting measures with a view to subsequent replication and up-scaling, at the same time building capacities in the MLSP and the ESA. The scope and target of support is described in a table below.

| Title | Start date | Finish date | Budget (US\$) | Target groups | Implementing Partners |
|---|----------------|----------------|----------------|---|---|
| Municipal support programme, phase 1 & 2 | August 2004 | December 2006 | \$2.7 million | Very long term unemployed, youth unemployed and those with few educational qualifications, with focus on women and minorities | Local authorities and municipal administration, private and civil sector entities |
| Employment mediation for highly educated young unemployed | September 2005 | September 2007 | \$1 million | Highly educated unemployed youth without previous employment, and officially registered young unemployed with high school | Local authorities, since they are responsible for local economic development, but also the local businesses since they are the generators of the longer term job opportunities. |
| Job creation programme (public works and wage subsidies) | September 2005 | December 2007 | \$1.95 million | Long-term unemployed (>2 years) with secondary education or less; young unemployed people (aged 30 and below), disabled and minorities with secondary or higher education, who have been actively searching job for more than 12 months | Municipalities; Ministry of Labour and Social Policy, the National Employment Agency and its regional network of Employment Centres |

| | | | | | |
|--|------------|---------------|----------------|---|--|
| Partnerships for employment generation (self-employment) | 2005 | 2007 | \$0.8 million | Unemployed social benefit recipients | Municipalities; National Employment Agency and its regional network of Employment Centres |
| Self Employment | March 2007 | December 2007 | \$1.19 million | 500 people – long term unemployed (>5 years), unemployment assistance beneficiaries, <28 years' old. | Employment Services Agency and its regional network of Employment Centres. Agency for Promotion of Entrepreneurship |
| Self Employment II | March 2008 | December 2008 | \$2.9 million | 607 people – long term unemployed (< 2 years), unemployment assistance beneficiaries, <27 years' old. | Employment Services Agency and its regional network of Employment Centres. Agency for Promotion of Entrepreneurship |

UNDP has also participated in preparation of the Government Operational Plan for 2009. Therefore the MLSP requested a Technical Support from UNDP for the implementation of the following four actions from the OP 2009:

1. Support in improving and fine tuning of the business model for implementation of Self-employment measure
2. Support in improving and fine tuning of the business model for implementation of Formalization measure
3. Further development of the mechanisms and procedures for provision of training and re-training of candidates in deficient labour market skills and occupation, including enlarged scope of the training programs, participants and training program providers
4. Monitoring and Evaluation of ALMMs for ESA

Methodology and procedures for monitoring and evaluation of the ALMMs Self-employment and Formalization as one of the active labour market measures set in the Operational Plan 2008 are prepared and are applied through UNDP-supported actions. In that regard, software applications for Self-employment and Formalization as one of the active labour market measures set in the Operational Plan 2008 were prepared, as well as steps and indicators to be followed for the remaining measures of the Operational Plan 2008. UNDP will continue with its support provided to the MLSP and the ESA in improvement of the actions especially in regard to the monitoring procedures, having in mind Government's funding for active labour market measures in both the Operational Plan 2009 and the IPA 4 Operational Programme.

The methodology will comprise two main elements:

- Management information system aimed at tracking participants' employment history after completion of active labour market measures. Inclusion in this tracking system would be condition of participation of the candidates in active labour market programmes; and
- Evaluations of impacts of active labour market measures. In most cases, this would be done by comparing the outcomes of participants on active labour market programmes with those for a control group. These outcomes would cover both employment history and earnings. In the case of support provided through self-employment, evaluations will be based on companies' survival rates, turnover and employment creation.

II. STRATEGY

The suggested project has a countrywide scope and will aim to strengthen capacities, operations and sustainability of institutional mechanisms in order to integrate principles of ALMMs at central and at local level of governance.

It is thus essential that mechanisms created are further improved to establish dynamic cooperation and division of responsibilities and activities between central government and the local government structures in accordance with the priorities of the country.

In order to achieve project objectives, efforts will be made to increase quality of already carry out activities as per Operational Plan 2007 and Operational Plan 2008, investigating possibilities and

undertaking preparatory activities that will lead to increased capacities of the MLSP and ESA staff for future independent execution of the same.

In close collaboration with the governmental agencies and institutions project objectives are to be achieved through three main outputs:

1. Model for implementation of Active Labour Market Measure on Self-employment further improved and implemented
2. Model for implementation of Active Labour Market Measure on Formalization of existing business further improved and implemented
3. Strengthened institutional capacity to effectively develop and implement initiatives for new ALMMs

The main activities to the first and second outputs are as follows:

- 1.1 Call for applications and opportunities for self-employment promoted;
- 1.2 Training on development of business ideas provided (this activity excludes Output 2);
- 1.3 Development of business plan supported(this activity excludes Output 2);
- 1.4 Business plans evaluated and selected, companies registered
- 1.5 Small capital grants provided to the companies through delivered necessary equipment/ materials

In line with the lessons learned while developing the business model for implementation of Self-employment ALMM in 2008, as well as Formalization ALMM in 2008, the assistance to all groups will have three (two in Formalization) main phases. They are:

- I. Screening and selection of participants;
- II. Training in business planning and management, development of business plans, selection of the best ideas and company registration (only Output 1); and,
- III. Provision of start-up grant for goods/equipment.

In relation to *Output 1* all applicants will be registered by the ESA. Once the selection/pre-screening will be undertaken, the successful candidates will receive training on business planning and management and consequently will receive support by business consultants provided by APE for development of business plans through a voucher scheme. In relation to the training of successful candidates initiative will be made to increase capacities of ESA staff in providing this support to the candidates in close collaboration with the project staff. The resulting business plans will then be ranked, with the best plans qualifying for start-up grants (on an amount of 185.000 MKD equivalents to \$ 3,846.95 gross)

Target groups

- 250 young people up to 27 years, registered in ESA as unemployed more than 6 months
- 150 female entrepreneurs, registered in ESA as unemployed more than 1 year
- 200 long-term unemployed persons, registered in ESA as unemployed more than 1 year

In relation to *Output 2* activities for this output are almost the same as the output one except for the activities related to the training and business plan development. Due to the fact that this component is covering already existing business, it has been agreed that the beneficiaries will apply with already prepared business plans. The assistance package for this target group will consist of support in company registration and consequently start-up grant.

Target group

- 250 informal businesses

The main activities to the third output are as follows:

Activities involved in the third output can be summarized into three main actions as follows:

1. *Action 1 – Further strengthening of Capacities*
 - a. Capacity of ESA on implementation of Self-employment measure and Formalization measure increased through developed partnership /coordination among key partners, and knowledge on implementing the Self-employment and Formalization ALMMs transferred.
 - b. Regular reporting to the Project Coordination Team Working Group led by MLSP provided, and implementation steps/ bottle-necks/findings outlined

- c. Implementation steps/ bottle-necks/findings discussed on two-days workshop organized with national partners involved in the implementation activities under UNDP responsibility
- d. Capacities of MLSP, ESA and other national institutions relevant in the field of ALMMs further strengthened and increased through organized study visit

