

REPUBLIC OF MACEDONIA
Skills Development and Innovation Support Project (SDISP)
(IBRD Loan No.8332-MK.)

SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT
OPERATIONAL MANUAL

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ABBREVIATIONS AND ACRONYMS USED

Acronym	Definition
CQ	Consultants Qualifications
CS	Consulting Services
CV	Curriculum Vitae
CPS	Country Partnership Strategy
DA	Designated Account
DC	Direct Contracting
DDA	Denar Designated Account
DPM	Deputy Prime Minister
EC	Evaluation Committees
EOI	Expressions Of Interest
EU	European Union
FB	Fixed Budget
FBS	Fixed Budget Selection
FDI	Foreign Direct Investments
FITD	Fund for Innovation and Technological Development
FM	Financial Management
FMIS	Financial Management Information System
FMR	Financial Monitoring Reports
GDP	Gross Domestic Product
GOM	Government Of Macedonia
GAC	Grant Approval Committee
GPN	General Procurement Notices
HEAEB	Higher Education Accreditation Evaluation Board
IAS	International Accounting Standards
IBRD	International Bank for development and reconstruction
IC	Individual Consultants
ICB	International Competitive Bidding
IE	Impact Evaluations
IFB	Invitation For Bids
IOC	Incremental Operating Costs
IT	Information Technology
ITQ	Invitation To Quote
IU	Implementation Unit
IRC	Investment Review Committee
IP	Intellectual Property
IPR	Intellectual Property Regime
L/C	Least Cost
LCS	Least Cost Selection
LOI	Letter Of Invitation
M&E	Monitoring and Evaluation
MLSP	Ministry of Labor and Social Policy
MOES	Ministry of Education and Science
MOF	Ministry of Finance
MOE	Ministry of Economy
NBRM	National Bank of Macedonia
NTTO	National Technology Transfer Office
NIS	National Innovation System

Acronym	Definition
O&C	Oversight and Controls
OECD	Organization for Economic Cooperation and Development
PAD	Project Appraisal Document
PDO	Project Development Objectives
PID	Project Implementation Documents
PMU	Project Management Unit
PO	Project Objectives
POM	Project Operational Manual
PR	Public Relations
PSC	Project Steering Committee
QBS	Quality Based Selection
QCBS	Quality Cost Based Selection
CQ	Consultant Qualifications
RFP	Request For Proposals
R&D	Research and Development
RM	Republic of Macedonia
SBD	Standard Bidding Documents
SOE	Statements Of Expenditure
SPN	Specific Procurement Notices
SS	Sole Source
SSS	Single Source Selection
TOR	Terms Of Reference
STA	Single Treasure Account
TR	Training
TS	Technical Specification
UN	United Nations
UNDB	United Nations Development Business
VAT	Value Added Tax
TVET	Technical Vocational Education and Training
WB	World Bank
WPs	Work programs
WG	Working Group

1. INTRODUCTION

The objective of this Project Operations Manual (POM) is to support the Government of FYR Macedonia during the implementation of the Skills Development and Innovation Support Project, hereinafter called only “SDIS Project”, describing its components, institutional arrangements for management and coordination, its implementation, fiduciary procedures for financial management and procurement, roles and responsibilities of each unit and stakeholder involved in the execution of all components, the environmental management framework related to the Project, as well as the monitoring and evaluation (M&E) framework.

This POM is meant to facilitate project implementation and promote consistency as well as transparency in operational procedures, particularly in the areas of procurement, disbursement, financial reporting and M&E. The Project activities shall be carried out in accordance with the requirements of the SDIS Project Loan Agreement, in conjunction with the procedures set forth in this POM, the School Grants Operations Manual and the Innovation Grants Operations Manual.

This manual encompasses the following sections, besides this introduction: (i) brief description of the project, (ii) institutional arrangements, (iii) project implementation, (iv) financial management procedures, (v) procurement procedures and (vi) monitoring and evaluation.