2. Action 2-Training and re-training

- a. Agreement with the Ministry of Education and Science, the Employment Services Agency, VET Centre and the Ministry of Labour and Social Policy on the priority skills and occupations for short-term training and re-training prepared;
- b. Identification of most needed skills in accordance with Annual Skills Need Analysis prepared by ESA, performed
- c. Identifications of public Institutions to conduct training and re-training programs performed
- d. Assistance in development of training modules (curricula) and obtaining their endorsement by the Ministry of Education and Science provided
- e. Support in organisation and delivery of the training and re-training programmes on priority skills and occupations provided
- f. Assistance in development of a necessary by-laws and secondary legislation as well as operational proceedings for the involved institutions enabling them to enact Law on Adult Education provided
- g. All required procedures, criteria, tools needed for the operationalization of the training and re-training process for future increase of the scope of actions initiated and support provided

3. Action 3- Monitoring and Evaluation

- a. Methodology and procedures for monitoring and evaluation of active labour market programmes defined in the Operation Plan for 2009 improved
- b. Piloting an activity for development of a solution for data processing in regard to the ALMM Training and re-training of labour market deficient skills for web platform
- c. Adjusting the system for development and preparation of monitoring reports in accordance to the needs of the national partners

Action 1- Taking into account the importance and effect of the ALMMs and the need to further strengthen capacities of MLSP, ESA and other institutions in that domain, and also apart from the assistance and support in implementation of the ALMMs, a study visit will be organized to Poland for the staff of MLSP, ESA, MES, VET Centre and APE. Visit will focus on the ALMMs implemented in this country, as one making huge progress in reducing unemployment rates, as well as one having similar social background. Namely, as per official data of EU for 2007, unemployment rates² in EU have fallen to levels not seen since the early 1990s. The average EU unemployment rate recorded yet another drop in the fourth quarter of 2007 to reach 6.9%, down from 7.7%, a year earlier. The decline in the EU aggregate reflects continuing strong falls in unemployment rate in Poland (down 3.8% points), in Germany (down 1.6 % points), but also in France (down 1% point). In addition, the number of the **employed in Poland**, as of the state on 30 September 2008 amounted to 8346.8 thousand persons and was by 2.8% higher than last year. **Average employment** during the three quarters of 2008 amounted to 8067.6 thousand persons and was by 3.9% higher than at the same time last year (the respective increase last year was 3.3%). A high increase in employment was observed in construction (by 9.4%), trade and repair (by 8.3%), real estate, renting and business activities (by 7.7%), hotels and restaurants (by 6.9%), financial intermediation (by 6.0%) areas similar to the areas identified by Annual Skills Need Analysis prepared by ESA for 2008 as sectors where possible interventions can lead to increase of the number of employees. At the end of September 2008, there were 1376.6 thousand **unemployed persons** (of which 814.2 thousand comprised women) registered in the labour offices. Compared to the same period of the last year, the number of the unemployed decreased by 401.2 thousand persons (or by 22.6%). **The registered unemployment rate** at the end of September 2008 comprised 8.9% of the civilian economically active population (the last year – 11.6%)³.

² EU press release IP/08/250 from 18.02.2008

³ Source: State Statistical Office of Poland

Action 2- The Training and re-training ALMM aims to prevent from long-time unemployment in the country and at the same time to provide help to unemployed to maintain and re-shape their skills through re-entering the labour market. In addition, it aims at developing the system for training and re-training which as ALMM was introduced for the first time as a pilot measure within the Operational Plan for Employment 2008. Additionally, it will provide assistance in strengthening the capacities of national institutions as key element contributing to the expansion of activities envisaged under the abovementioned ALMM, part of the Operational Plan 2009. By providing assistance for development of a system for training and re-training of unemployed people, at national and at local level, the project will support enforcement of the Law on Adult Education and assist among the other, operations of Adult Education Centre. Also, it will enhance capacity and authority of institutions for Adult Education, as well as VET Institutions, for efficient and effective coordination of training and re-training activities and will improve understanding and implementation of the concept of training and re-training as ALMM contributing to the local economic development through attraction of investment, by provision of a good base of qualified and competent future employees.

Apart from Labour Market Skill Needs Analysis prepared by ESA in 2008, available training institutions, signed Memorandum of Understanding between ESA and the VET Centre, training activities will be focused on the most demanded skills and occupations.

Expected results:

- Professional standards, in accordance to the Labour Market Skill Needs Analysis prepared;
- Format of the training modules, based on the agreed professional standards, developed
- Format and content of the training curricula and programs for training the trainers in the selected skills prepared and agreed among involved institutions

UNDP will assist ESA in coordination of the preparatory activities, at the same time strengthening their capacities for further development and improvement of this ALMM. In addition, UNDP will support newly established Center for Adult Education, according to the Law on Adult Education, building capacities of this Center to take leading role on the side of the education.

Action 3- Methodology and procedures for monitoring and evaluation of active labour market measures implemented in 2008 are prepared. This system further will be developed and improved for the needs of ALMMs included in the OP2009.

Based on the achievements in 2008, UNDP in close collaboration with ESA will improve monitoring and evaluation system that should be followed in 2009, in order to enable the impact evaluation of the business registered under Self-employment and Formalization ALMMs in 2009, as well as other measures where UNDP is involved. Consequently, this Project will collect information on the progress of this business on the regular basis. Moreover, effort will be made to pilot an activity for development of a solution for data processing in regard to the ALMM Training and re-training in labour market deficient skills and occupations for the web platform, as well as adjusting the system for development and preparation of monitoring reports in accordance with the national partners' needs. By initiating this, project will pay special attention on finding suitable solution in regard to the ESA's staff involved in this action, not to interfere with their scope of work and quality.

❖ In context of UNDP efforts to enable impact evaluation i.e. evaluate success rate of registered businesses as part of the ALMMs, implemented in the previous years (2007 and 2008), UNDP will also undertake activities for analysing situation with participation rate of some of the target groups covered with the ALMMs. Namely, unofficial data suggest low participation rate of young people in the ALMMs, especially those that as target groups are specially designed for them. This analysis will be conducted in close collaboration with MLSP and ESA, and findings will serve to all relevant subjects in the further development of target groups or measures for these target groups.

❖ In line with the meeting of the Project Advisory Board held on 28.01. 2009 where financial implication linked with the implementation of the Project „Self-employment II and Technical Assistance to Support the Government Operational Plan 2008 for ALMMs „ were discussed, it was agreed funds remaining in the Project after the finalization of implementation activities to be used for additional candidates, which as a results will be presented after the implementation of the Project in 2009. Namely, fund remaining in the Project are the following:

1. Self-employment Measure- proposal for inclusion of additional candidates from budget balance (VAT return) 2008

| | Description | Unemployed | Unit amount | Total in MKD | Total in USD |
|---|-------------------------------------|------------|--------------|----------------------|-------------------|
| 1 | Small capital grants | 54 | 185,000.00 | 9,990,000.00 | 207,735.50 |
| 2 | Development of business plans | 54 | 11,600.00 | 626,400.00 | 13,025.58 |
| 3 | Registration of companies | 54 | 3,000.00 | 162,000.00 | 3,368.68 |
| 4 | Administrative costs | | | | |
| | 4.a. GMS 3% | | | | 0.00 |
| | 4.b. Financial management | | | 107,784.00 | 2,241.30 |
| | 4.c. Admin costs for project office | | | 291,016.80 | 6,051.50 |
| | | | Total | 11,177,200.80 | 232,422.56 |

Note: The calculation has been made for the amount that has been recognized as VAT return means in the budget (149,000.00 USD) with the amount that will remain in the budget as unspent due to inclusion of additional candidates (foreseen 64, realized 35) 96,880.00 USD toward ESA.

This type of activity will be implemented in parallel with other activities envisaged in the Operational Plan for 2009, and will be subject to special reporting procedures.

III. RESULTS AND RESOURCES FRAMEWORK

| Intended Outcome as stated in the Country Programme Results and Resource Framework: Employment opportunities created for all with specific focus on marginalized communities | | | | |
|---|--|---|--|--|
| Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets: Indicators: Unemployment rates; Private investment/GDP ratio; PP Partnerships Baseline: Unemployment 33% ⁴ (in the III Quarter of 2008) Target: Create sustainable jobs | | | | |
| Applicable MYFF Service Line: Service line 1.5 Private sector development | | | | |
| Partnership Strategy The project shall contribute to development of the partnership with state/governmental bodies and agencies. In particular it will closely collaborate with Ministry of Labour and Social Policy (MLSP), Employment Service Agency (ESA), Agency for Promotion of Entrepreneurship (APE), and Central Register (CR) in development and implementation of ALMMs (Self-employment and Formalization of existing business), and Ministry of Education and Science (MON), Bureau for Development of Education (BDE) and Vocational Education and Training Centre (VETC) in improving the arrangements for short-term training and retraining programmes. In addition, the project will try to assist and initiate preparation and adoption of the by-laws as part of the Law on Adult Education, and shell support capacity building of Adult Education Centre. At the same time, the project will strengthen capacities of MLSP and ESA to further develop proper M&E strategy for all ALMMs within the OP 2009, as well as capacities for impact assessment of already implemented activities. | | | | |
| Project title and ID (ATLAS Award ID): "Self-employment III and Technical Assistance to Support the Government operational Plan for ALMMs for 2009" | | | | |
| INTENDED OUTPUTS | OUTPUT TARGETS FOR (YEARS) | INDICATIVE ACTIVITIES | RESPONSIBLE PARTIES | INPUTS |
| Output 1 - Model for implementation of Active Labour Market Measure on Self-employment further improved and implemented Baseline: High level of unemployment 33% ⁵ (in the III Quarter of 2008) | (2009) 600 self-employments /small businesses established | Activity 1-Implementation of ALMM on Self-employment based on improved model Actions: 1.1 Call for applications and opportunities for self-employment promoted, Success stories and achievements reached in 2008 promoted; | Employment Service Agency MLSP Agency for Promotion of Entrepreneurships UNDP | Provision of trainings to applicants on start-ups Development of business plans from ideas Increased capacities of ESA' staff in regard to the |

⁴ Source: State Statistical Office of R.M

⁵ Source: State Statistical Office of R.M

| | | | | |
|--|---|--|--|---|
| <p>SME sector unable to absorb the growing number of unemployed;</p> <p>The Government is expanding the number and scope of ALMMs and OP 2009 as a response to the Government Programme 2008-2012 and National Strategy for Employment 2010.</p> | | <p>1.2 Training on development of business ideas provided;</p> <p>1.3 Development of business plan supported</p> <p>1.4 Business plans evaluated and selected, companies registered</p> <p>1.5 Small capital grants provided to the companies through delivered necessary equipment/ materials</p> | | <p>provision of trainings to applicants, in close collaboration with the project staff</p> <p>Small grants provided for support of start-ups and small businesses (equipment and materials)</p> |
| <p>Request received from the MLSP on up-scaling of the interventions in the area of Self-employment as a result of lessons learnt and evaluations held on employment programme in 2008</p> <p>Limited experience and resources of ESA in implementation of Self-employment measure, especially preparation of business plans, registration of companies, and training on business ideas, plans and entrepreneurship.</p> <p>Indicators:</p> <p>Established efficient coordination with national institutions</p> <p>Improved model developed</p> <p>No. of self-employments supported</p> <p>Relevant and competent training on development of business plans based on applicants ideas provided</p> <p>Increased role of the ESA' staff in the preparation of business plans</p> | | | | |
| <p>Output 2 - Model for implementation of Active Labour Market Measure on Formalization of existing business further improved and implemented</p> | <p>250 formalization of existing businesses</p> | <p>Activity 2- Implementation of the Formalization of the existing businesses as ALMM</p> <p>Actions:</p> <p>2.1 Call for applications and opportunities for self-employment promoted</p> | <p>UNDP MLSP Agency for Promotion of Entrepreneurships Employment Service Agency</p> | <p>Small grants provided for support of start-ups and small businesses (equipment and materials)</p> |

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|--|--|---|--|--|
| <p>Baseline: National Employment Strategy 2010 addresses the informal economy as one of the problems of the unemployment. Operational plan for 2009 identifies support in formalization of the 250 informal businesses.</p> <p>Indicators Established efficient coordination with national institutions</p> <p>No. of informal businesses formalized.</p> <p>Timely and efficient provision of small-grants allocated for procurement of necessary equipment/materials to the registered companies;</p> <p>Target to facilitate monitoring of change: Proportion of informal businesses benefiting from formalization of existing businesses measure.</p> | | <p>2.2 Business plans evaluated and selected, companies registered</p> <p>2.3 Small capital grants provided to the companies through delivered necessary equipment/ materials</p> | | |
| <p>Output 3 <u>Strengthened institutional capacity to effectively develop and implement initiatives for new ALMMs</u></p> <p>Baseline:</p> | <p>Targets (2009)</p> <p>Capacities of Employment Service Agency to plan, deliver and monitor Self-</p> | <p>Activity 3- Institutional capacity to effectively develop and implement initiatives for new ALMMs</p> <p>Action 3.1 – Further strengthening of Capacities</p> <p>a. Capacity of ESA⁶ on implementation of Self-employment measure and</p> | <p>UNDP MLSP Agency for Promotion of Entrepreneurships Employment Service Agency MES</p> | <p>Financial and human resources for organization and conducting of the target group Analysis</p> <p>Financial and human resources employed to</p> |

⁶ Having in mind the increasing number of ALMMs every year, consideration can be made in direction of increasing the ESA's staff directly working in this area, as well as their adequate training