2. PROJECT DESCRIPTION

2.1. Country and sector issues overview

1. The Republic of Macedonia is a small, landlocked, middle income country in the Balkan Peninsula. Macedonia has an open economy and has been very successful in maintaining macroeconomic stability, even throughout the recent economic crisis. Average real GDP growth for the period 2004-2008 reached five percent. The country suffered a mild recession in 2009 (of -0.9 percent) but rebounded quickly in 2010 and 2011, when real GDP growth averaged 2.9 percent. The Euro zone turmoil of 2011 and 2012 took its toll on the economy, as industrial production, exports and investment dropped and construction decreased, resulting in negative real GDP growth of 0.3 percent for 2012. The Government has followed prudent policies to stabilize the macroeconomic environment, resulting in adequate balances and comparably moderate debt levels. The Government has also continued its efforts to further structural reforms, which have helped the country in improving significantly its *Doing Business* indicators and have contributed to the country’s continued success in attracting Foreign Direct Investment (FDI).

2. The challenge facing Macedonia is to transition to a higher growth trajectory by developing a more competitive and export-oriented enterprise sector. In a small open economy where domestic demand is dampened by long-term unemployment and relatively low wages, firms must look to export markets for growth. This is likely to be a challenging transition, as entry will significantly intensify competition for resources and markets. For large-scale FDI to serve as a catalyst for sustained, export-oriented growth at higher rates, domestic firms will need to make

much more substantial investments in skills and innovation, both areas identified as critical constraints to competitiveness in Macedonia.¹

3. Macedonia's solid growth and fiscal performance over the past decade has resulted in a decrease in unemployment, although its overall level remains high at around 30 percent. In addition to high unemployment, labor force participation remains well below EU levels, especially among women (50 percent). Among those who work, wages and productivity remain low. While unemployment has fallen from around 36 percent in the mid-2000s to today's levels as the country has increased the pace of job-creation, most of these new jobs have been either low productivity or fiscally costly: 27.1 percent of net jobs created since 2007 have been in agriculture, 13 percent in retail trade and 19.7 percent in the public sector.²

4. Improving the country's labor market performance and economic competitiveness will require a more skilled and better educated labor force, as well as increased technology absorption, diffusion of knowledge and innovation. While access to education has improved, there is a challenging disconnect between the products of the education system and the private sector needs, as companies complain about the quality and availability of skills despite high unemployment. At the same time, the regulatory, institutional and financial environment can be strengthened to further promote innovation at the firm level and improve commercial significance of its academic science and technology assets.

5. The Government of Macedonia is committed to investing in quality education, innovation and information technology, identified as top strategic priority areas in its Work Program for the period 2011-2015 as well as in the South Eastern Europe 2020 Strategy. To accomplish these objectives, the Government has sought support from the World Bank to advance its reforms to achieve better quality higher and vocational education and innovation systems.

Sectorial and Institutional Context

6. The system for developing skills and innovation activities in Macedonia spans from early childhood through adult education and into research systems. Skills development initiatives fall under the auspices of the Ministry of Education and Science, which also has the main role in science and research and development (R&D), at both the operational level and with regards to funding.

7. Macedonia's education system comprises preschool, elementary, secondary and higher education. Primary and secondary education is compulsory, and the former was recently extended from eight to nine years. As in other countries of former Yugoslavia, there are three types of secondary education: general secondary education, 4-year vocational training, and 3-year vocational training. Improvements in the education sector have been noticeable over the past few years, especially with regard to improved learning outcomes at primary level and increased enrollment in secondary education. Gross enrolment ratio in primary education is about 90 percent, while enrollment in secondary education reached 84 percent in 2010. Enrollment in tertiary education has also been increasing rapidly in recent years, from 28 percent gross enrollment ratio in 2004 to 39 percent in 2010 – both through the efforts of private providers and government interventions.

8. The vast majority of R&D activities in the country are carried out by the public sector, mainly through state universities and other public research institutions. The research community of Macedonia consists of 2,394 researchers of which 79 are in the business sector, 668 in the government sector and 1,647 are at universities.

¹World Bank, *Macedonia Modular Competitiveness Assessment*, 2011.

²World Bank, *Macedonia Employment and Job Creation - Labor Market Assessment 2007-2011*, 2013.

9. While recognizing that economic growth, employment, and competitiveness will depend heavily on having a relevantly skilled workforce, the Government is committed to investing in education, science and information technology through this Project. The Government has demonstrated this commitment by adopting the *Innovation Strategy* (October, 2012), the *Law on Innovation Activity* (May 2013), the *Vocational Education and Training Strategy* (2013), and the *Program for Development of Science and Research* for 2013-2017. It has also invested in upgrading R&D laboratory facilities at universities.