| | | | | |
|--|---|--|-------------------|--|
| <p>Lack of sufficient human resources in the MLSP and ESA to implement the ALMMs in accordance with the Governmental Operational Plan for 2009</p> <p>Sub-laws on Law on Adult Education not developed; The role of institutions still not clearly defined; Lack of coordination among different institutions.</p> <p>Indicators: Transfer of knowledge to the Ministry of Labour and Social Policy (MLSP) and Employment Service Agency (ESA) on implementation of ALMMs- Self-employment/family businesses and Formalization of existing business</p> <p>Standard based training curricula developed, broadly publicly discussed among the relevant institutions and approved by MES.</p> <p>Training institutions well prepared for training conducting</p> <p>M&E strategy for OP 2008 in place, further improved in 2009</p> <p>MIS for each measure further developed and improved Developed solution for data processing in regard to the ALMMs Training and re-training in labour market deficient skills and occupations</p> | <p>employment and Formalization of existing businesses measures increased; Knowledge gained during the implementation of the improved models for Self-employment and Formalization of existing businesses transferred</p> <p>Coordination for development of at least four (4) training modules established</p> <p>Support to the national institutions on Training certification ensured</p> <p>Coordination for development and approval of at least four (4) standard based training curricula in selected public institutions established</p> <p>MIS for all ALMM from the OP 2009 improved and development of a solution for data processing in regard to the ALMM Training and re-training in labour market deficient skills and occupations for web platform</p> | <p>Formalization measure increased through developed partnership /coordination among key partners, and knowledge on implementing the Self-employment and Formalization ALMMs transferred.</p> <p>b. Regular reporting to the Project Coordination Team and Working Group led by MLSP provided, and implementation steps/ bottlenecks/findings outlined</p> <p>c. Implementation steps/ bottlenecks/findings discussed on two-days workshop organized with national partners involved in the implementation activities under UNDP responsibility</p> <p>d. Capacities of MLSP, ESA and other national institutions relevant in the filed of ALMMs further strengthened and increased through organized study visit</p> <p>Action 3.2-Training and re-training</p> <p>a. Agreement with the MES, ESA, VET Centre and the Ministry of Labour and Social Policy on the priority skills and occupations for short-term training and retraining prepared;</p> <p>b. Identification of most needed skills in accordance with Annual Skills Need Analysis prepared by ESA, performed</p> <p>c. Identifications of public Institutions to conduct training and re-training programs performed</p> <p>d. Assistance in development of training modules (curricula) and obtaining their endorsement by the Ministry of Education and Science provided</p> <p>e. Support in organisation and delivery of the training and re-training</p> | <p>VET Centre</p> | <p>organize two-days workshop</p> <p>Financial and human resources employed to organize study visit to Poland</p> <p>Assistance in identifying new ALMMs</p> <p>Support in identification of necessary procedures for operationalization of the training and re-training activities as ALMM</p> <p>Assistance in developing by-laws in relation to the enacted Law on Adult Education</p> <p>Local consultant</p> <p>National consultant</p> <p>Support in preparing pilot activity for development of a solution for data processing in regard to the ALMM Training and re-training in labour market deficient skills and occupations</p> <p>Adjusting the system for development and preparation of monitoring</p> |
|--|---|--|-------------------|--|

| | | | |
|--|--|--|--|
| | | <p>programmes on priority skills and occupations provided</p> <p>f. Assistance in development of a necessary by-laws and secondary legislation as well as operational proceedings for the involved institutions enabling them to enact Law on Adult Education provided</p> <p>g. All required procedures, criteria, tools needed for the operationalization of the training and re-training process for future increase of the scope of actions initiated and support provided</p> <p>Action 3.3- Monitoring and Evaluation</p> <p>a. Methodology and procedures for monitoring and evaluation of active labour market programmes defined in the O P for 2009 improved</p> <p>b. Piloting an activity for development of a solution for data processing in regard to the ALMM Training and re-training in labour market deficient skills and occupations</p> <p>c. Adjusting the system for development and preparation of monitoring reports in accordance to the national partners' needs</p> | <p>reports in accordance to the national partners' needs</p> |
|--|--|--|--|

IV. ANNUAL WORK PLAN BUDGET SHEET

Year: 2009

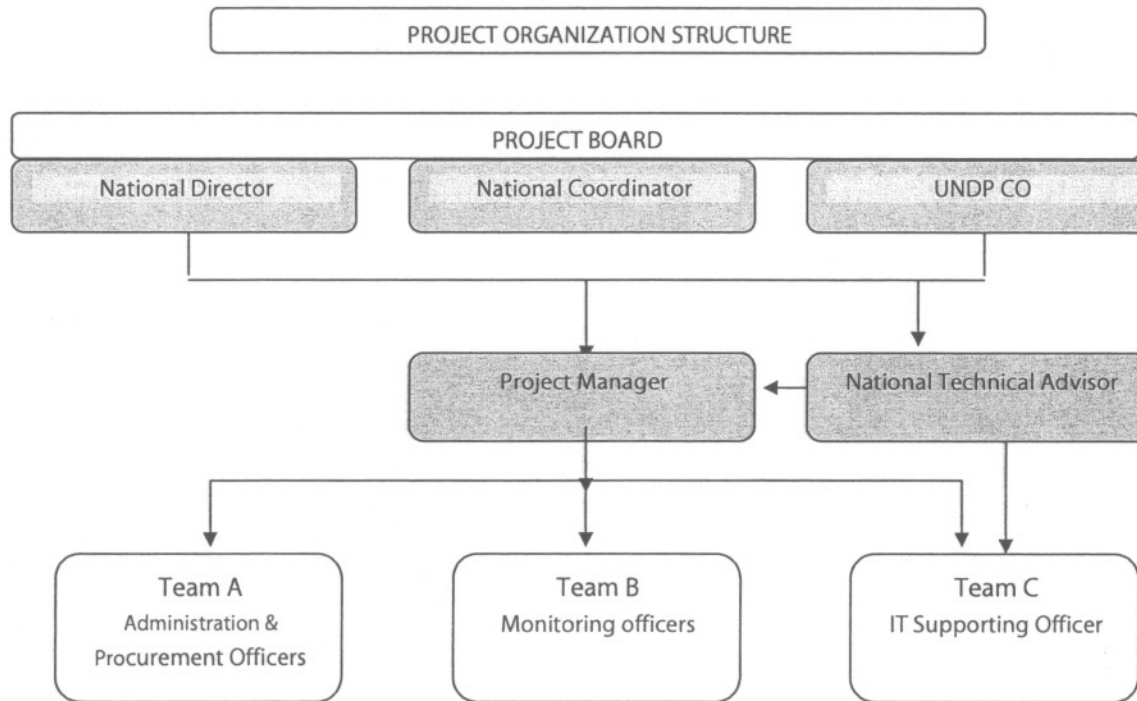
| EXPECTED OUTPUTS | PLANNED ACTIVITIES | TIMEFRAME | | | | RESPONSIBLE PARTY | PLANNED BUDGET | | | | | |
|--|---|-----------|----|----|----|-------------------|----------------|-------------------------------------|----------------------------|---------------------|---------------------|------------|
| | | Q1 | Q2 | Q3 | Q4 | | Funding Source | Budget Description | MKD | exchange rate March | USD | |
| <i>And baseline, indicators including annual targets</i> | <i>List activity results and associated actions</i> | | | | | | | | | | | |
| Output 1 Improved model for implementation of Active Labour Market Measure on Self-employment developed and implemented | 1.1 Call for applications and opportunities for self-employment promoted | X | | | | UNDP | | | | | | |
| | 1.2 Training on development of business ideas provided by an external consulting company | | X | | | UNDP | 30000 | 7210 Contractual Services-Companies | 2,067,300.00 | 48.09 | 42,988.15 | |
| | 1.3 Development of business plan supported | | | X | X | UNDP | 30000 | 7210 Contractual Services- | 7,540,000.00 | 48.09 | 156,789.35 | |
| | 1.4 Business plans evaluated and selected, companies registered | | | X | | UNDP | 30000 | 7210 Contractual Services- | 1,975,750.00 | 48.09 | 41,084.43 | |
| | 1.5 Small capital grants provided to the companies through delivered necessary equipment/ materials | | | X | X | UNDP | 30000 | 7210 Contractual Services- | 111,000,000.00 | 48.09 | 2,308,172.18 | |
| | Project management | | | | | | UNDP | 4000 | 7140 Ind. Contr. Service | 4,809,000.00 | 48.09 | 100,000.00 |
| | | | | | | | UNDP | 30000 | 7140 Ind. Contr. Service | 4,036,137.00 | 48.09 | 83,928.82 |
| | | | X | X | X | X | UNDP | 30000 | 72500 Supplies | 101,318.00 | 48.09 | 2,106.84 |
| | | | | | | | UNDP | 30000 | 73100 Rent and maintenance | 600,871.00 | 48.09 | 12,494.72 |
| | | | | | | | UNDP | 30000 | 71600 local travel | 694,399.00 | 48.09 | 14,439.57 |
| | | | | | | | UNDP | 30000 | 72400 communications (tel) | 643,369.00 | 48.09 | 13,378.44 |
| | Programmable budget | | | | | | | | 133,468,144.00 | 48.09 | 2,775,382.49 | |
| | GMS (3%) | | | | | UNDP | VAT return | | 3,826,209.00 | 48.09 | 79,563.51 | |
| Direct costs | | | | | | VAT return | | 2,233,616.00 | 48.09 | 46,446.58 | | |
| SUB TOTAL 1 | | | | | | | | | 139,527,969.00 | | 2,901,392.58 | |
| Output 2 Improved model for implementation of Active Labour Market Measure on Formalization developed and implemented | 2.1 Call for applications and opportunities for self-employment promoted | X | | | | UNDP | | | | | | |
| | 2.2 Business plans evaluated and selected, companies registered | | X | X | | UNDP | 30000 | 7210 Contractual Services-Companies | 574,250.00 | 48.09 | 11,941.15 | |
| | 2.3 Small capital grants provided to the companies through delivered necessary equipment/ materials | | | X | X | UNDP | 30000 | 7210 Contractual Services- | 46,250,000.00 | 48.09 | 961,738.41 | |

| | | | | | | | | | | | |
|---|--|---|---|---|---|------|------------|-------------------------------------|----------------------|----------------|---------------------|
| | | | | | | UNDP | 30000 | 7140 Ind. Contr. Service | 1,102,960.00 | 48.09 | 22,935.33 |
| | | | | | | UNDP | 30000 | 72500 Supplies | 21,682.00 | 48.09 | 450.86 |
| | | X | X | X | X | UNDP | 30000 | 73100 Rent and maintenance | 146,354.00 | 48.09 | 3,043.34 |
| | | | | | | UNDP | 30000 | 71600 local travel | 148,601.00 | 48.09 | 3,090.06 |
| | | | | | | UNDP | 30000 | 72400 communications (tel) | 137,681.00 | 48.09 | 2,862.99 |
| | Programmable budget | | | | | | | | 48,381,528.00 | 48.09 | 1,006,062.13 |
| | GMS (3%) | | | | | UNDP | VAT return | | 1,410,000.00 | 48.09 | 29,320.02 |
| | Direct costs | | | | | | VAT return | | 188,929.00 | 48.09 | 3,928.65 |
| SUB TOTAL 2 | | | | | | | | | 49,980,457.00 | | 1,039,310.81 |
| Output 3 Strengthen institutional capacity to effectively develop and implement initiatives for new ALMMs | Action 3.1 - Further strengthening of capacities | X | X | X | X | UNDP | | | | | |
| | a. Capacity of ESA on implementation of Self-employment measure and Formalization measure increased through developed partnership /coordination among key partners, and knowledge on implementing the Self-employment and Formalization ALMMs transferred. | X | X | X | X | UNDP | | | | | |
| | b. Regular reporting to the project Coordination Team and Working Group led by MLSP provided, and implementation steps/ bottle-necks/findings outlined | X | X | X | X | UNDP | | | | | |
| | c. Implementation steps/ bottle-necks/findings discussed on two-days workshop organized with national partners involved in the implementation activities under UNDP responsibility | X | X | X | X | UNDP | 4000 | 72705 - Special events(seminars) | 240,450.00 | 48.09 | 5,000.00 |
| | d. Capacities of MLSP, ESA and other national institutions relevant in the filed of ALMMs further strengthened and increased trough organized study visit | X | X | X | X | UNDP | 4000 | 72705 - Special events(study tour) | 721,350.00 | 48.09 | 15,000.00 |
| | e. Analysis of the situation with target group covering young people up to 27 years of age | X | X | X | X | UNDP | | | | | |
| | SUB TOTAL 3 (in cash) | | | | | | | | | 961,800 | 48.09 |
| | Action 3.2-Training and re-training | X | X | X | X | UNDP | | | | | |
| | a. Agreement with the Ministry of Education and Science, the Employment Services Agency, VET Centre and the Ministry of Labour and Social Policy on the priority skills and occupations for short-term training and retraining prepared; | X | X | X | X | UNDP | | | | | |

| | | | | | | | | | | |
|--|---|---|---|---|------|------|------------------------|-----------------------|--------------|---------------------|
| b. Identification of most needed skills in accordance with Annual Skills Need Analysis prepared by ESA performed | X | X | X | X | UNDP | | | | | |
| c. Identifications of public Institutions to conduct training and re-training programs performed | X | X | X | X | UNDP | | | | | |
| d. Assistance in development of training modules (curricula) and obtaining their endorsement by the Ministry of Education and Science provided | X | X | X | X | UNDP | | | | | |
| e. Support in organisation and delivery of the training and re-training programmes on priority skills and occupations provided | X | X | X | X | UNDP | | | | | |
| f. Assistance in development of a necessary by-laws and secondary legislation as well as operational proceedings for the involved institutions enabling them to enact Law on Adult Education provided | X | X | X | X | UNDP | | | | | |
| g. All required procedures, criteria, tools needed for the operationalization of the training and re-training process for future increase of the scope of actions initiated and support provided | X | X | X | X | UNDP | 4000 | 73200 Local Consultant | 1,298,430.00 | 48.09 | 27,000.00 |
| Action 3.3- Monitoring and Evaluation a. Methodology and procedures for monitoring and evaluation of active labour market programmes defined in the Operation Plan for 2009 improved b. Piloting an activity for development of a solution for data processing in regard to the ALMM Training and re-training in labour market deficient skills and occupations for web platform c. Adjusting the system for development and preparation of monitoring reports in accordance with the national partners' needs | | | | | UNDP | 4000 | 71200 Int Consultant | 2,891,435.78 | 48.09 | 60,125.51 |
| SUB TOTAL 3 (UNDP in kind) | | | | | | | | 4,189,865.78 | 48.09 | 87,125.51 |
| SUB TOTAL 3 (in cash) and (UNDP in kind) | | | | | | | | 5,151,665.78 | 48.09 | 107,125.51 |
| TOTAL BUDGET (in cash with VAT return) | | | | | | | | 190,470,226.00 | 48.09 | 3,960,703.39 |

V. MANAGEMENT ARRANGEMENTS

PO organization chart



Implementation arrangements

Overall Management

The Project will be executed under National Execution Modality (NEX), under overall responsibility of the Government. UNDP will provide support to the execution of the project both as an implementing partner and technical assistance provider. Ministry of Labour and Social Policy will be the focal point for all communications with UNDP, and all project-related activities. Both the Ministry of Labour and Social Policy and UNDP will be primarily responsible for the overall management of the project activities, reporting, accounting, monitoring and evaluation as well as supervision of the implementing partners. The Government will entrust UNDP Office to provide services related to procurement, recruitment, contracting as well as to make direct payments to vendors on the terms to be agreed separately between the Government and UNDP.

Specific roles are the following:

a) **National Programme Director (NPD)**, the **Minister of Labour and Social Policy** is Head of the Project Board and a principal focal point from the Ministry of Labour and Social Policy for the overall coordination of the employment programme. Also Minister will be a main link with the Government and the Project partners.

b) **National Project Coordinator (NPC)**, **Director of ESA** will under overall guidance of the **National Programme Director**, serve as a focal point and provide inputs in the day-to-day implementation of the project.

c) *Management and oversight of the components 1. Support in improving and fine tuning of the business model for implementation of Self-employment measure and 2. Support in improving and fine tuning of the business model for implementation of Formalization measure should be provided by a single **Project Manager (PM)**, under guidance of NPC and UNDP Programme Officer.*

The PM will report to the **Project Board (PB)**. The Project Manager would be responsible for:

- Preparation and implementation of work plans;
- The use of funds and delivery of results in line with the approved work plan;
- Recording and solving within the tolerance practical problems and obstacles faced during the implementation and to report and recommend solutions for issues that exceed the given tolerance;
- Generating project reports;
- Consistency and Integrity of the methodology applied.