Higher Education

10. The higher education sector in Macedonia consists of five public and nine private universities and five non-university private institutions, enrolling about 58,000 students, 85 percent of whom attending public universities. Despite recent interventions to increase enrollment at the tertiary level, gross enrollment rate remains at 39 percent, far behind enrollment rates in new EU member states.³ Further, increase in enrolment has not been matched by an increase in resources and, consequently, the quality of higher education, including its responsiveness to labor market demands, remains a challenge. Finally, overall system efficiency remains low, with high drop-out rates and long average times to completion: in 2010 only 38.8 percent of all university students graduated on time.

11. While critical data on student learning and graduate employment outcomes do not exist, a 2010 World Bank employer survey of the demand for skills showed that employers continue to find it difficult to find workers with the skills required, particularly workers who possess the higher order skills needed in the newly created jobs in modern and dynamic firms.

12. The lack of internal and external quality assurance mechanisms constrains the enhancement of quality and relevance of higher education. Procedures for quality assurance are, to a large extent, insufficient and need to be better aligned with recent European developments. The newly established Board for Higher Education Accreditation and Evaluation has focused only on the accreditation of institutions and study programs thus far. The next step must include an external evaluation of higher education institutions, and the linking of evaluation outcomes with institutional accreditation. Further, the cornerstone of a sound quality assurance system is the existence of effective internal quality assurance mechanisms at the universities themselves. Significant capacity building measures and sufficient resources are needed to support the development of an internal quality culture and to institutionalize it at all levels of higher education. The World Bank has been providing technical assistance work on quality assurance in higher education since 2010, including providing the means for conducting institutional evaluations at two universities. Ultimately, this project aims to support the implementation of quality assurance mechanisms that are modern, fair, and participatory.

13. The higher education system also faces severe funding constraints, exacerbated by government interventions to increase tertiary enrollment, which have been neither matched by an adequate increase of resources nor relieved through the promotion of efficiencies in the system.⁴ The current funding mechanism is input-oriented and annual; it lacks links to performance and has very limited incentives for universities to pursue new initiatives. Thus, public universities lack the necessary infrastructure and personnel to produce educational outcomes comparable to European countries.⁵ Higher education financing reforms have been the focus on ongoing World Bank technical assistance since 2010, including pilot studies on

³Gross Tertiary Enrollment Ratios: Slovenia 87%, Romania 59%, Bulgaria 57%, Slovakia 55% Croatia 54%.

⁴ In 2010, 1.36 % of the GDP was allocated for higher education and 1.22 % in 2011.

⁵ Ss. Cyril and Methodius University in Skopje, *EUA Follow Up Evaluation Report, 2011*. The World Bank, *Higher Education Funding in Macedonia, 2011*.

cost-per-student funding options and alternative models for financing the entire higher education sector to promote efficiencies and innovation in research and teaching. Ultimately, finance reforms will need to emphasize both cost-per-student/study place block grants as well as the introduction of performance-based elements to strengthen high performers, provide transparent and equitable mechanisms to determine funding levels, and encourage institutions to focus on areas of strategic importance.

14. Finally, the higher education sector in Macedonia has not developed a centralized mechanism for supporting innovative implementation of research output or technology transfer to and/or from external agencies such as foreign researcher and enterprises. Such a mechanism is imperative for linking the higher education sector to the innovation elements of the Macedonian economy and to promote implementation of innovative engagements between research and firms.

Vocational Education and Training

15. Vocational Education and Training (VET) in Macedonia is largely focused on formal secondary school vocational education and training under the auspices of the Ministry of Education and Science (MOES).

16. The Secondary VET system offers four-year vocational education in 14 occupations with 50 educational profiles, as well as visual art, music and sports education, and three-year programs with 36 educational profiles. Over half of secondary education students aged 15-19 attend VET schools. Secondary VET provision has seen profound changes between 1999 and 2006, but there are still significant weaknesses in planning, policy development, and quality management at all levels.

17. The reformed secondary Technical and Vocational Education and Training (TVET) system failed to incorporate mechanisms for a quick response to labor market demands. A 2010 evaluation carried out to inform the development of a new strategy found that existing secondary TVET system was not producing graduates with professional competencies needed in the labor market.⁶ Similarly, a 2010 World Bank employer survey of the demand for skills showed that broad vocational training and many specific higher-level cognitive and behavioral skills sought by employers, such as problem solving, initiative, and ability to organize one's work independently, are not yet being provided by the VET sector.