The management of project funds will be carried out according to UNDP financial rules and regulations, based on a work plan with a detailed budget. Project team will be responsible for the reporting on the resources allocated and Project achievements. The funds from the Project shall not be used for paying any taxes. The Government will bear all charges of this kind.

At the same time, close coordination and TA of Project activities under component 3. Further development of the mechanisms and procedures for provision of training and re-training in deficient labour market skills and occupation, including enlarged scope of the training programs, participants and training program providers for unknown employer as ALMM and 4. Monitoring and Evaluation of ALMMs for ESA, will be provided by a **National Technical Advisor (NTA)**, who will work under guidance of NPC and UNDP Programme Officer.

The NTA will prepare reports which will be delivered to the PM to be included to the Official Reports for the **Project Board (PB)**.

d) The project will be formally steered by the **Project Board (PB)**, which serves as a main coordinating body for the implementation of this project.

*The specific duties and responsibilities of the **Project Board** will include:*

- *Facilitates and supports the institutional arrangements that are necessary for effective project implementation;*
- *Provides policy guidance and recommendation regarding project strategy and project objectives;*
- *Approves Operational Guidelines;*
- *Promote projects and mobilize resources to expand project activities;*
- *Approves work plans and ensures they adhere to projects' priorities;*
- *Periodically reviews and oversees the financial and programme achievements;*
- *Reviews monthly brief reports and quarterly financial and progress reports and provides comments.*

The other partners for implementation are the Employment Service Agency (ESA) and Agency for Promotion of Entrepreneurship (APE). A **Project Board** composed of NPD, NPC, Resident Representative (UNDP), and Director of APE will meet on a periodic basis.

Implementation Procedures

UNDP Project and Programme team in close cooperation with ESA and APE will develop the implementation procedures and produce the necessary application documents, based on the previous experiences and lessons learnt, supported by national/international consultant.

The **Operational Guidelines** for the project will be a key document to describe the methodology and the process of implementation of the ALMMs as part of OP 2009 where UNDP is having a role. This document will describe how interested unemployed candidates will be able to apply, participate and receive the self-employment or formalization grants, as well as the method of implementation, monitoring and evaluation, method for provision of support in the activities related to the training of deficient skills on the labor market, and also method how to improve monitoring and evaluation strategy.

Daily Management

The **Project Office** located in Skopje will be responsible for implementation and monitoring activities, evaluation and guidance (including training and capacity building) during the implementation phase. It will be staffed with a Project Manager, National Technical Advisor, Administrative Assistant, 1 Procurement Assistant, 6 Monitoring Officers and an IT Supporting Officer.

In addition there will be **Project Coordination Team**, and it will consist of:

1. Nikola Tashev, ESA
2. Aco Preskakulev, ESA
3. Seljatin Beljuli, ESA
4. Ljubisa Nikolovski, APE
5. Marian Stojcev, APE
6. Snezana Mircevska-Damjanovska, UNDP
7. Merita Maksuti, UNDP

UNDP Country Office will be responsible for overall management, guidance and directions to the execution of the Programme, as delegated separately by the Government Executing Agent, including the administration and disbursement of project funds under the direct payment modality. It will be also responsible for regular collaboration and reporting to the Government on quarterly bases.

VI. MONITORING FRAMEWORK AND EVALUATION

Within the annual cycle

The Project monitoring and evaluation mechanisms will be implemented on two levels. On a first level, under the guidance of the Project Manager, Monitoring Officers will actively work with all Employment Centres and Voucher Centres, Commission for ranking of business plans, and the applicants for ALMMs Self-employment and Formalization, aiming at timely monitoring and coordination of activities within project timeframe. Monitoring Officers will ensure information sharing in parallel with internal information flow of each of the institutions and will support the Directors of Employment Centers in delivering their complex tasks. They will ensure transparency in all processes run by different institutions and will communicate with the candidates, aiming at providing feedback on usefulness and successfulness of undertaken activities.

Second level of monitoring will be secured through engagement of National Project Coordinator and UNDP Programme Officer, who will ensure submission of short, Monthly and Quarterly reports to the members of Project Board and will follow, summarize and provide all information to all three institutions. They will directly monitor implementation of the Project Work Plan and the Project Manager performance.

Accordingly, information and reports (Monthly and Quarterly) will flow from the Employment Centres to the National Employment Agency and to Monitoring Officers, and from Voucher Centres to APE and Monitoring Officers. Monitoring Officers will prepare Progress Weekly Reports to be submitted to the Project Manager, who is responsible for delivering them to the Project Coordination Team, National Project Coordinator and UNDP Programme Officer. Summarized information will be submitted to the National Project Director and UNDP Resident Representative, by the National Project Coordinator and UNDP Programme Officer, on monthly bases.

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

In order to evaluate the process of the Self-employment measure, and take into account lessons learned for repeating /scaling up future interventions, independent evaluation exercise will be undertaken. UNDP will prepare Terms of Reference (ToR), select consultants and provide support during the evaluation. Expected result as an evaluation report to be received by MLSP, ESA, APE and UNDP by early 2009.

Quality Management for Project Activity Results

Replicate the table for each activity result of the AWP to provide information on monitoring actions based on quality criteria. To be completed during the process "Defining a Project". This table shall be further refined during the process "Initiating a Project".

| OUTPUT 1: Model for implementation of Active Labour Market Measure on Self-employment further improved and implemented | | |
|--|---|---|
| Activity Result 1 (Atlas Activity ID) | <i>Self-employment implementation Activity1</i> | Start Date: 01 Mar '09 End Date: 31 Dec '09 |
| Purpose | 600 self-employments /small businesses established | |
| Description | Implementation of the improved model for Self-employment Active Labour Market Measure (ALMM), with a goal to reduce unemployment by assisting 600 self-employments. Implementation of the Self-employment ALMM will be done through transparent and open selection process, through which best business ideas will be selected and provided with training on development of business plans. As a result, 600 companies will be registered by the end of 2009. Newly formed companies will be further supported with small capital grants, providing to the companies necessary equipment/ materials for start-up. | |
| Quality Criteria <i>How/with what indicators the quality of the activity result will be measured?</i> | Quality Method <i>Means of verification. What method will be used to determine if quality criteria has been met?</i> | Date of Assessment <i>When will the assessment of quality be performed?</i> |
| Timely and broad promotion of the opportunities offered by the Self-employment ALMM intervention as well as success stories and achievements reached in 2008; No. of applications received; | At least 2.000 candidates registered at ESA Local Job Centres and approximately 950 candidates confirmed their interest in written form | June 2009 |
| Relevant and competent training on development of business plans based on applicants ideas provided; Business plans produced and best ones selected for further support; No of registered companies. | Good quality interactive training "From idea to businesses" organized; 680 business plans developed; 600 viable business plans selected for self-employment grants; 600 supported businesses registered. | Oct 2009 |
| Timely and efficient provision of small-grants allocated for procurement of necessary equipment/ materials to the registered companies. | 600 Self-employment grants in equipment and/or materials transparently and timely procured and delivered to the registered businesses. | Dec 2009 |