18. The TVET system has remained predominantly supply-driven, rather than market-oriented. It is aimed at filling existing programs and using existing teachers and facilities, rather than adapting to changes in the market and in the demographic situation. It is characterized by early diversification at the age of 14, excessive specialization, obsolete program content, and lack of collaboration among schools and employers.

19. There exists an academic consensus that early vocational tracking may harm students and that diversification should start after students have acquired strong basic skills. Early diversification and excessive specialization have led to a narrow skill base in graduates and particularly to the lack of foundation skills needed for lifelong learning demanded by modern economies.

20. Finally, the lack of investment in secondary TVET in the last several years has left schools with obsolete and worn-out facilities and equipment. Teachers and instructors lack opportunities

⁶Ministry of Education and Science and European Training Foundation, *Collaborative evaluation of the impact of the reformed four-year secondary vocational education*, 2010.

for in-service training and are consequently unaware of new good practices and more effective teaching methods.

21. The secondary TVET system in Macedonia faces challenges in terms of its relevance, management, quality, and internal efficiency. These issues are well understood by the Government and have been built into the formulation of the new *Strategy for Vocation Education and Training*.⁷ The proposed project interventions in the secondary TVET set the basis for transformation of the system from the narrow occupational to a more general and broader technical education and will enforce the focus on competencies and skills relevant for job market.

Innovation System

22. Macedonia's National Innovation System (NIS)⁸, dominated by the public sector and detached from industry, needs significant strengthening in order to be able to support the country's long term vision to become a knowledge based economy. A knowledge economy should be based on a (i) strong institutional regime to provide incentives for efficient use of existing and new knowledge and the flourishing of entrepreneurship; (ii) an educated and skilled population to create, share, and use knowledge well; (iii) an efficient system of firms, research centers, universities, consultants and other organizations to tap into the growing stock of global knowledge, assimilate and adapt it to local needs, and create new technology, and (iv) Information and communication technology to facilitate the effective creation, dissemination, and processing of information.⁹

23. In general, the innovative capacity of Macedonian firms is low both in terms of human capital and financial resources for R&D and innovation. Brain drain particularly in the technical and engineering occupations remains a major concern, not only for the private sector, but also for the scientific community and policy makers. The Intellectual Property Regime (IPR), while adequate in legal terms, lacks adequate institutional support system and most patents registered are of foreign origin. In most cases, the Macedonian research sector and industry do not produce patentable research. The collaboration between public sector, R&D/academia and industry is weak and to a large extent insufficiently documented or promoted even where it exists. Low levels of public and business spending in research and innovation have been exacerbated by the current difficulties and expensive access to finance for firms, declining liquidity and profitability in the private sector, the situation in the Eurozone and the uncertainties in the markets more broadly.

24. According to the *Innovation Union Scoreboard-2013*, Macedonia is classified as "modest innovator," revealing a below average performance on most indicators but also exhibiting certain strengths, such as the contribution of medium and high-tech products to the trade balance and innovation performance that is at a rate above that of the EU27, at 2.6 percent. If compared regionally, Macedonia's innovation capacity compares favorably to countries like Bulgaria, a fellow modest innovator, while underperforming compared to Serbia, a moderate innovator.

25. There are a few examples of excellence in applied R&D, university spin-offs and centers of excellence, but many R&D institutions lack modern infrastructure and are not attuned to the

⁷ Ministry of Education and Science and European Training Foundation, *Strategy for Vocational Education and Training: Better Skills for a Better Tomorrow*, 2013.

⁸The National Innovation System (NIS) consists of the policies, laws, regulations, procedures and institutions that affect how knowledge is created, acquired, adopted, disseminated and applied in the economy.

⁹ World Bank, *Building Knowledge Economies: Advanced Strategies for Development*, (Chapter 2: Four-Pillar Framework), 2007

needs of the economy. Their R&D outputs are low in quantity and lacking in quality, and there is no culture of protection and commercialization of research outputs.

26. The Government of Macedonia has taken the first steps towards strengthening the legal framework of innovation by adopting the *Innovation Strategy* in October 2012 and the *Law on Innovation Activity* in May 2013.