| OUTPUT 2: Model for implementation of Active Labour Market Measure on Formalization of existing business further improved and implemented | | |
|--|--|---|
| Activity Result (Atlas Activity ID) | Formalization of businesses Activity2 | Start Date: 01 Feb '09 End Date: 31 Dec '09 |
| Purpose | 250 informal businesses formalize | |
| Description | Implementation of the improved model for Formalization Active Labour Market Measure (ALMM), with a goal to reduce unemployment and grey economy by assisting 250 informal already existing businesses to legalize. Implementation of the Formalization ALMM will be done through transparent and open selection process. As a result, 250 companies will be registered by the end of 2009. Newly, legalized companies will be further supported with small capital grants. | |
| Quality Criteria <i>How/with what indicators the quality of the activity result will be measured?</i> | Quality Method <i>Means of verification. What method will be used to determine if quality criteria has been met?</i> | Date of Assessment <i>When will the assessment of quality be performed?</i> |
| Timely and broad promotion of the opportunities offered by the formalization of existing businesses ALMM as well as success stories and achievements reached in 2008; No. of applications received; | At least 350 candidates registered at ESA Regional Job Centres and approximately 300 candidates confirmed their interest in written form | June 2009 |
| No. of informal businesses formalized. | 250 informal businesses registered | Oct 2009 |
| Timely and efficient provision of small-grants allocated for procurement of necessary equipment/materials to the registered companies. | 250 Formalization grants in equipment and/or materials transparently and timely procured and delivered to the registered businesses. | Dec 2009 |

| OUTPUT 3: Strengthened institutional capacity to effectively develop and implement initiatives for new ALMMs | | |
|--|---|---|
| Activity Result (Atlas Activity ID) | Strengthen institutional capacities <i>Activity 3</i> | Start Date: 01 Mar '09 End Date: 31 Dec '09 |
| Purpose | Capacity of ESA on implementation of Self-employment and Formalization measures increased through developed partnership /coordination among key partners; Knowledge on existing and development of new ALMMs increased through organized study visit, Knowledge on implementing the Self-employment and Formalization of existing businesses as ALMMs transferred; Coordination of national partners in the measure Training and re-training, as well as preparing Centre for Adult Education, within MES, and ESA to lead other institutions in actual implementation; Piloting an activity for development of a solution for data processing in regard to ALMM Training and re-training in labour market deficient skills and occupations for web platform, as well adjusting the system for development and preparation of monitoring reports in accordance to the national partners' needs. | |
| Description | Strengthening capacities through the knowledge transfer, coordination methods and monitoring and evaluation tools used in implementation of the OP 2009 ALMMs More specifically: <ul style="list-style-type: none"> • Knowledge on implementation of the Self-employment and Formalization as ALMMs transferred to the national partners • Knowledge on development of new ALMMs • Market based training and re-training modules of related policies developed and put in place through established coordination and mechanisms for implementation | |
| Quality Criteria <i>How/with what indicators the quality of the activity result will be measured?</i> | Quality Method <i>Means of verification. What method will be used to determine if quality criteria has been met?</i> | Date of Assessment <i>When will the assessment of quality be performed?</i> |
| Preparation of the improved Project Operational Guidelines in coordination with national institutions | Operational Guidelines (OG) drafted and accepted by PB. OG regularly updated; Final version of the OG produced at the end of the project. | March 2009 |
| Monitoring on implementation conducted through a joint monitoring team consisted of ESA, APPRM and UNDP | Lessons learnt shared with relevant national institutions. | Dec 2009 |
| Regular reporting to the Project Coordination Team and Working Group provided, and implementation steps/bottle-necks/findings outlined | Monthly and Quarterly reports prepared and shared with national institutions. | Monthly and quarterly |
| High quality training curriculum developed by the VET Centre and endorsed by the MES | Four (4) standard based training curriculum developed by VAT Centre, broadly publicly discussed among the relevant institutions and approved by MES | Sep 2009 |
| Relevant and competent institutions ready to provide timely and professional training, fulfilled the accreditation procedures | Existing public secondary vocational schools well prepared for training provision | Sep 2009 |
| Solution for data processing related to ALMM Training and re-training in labour market deficient skills and occupations for web platform developed. System for development and preparation of monitoring reports in accordance to the national partners' need adjusted | MIS for all ALMM from the OP 2009 further developed and consequently improved | Dec 2009 |

VII. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of the Former Yugoslav Republic of Macedonia and the United Nations Development Programme, signed by the parties on 30 October 1995. The host-country implementing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the Government co-operating agency described in that Agreement.

The following type of revisions may be made to this project document with the signature of the UN/UNDP Resident Representative only, provided that he/she is assured that the signatories of the project document have no objections to the proposed changes:

1. Revisions in or additions of, in the annexes of the project document.
2. Revisions, which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increase due to inflation.
3. Mandatory annual revisions, which re-phase the delivery of agreed project inputs or increased expert or other costs.

Necessary procurement contracts will be signed and executed only upon full transfer of Governmental funds to UNDP, in line with the presented payment plan presented below.

Special Clauses

All financial accounts and statements shall be expressed in United States dollars.

If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit an information on a timely basis a supplementary estimate showing the further financing that will be necessary.

Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

In accordance with the decisions and directives of UNDP's Executive Board:

The contribution shall be charged:

- a) 3% cost recovery for the provision of general management support (GMS) by UNDP headquarters and country offices
- b) Direct cost for implementation support services (ISS) provided by UNDP and/or an executing entity/implementing partner.

Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.

Budget

| | Line Item | Unemployed | Units | Amount | output 3 | Total MKD including VAT | rate | Total USD* |
|-----|---|------------|--------|------------|--------------|-------------------------|-------|--------------|
| 1 | Training for 900 participants* | 900 | 1 | 2,297.00 | | 2,067,300.00 | 48.09 | 42,988.15 |
| 2 | Business plans - Voucher system* | 650 | 1 | 11,600.00 | | 7,540,000.00 | 48.09 | 156,789.35 |
| 3 | Registration of companies* | 850 | 1 | 3,000.00 | | 2,550,000.00 | 48.09 | 53,025.58 |
| 4 | Self-employment grants* | 850 | 1 | 185,000.00 | | 157,250,000.00 | 48.09 | 3,269,910.58 |
| 5 | Administrative costs covered by the Government | | | | | 5,133,000.00 | 48.09 | 106,737.37 |
| | TOTAL funds from the Government | | | 78,105.00 | | 174,540,300.00 | 48.09 | 3,629,451.03 |
| 5a | Administrative costs, detailed | units | months | | | | 48.09 | |
| 5.1 | Staff | 11 | 10 | 90,437.25 | 9,948,097.76 | 9,948,097.76 | 48.09 | 206,864.17 |
| 5.2 | office rental and maintenance | 1 | 9 | 83,025.00 | 747,225.00 | 747,225.00 | 48.09 | 15,538.05 |
| 5.3 | communications | 1 | 10 | 78,105.00 | 781,050.00 | 781,050.00 | 48.09 | 16,241.42 |
| 5.4 | travel | 1 | 10 | 84,300.00 | 843,000.00 | 843,000.00 | 48.09 | 17,529.63 |
| 5.5 | office supplies | 1 | 10 | 12,300.00 | 123,000.00 | 123,000.00 | 48.09 | 2,557.70 |
| | UNDP General Management Service Fee 3%, only from Govt. funds | | | | | 5,236,209.00 | 48.09 | 108,883.53 |
| | UNDP direct cost to the management | | | | | 2,422,545.00 | 48.09 | 50,375.23 |
| | Unfunded budget Project office | | | | | 2,500,372.76 | 48.09 | 51,993.61 |
| | Subtotal 5 | | | | | 12,442,372.76 | 48.09 | |
| | | | | | | | 48.09 | |