27. The Law on Innovation designated the Fund for Innovation and Technological Development (FITD) as the entity to finance the Government's interventions in the area of innovation. The FITD will introduce financial instruments to support new start-ups and spin-offs, commercialization of technology and technology transfer activities thus connecting research and the market, while at the same time creating a source of R&D funding and jumpstarting Macedonia's National Innovation System. The various instruments have been designed to create a *foundation* for the *overall* innovation commercialization ecosystem with emphasis on improved exports through enhanced competitiveness. Guided by the strong evidence from research on the efficacy of matching grants in promoting innovation and private sector development¹⁰, the FITD instruments are being designed to stimulate key elements of an innovation economy, i.e. entrepreneurship, commercially oriented research, university-industry partnership, and risk-taking.

28. In the current post-crisis environment, the Government plays a critical role in stimulating economic recovery via policies that target R&D and innovation. The World Bank is providing technical assistance to the Government of Macedonia and the FITD will help fill the gap that exists between R&D capabilities in the country and industry needs by developing mechanisms to stimulate enterprise based technology thus converting technological 'potential' into economic development.

2.2 The Project Objectives

The proposed Project would support the Government of Macedonia's (GOM) initiatives geared to:

- increase graduates' competitiveness on a regional and international level;
- increase labor market relevance of graduates' skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The following indicators will be used to measure the PDO (further information on project M&E can be found in Chapter 11 of this manual)

- 80% of public universities receiving financing based on new, transparent funding
- 80% of public universities accredited, utilizing new quality assurance and accreditation measures developed in accordance with Bologna-defined EU norms and practices.
- 30 % increase in number of secondary TVET students benefiting from practical training in small and medium-size enterprises (SME) and large sized firms.

¹⁰ Correa, Paulo, Luis Andrés and Christian Borja-Vega, *The Impact of Government Support on Firm R&D Investments; A Meta-Analysis* (World Bank), 2013.

- Share of private funding mobilized as a percentage of FITD investments in innovation activities.
- Percentage of beneficiaries that sign collaborative agreements between firms and academia.

2.3 Project Beneficiaries

The Project's direct beneficiaries include around 24,000 students and 1,500 teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement capacity. Students and staff of universities, research institutions and enterprises will benefit from: (i) the implementation of quality assurance mechanisms and financing reform in higher education (HE); (ii) grants promoting R&D and innovation; and (iii) technology commercialization, global know-how absorption, and industry-university collaboration fostered by the National Technology Transfer Office (NTTO).

2.4 Project Components

The Project will be comprised of four components, as described below.

Component 1: Improving Transparency of Higher Education (US\$ 4 million, approximately 16.65% of total financing)

This component will have three main sets of activities, all targeted toward improving both the transparency and efficiency of the quality assurance and finance mechanisms in the higher education sector: (i) institutional strengthening and stronger quality assurance in higher education; (ii) reforming the higher education financing model; and (iii) establishing a centralized office to foster mission-oriented research and university-industry collaboration.

Sub-component 1.1: Quality Assurance in Higher Education. This sub-component builds upon Bank-supplied technical assistance in higher education quality assurance (2010-2012) and would finance activities targeted toward improving the quality assurance mechanisms in higher education, including: (i) providing training for improving the administrative capacity of the Higher Education Accreditation and Evaluation Board (HEAEB) and other key players in charge of managing quality assurance activities; (ii) funding of external evaluation by foreign experts of FYR Macedonia's higher education sector, and up; and (iii) upgrading of the education management and information system, including the development and implementation of the central data base.

Sub-component 1.2: Higher Education Financing Reforms. This sub-component, utilizing technical assistance and information gleaned through a Bank-sponsored pilot of a potential new finance model, would support the design and implementation of a performance-based funding model to promote transparency and efficiency in the resource allocation mechanisms. It would include the following technical assistance activities: (i) assessment of funding model options to select the most appropriate model for the Macedonian context; (ii) design of the funding model, formula and implementation plan; (iii) identification of internal performance indicators and results framework for monitoring and evaluation; and (iv) rollout of the new finding model. This sub-component would also finance communication campaigns, outreach and dissemination events to inform different groups of stakeholders about these reforms and generate support for them.

Sub-component 1.3: Development of a National Technology Transfer Office (NTTO). This subcomponent would support the development of a central office to be the system-wide interface between the research community and the industry, and a national focal point for

international cooperation. It would play a key role in the conversion of the results of research into competitive products and processes, and steer research towards industry needs. The NTTTO is expected to have a mandate that is broader than a typical academic technology transfers office. The proposed NTTTO, while performing typical tasks such as industry outreach, would additionally be a center for advising the industry in FYR Macedonia on Intellectual Property(IP) in-licensing and technology importation and integrating the innovation activities of Macedonia with EU programs. Given the small country size, and low research activities, having a technology transfer office with a broader mandate makes sense as it leverages economies of scale and prevents duplication of efforts. The subcomponent would provide technical assistance for establishment and operationalization of the NTTTO and would also finance the salaries of experts and the purchase of patent and market intelligence databases.

Component 2: Modernization of Secondary Technical Vocational Education and Training (US\$ 4.5 million, approximately 18.7% of total financing)

This component would finance activities targeted toward building the foundation of a modern and efficient secondary TVET system that is characterized by delayed tracking of students into vocational pathway, increased relevance of the standards and curriculum for the labor market and improved mechanisms for school-industry collaboration. These changes are expected to lead to the transformation of the secondary TVET from the narrow occupational to a more general and broader technical education and eventually to result in greater labor market relevance and transferability of skills, and increased flexibility in secondary TVET provision. It consists of two sub-components.

Sub-component 2.1: Quality and labor market relevance of TVET provision. This sub-component would contribute to the modernization of the secondary TVET system and its relevance for the labor market needs and improving the capacity of TVET secondary schools to deliver quality TVET. Specifically, this sub-component would finance: (i) technical assistance to support the development of an overarching model for the transformation of the secondary TVET provision; (ii) development of occupational standards, competency-based curriculum and programs; (iii) efficiency assessment of the secondary TVET school network and development of a proposal for restructuring the network; (iv) development of a training program for teachers and other staff, including identification of required skills, development of training materials and rollout of the program; and (v) carrying out of a need analysis and acquisition of equipment for school-based practical training.

Sub-component 2.2: Grants for school-industry collaboration. This subcomponent would finance technical assistance activities aimed at: (i) designing and implementing a grant program to support TVET activities; and (ii) provision of School Grants to selected TVET schools to finance activities to improve the labor market relevance of the vocational education and training including involving industries into the practical training delivery.

Component 3: Improving the Innovative Capacity of Enterprises and Collaboration with Research Organizations (US\$ 12.94 million, approximately 54% of total financing)

This component is focused on supporting the efforts of the FYR Macedonia Fund for Innovation and Technological Development (FITD) to build the institutional capacity to stimulate innovative activities, and piloting financial instruments to support innovation and technological development in the enterprise sector. It is organized around two sub-components.

Sub-component 3.1: FITD capacity building. This sub-component would finance activities required to build up institutional competence of the FITD, in particular, providing support for: (i) planning and designing the programs, strategy, operations and procedures; (ii) training of FITD

staff; (iii) selection of the Investment Committee and peer reviewers; (iv) mentoring and training for FITD beneficiary enterprises; and (v) marketing and communications strategy.

Sub-component 3.2: Pilot of Financial Instruments to be delivered by FITD. Once the FITD is established, it would provide specific funding instruments for each stage of companies' life cycle to foster innovation. These instruments will include: (i) an accelerator; (ii) proof of concept innovation mini grants, including but not limited to IP protection, and business plan preparation for initial capital mobilization; (iii) commercialization matching grants and loans; and (iv) sector specific grants in technology development and technology absorption projects for new or improved technologies, products and processes. It is anticipated that the pilot instruments will be introduced in a phased approach starting with the accelerator and proof of concept grants.

Component 4: Project Management and Monitoring and Evaluation (US\$2.5 million equivalent, approximately 10.4% of total financing)

This component would finance the activities in two sub-components to: (i) ensure effective administration and implementation of the Bank-financed project; and (ii) develop and put in place an effective M&E system.

Subcomponent 4.1: Project Management. This sub-component would support the operation of a Project Management Unit (PMU) reporting to a Project Director and responsible for all the day-to-day project implementation activities, as well as procurement, disbursement and accounting functions. World Bank financing would be provided for consultants employed as part of the PMU, as well as for assistance and training to all project staff, project audits, office equipment and incremental operating costs.