| | | | | | | | |
|--|--|--|-------------------|--|-----------------------|-------|---------------------|
| Funding sources: | | | | | | 48.09 | |
| 1. Government | | | | | 174,540,300.00 | 48.09 | 3,629,451.03 |
| 2. UNDP in cash | | | | | 5,770,800.00 | 48.09 | 120,000.00 |
| | | | Total Gov | | 174,540,300.00 | 48.09 | 3,629,451.03 |
| 3. UNDP in kind contribution | | | | | 4,189,865.78 | 48.09 | 87,125.51 |
| | | | Total UNDP | | 9,960,665.78 | 48.09 | 207,125.51 |
| TOTAL PROJECT BUDGET (available cash budget for 600 self-employments and 250 formalization) | | | | | 180,311,100.00 | 48.09 | 3,749,451.03 |
| Unfunded budget | | | | | 10,159,126.76 | 48.09 | 214,766.60 |
| TOTAL PROJECT BUDGET | | | | | 190,470,226.76 | 48.09 | 3,960,703.41 |
| Government contribution to UNDP | | | | | 174,540,300.00 | 48.09 | 3,629,451.03 |
| UNDP contribution | | | | | 9,960,665.78 | 48.09 | 207,125.51 |
| VAT return | | | GMS | | 5,236,209.00 | 48.09 | 108,883.53 |
| VAT return | | | Direct costs | | 2,422,545.00 | 48.09 | 50,375.23 |
| VAT return | | | PO admin costs | | 2,500,372.76 | 48.09 | 51,993.61 |

* UNDP is not eligible to pay for VAT

** Exchange rate for March 2009, 1USD = 48.09 MKD

Annex 1 of the Project Document

“Self-employment III and Technical Assistance to Support the Government Operational Plan for ALMMs for 2009”

1. For the smooth implementation of the project UNDP agree to accept and report in Macedonian Denars (according to the official UN exchange rates for the reporting period). The contribution will be transferred to the UNDP in four tranches for the activities as described below in the tables 1 and 2:

Table 1. Description of projected activities

| | Activities | Unemployed | Total MKD Including VAT | Exchange rate | Total USD** |
|---|---|------------|-------------------------|---------------|---------------------|
| 1 | Training "From idea from business" for 900 participants | 900 | 2,067,300,00 | 48.09 | 42,988,15 |
| 2 | Development of business plans - Voucher system (self-employment) | 650 | 7,540,000,00 | 48.09 | 156,789,35 |
| 3 | Registration of companies/ Self-employment | 600 | 1,800,000,00 | 48.09 | 37,429,81 |
| 4 | Registration of companies/ Formalization | 250 | 750,000,00 | 48.09 | 15,595,76 |
| 5 | Small capital grants/ Self-employment | 600 | 111,000,000,00 | 48.09 | 2,308,172,18 |
| 6 | Small capital grants/ Formalization | 250 | 46,250,000,00 | 48.09 | 961,738,41 |
| 7 | Administrative costs covered by the Government | | 5,133,000,00 | 48.09 | 106,737,37 |
| | TOTAL funds from the Government | | 174,540,300,00 | 48.09 | 3,629,451,03 |
| | Total activities in MKD | | 174,540,300,00 | 48.09 | 3,629,451,03 |
| | Total Activities in USD \$ | | 3,629,451,03 | | |

Table 2. Dynamics of transfer of instalments toward UNDP

| Instalments | Date | Amount in MKD |
|--------------------|-------------------------------|-----------------------|
| First installment | Upon signing of the Agreement | 34,908,060,00 |
| Second installment | 01.05.2009 | 52,362,090,00 |
| Third installment | 01.08.2009 | 61,089,105,00 |
| Forth installment | 01.10.2009 | 26,181,045,00 |
| Total | | 174,540,300,00 |

2. The Government and UNDP agreed that the **PROJECT COSTS** will be shared in the manner described in Table 3:

Table 3: Project costs

| | Type of the cost | Donor | Source of financial sources | Needed funds (in MKD) | Need funds (in USD) |
|----------|---|-------------------|---|-----------------------|---------------------|
| 1 | PROJECT OFFICE COSTS – Administrative costs (project staff, office rent and maintenance, communications, travel and car maintain ace, office supplies) – Table 4 | | | 12,442,372.76 | 258,730.98 |
| 1.1. | Administrative costs | Government | In calculated in the funds determined for the activities of the project, funded by the Government of RM | 5,133,000.00 | 106,737.37 |
| 1.2. | Administrative costs | Government | Covered by the VET funds return of the project | 2,500,372.76 | 51,993.61 |
| 1.3. | Administrative costs | UNDP | UNDP in cash | 4,809,000.00 | 100,000.00 |
| 2 | COSTS RELATED TO THE MANAGEMENT AND IMPLEMENTATION SERVICES | | | 7,658,754.00 | 159,258.76 |
| 2.1 | INDIRECT COSTS - GMS (3% of the total amount of received by the Government, for the offices in New York) – Table 5 | Government | Covered by the VET funds return of the project | 5,236,209.00 | 108,883.53 |
| 2.2. | DIRECT COSTS for implementation – Table 6 | Government | Covered by the VET funds return of the project | 2,422,545.00 | 50,375.23 |
| | TOTAL PROJECT COSTS | | | 20,101,126.76 | 417,989.74 |
| | (1.1 + 1.2. + 2.1. + 2.2) | Government | | 15,292,126.76 | 317,989.74 |
| | 1.3. | UNDP | | 4,809,000.00 | 100,000.00 |

In the **total project costs** the Government will contribute 15,292,126,76 Macedonian Denars (MKD) whereas UNDP will contribute 4,809,000.00 MKD (100,000.00 USD) in cash. As a project support UNDP will provide 4,189,865.78 MKD (87,125.51 USD) in kind contribution

Project Office Costs (Administrative costs) will be utilized as showed in Table 4:

Table 4: Project Office Costs – Administrative costs

| Administrative costs description | units | months | Total for months | Amount in MKD | USD exchange rate | Amount in USD |
|----------------------------------|-------|--------|------------------|----------------------|-------------------|-------------------|
| 1. Staff | 11 | 10 | 90,437.25 | 9,948,097.50 | 48.09 | 206,864.17 |
| 2. Office rental and maintenance | 1 | 9 | 83,025.00 | 747,225.00 | 48.09 | 15,538.05 |
| 3. Communications | 1 | 10 | 78,105.00 | 781,050.00 | 48.09 | 16,241.42 |
| 4. Travel and car maintain ace | 1 | 10 | 84,300.00 | 843,000.00 | 48.09 | 17,529.63 |
| 5. Office supplies | 1 | 10 | 12,300.00 | 123,000.00 | 48.09 | 2,557.70 |
| Total | | | | 12,442,372.50 | | 258,730.98 |

The costs related to management and implementation services (Indirect and Direct costs), reference to Article 2 of Cost-sharing Agreement are outlined below and as agreed between UNDP and the MLSP will be covered from VAT reimbursement resources under the project, as described in Table 5 and Table 6 :