Subcomponent 4.2: Monitoring and Evaluation. M&E are crucial elements of program design as they provide important feedback mechanisms for policy, effectiveness, and credibility of the programs. The Project would support the design and implementation of (i) tools to monitor the results framework for the Project; (ii) M&E studies/surveys to establish a baseline for project results indicators as well as their measures during project implementation and upon project; (iii) impact evaluation for selected innovation programs; and (iv) skills observatory. World Bank financing would be provided for technical assistance; services and training of the Ministry of Education and Science staff engaged in monitoring; and the design, implementation, and analysis of evaluation surveys.

3. PROJECT IMPLEMENTATION

3.1 Introduction

The Project supports interventions which foster education and skills relevant to the job market and enhance the innovation capacity and activity of firms in FYR Macedonia. It will also address key missing elements of the Macedonian innovation system and ailing aspects of the research sector that are likely to be vital for improving the competitiveness of the enterprise sector and FYR Macedonia's longer term economic growth prospects. The Project is placed within the overarching framework of the Government's strategies for economic and social development where it has identified investment in education, science and information technology as top strategic priority areas. Legislation and regulations have been recently developed and adopted in these areas, and the Project aims to make some identified reforms a reality. In addition, the Project will help the authorities deepen ongoing reforms and align them with the broader EU integration agenda.

Each of the four components is divided into subcomponents, which have a specific set of activities designed to support the achievement of the Project goals. These components will be implemented over a period of five years, from March, 2014 to May, 2019. This section maps out the activities necessary for implementation of each of the Project subcomponents, and who is responsible for their implementation. Additionally, it describes information about the safeguards associated to project implementation.

The Project activities are part of the everyday work of the MOES and the newly established Fund for Innovation and Technology Development (FITD). These Institutions are responsible for the technical aspects of the Project, as well as monitoring of its development indicators.

3.2 Detailed Description of Project Component 1

Improving Transparency of Higher Education (US\$ 4 million, approximately 16.65 % of total financing)

This component would have three main sets of activities, all targeted toward improving both the transparency and efficiency of the quality assurance and financing mechanisms in higher education: (i) institutional strengthening and improvement of quality measurements—data collection and data-driven policy development—in higher education; (ii) reforming the higher education finance model; and (iii) establishing a centralized office for fostering mission-oriented research and university-industry collaboration.

Subcomponent 1.1: Quality Assurance in Higher Education

Building upon the knowledge generated and lessons learned through earlier Bank-funded technical assistance, this activity would finance improvement and consolidation of the quality assurance processes at the national and institutional levels. The aim is to put in place appropriate and transparent accreditation procedures that would create a level playing field for public and private institutions. This would include capacity building to the Board for Higher Education Accreditation and Evaluation (HEAEB) on the processes, criteria and procedures for external quality assurance in FYR Macedonia and establishing the links between external evaluation and accreditation. The World Bank worked with the HEAEB in 2012 to provide capacity building on trends in Quality Assurance in European Higher Education Area and ENQA membership requirements. This activity would help to further advance HEAEB efforts on meeting the standards for the ENQA membership.

This subcomponent would finance activities targeted toward improving the quality and relevance of higher education as articulated through the *Law on Higher Education (2008)*, which stipulates several specific issues related to quality assurance, including the following.

- (a) First, it would support improving the administrative capacity of the HEAEB and other key players in managing quality assurance activities. This sub-component would support the HEAEB's meeting the requirements and paying the requisite membership fees to be recognized as a fully compliant member of the EQAR and ENQA¹¹. In so doing, the HEAEB will be recognized as an internationally qualified accreditation agency, and their accreditation outcomes for FYR Macedonia higher education institutions and academic programs (and their competencies in teaching and research) will be of a globally recognized and assessed quality.
- (b) Another significant quality activity funded through this sub-component would be the external evaluation by foreign experts of FYR Macedonia's higher education sector, including all universities and all other higher education institutions through an institutional evaluation of the universities, with two main goals: (i) a neutral, factual assessment of the current situation on the ground in the higher education sector; and (ii) the provision of an analytical assessment of areas for improvements and investments, recommendations for priority interventions, and roadmaps for implementing needed reforms.
- (c) Drafting the manuals to underpin the external evaluation would also be a significant activity supported under this subcomponent. These manuals would provide the legal framework for the engagements of both the HEAEB and the external experts to conduct the evaluations.
- (d) Finally, this sub-component would support upgrading of the education management and information system (EMIS), including the development and implementation of the central data base essential for monitoring the operation and outputs of the tertiary education and for administering the common admission system. At the institutional level, the Project would finance technical assistance and capacity building for the introduction of modern management practices, including the design and implementation of an integrated EMIS for student affairs, academic programs, human resources management, budgeting and financial management, and infrastructure management.

Subcomponent 1.2: Higher Education Financing Reforms

This sub-component would support following up on the outputs of the recent Bank-led higher education technical assistance program (2011-2012) aimed at supporting Government efforts to design and implement a performance-based funding model. In addition to outlining the value and key dimensions of this new approach, the technical assistance program provided practical tools for designing the new funding formula and defining an elaborated set of performance indicators. In particular, the technical assistance program supported a pilot initiative which

¹¹Requirements include: organizations should undertake external quality assurance activities (at the institutional or program level) on a regular basis; be formally recognized by competent public authorities in the European Higher Education Area as agencies with responsibilities for external quality assurance and should have an established legal basis and comply with any requirements of the legislative jurisdictions within which they operate; should have adequate and proportional resources, both human and financial, to enable them to organize and run their external quality assurance process(es) in an effective and efficient manner, with appropriate provision for the development of their processes, procedures, and staff; should have clear and explicit goals and objectives for their work, contained in a publicly available statement; should be independent to the extent that they both have autonomous responsibility for their operations and that the conclusions and recommendations made in their reports cannot be overturned or influenced by third parties; should have in place procedures for their own accountability; and should have an appeals procedure available. EQAR and ENQA are two such notable agencies, based in Brussels and well-regarded in the field of European quality assurance for higher education.

examined the technical elements of implementing a cost-per student funding model at the flagship Macedonian university (UKIM - University Ss. Cyril and Methodius).

The lessons learned through the piloting of the cost-per-student include: universities in FYR Macedonia are highly supportive of this initiative to develop a more transparent funding model; the data needed to underpin an initial effort to establish block grants based on a cost-per-student or cost-per study place model is not yet available and needs to be collected and managed centrally; and to support broad transparency in this process, all data related to establishing the block grants based on cost-per-student or cost-per-study place must be publicly accessible.

Once the block grant element of the funding model is designed and implemented, the more innovative elements of finance reform would be considered—in particular, performance-based funding, which creates well-defined institution-government partnerships. Earlier technical assistance related to higher education finance reform introduced this concept to the Government and the higher education sector, all of which were receptive to this transparent, modern, and adaptable funding model as a potentially transformative reform for FYR Macedonia.

Project funds would finance the following technical assistance activities:

- (a) assessment of funding model options—including use of stable, basic funding (often through cost-per-student formulas), performance management contracting, and funding agreements, based on institutional strategic planning—to determine the most applicable model for the Macedonian context;
- (b) preparation of the funding model and formula, as well as the related implementation plan;
- (c) identification of internal performance indicators and results framework for M&E of the system; and
- (d) implementation of the new finance model.

This subcomponent would also finance communications campaigns, outreach and dissemination events.

Subcomponent 1.3: Development of a National Technology Transfer Office (NTTO)

This subcomponent would support the development of a central office to serve as a nation-wide interface between the scientific community and private sector, and the National Focal Point for international cooperation. Its primary mission would be to convert the results of research into competitive products and processes, and foster industry oriented research. It will provide services that promote: interdisciplinary exchange of information, industry oriented research and development, national and international technology transfer and commercialization, appreciation of importance of innovation and IP among stakeholders, and innovation commercialization—all with the goal of fostering local economic development and helping move the ecosystem towards the innovation frontier. Staff in such an office would ideally include experts with deep knowledge of IP law, technology, and industry. The NTTO would not be merely a clearinghouse for innovation arising from research, but a vital organ in the system that connects research to industry and the results of commercialization to society at large. The NTTO, acting as National Focal Point for international cooperation, would provide personalized support, guidance, practical information and assistance on all aspects of participation in EU and other international programs. This includes advice on technical and administrative questions concerning the calls for proposals, partner search, national priorities, and matching national co-financing possibilities, where applicable.

Unlike technology transfer offices in the developed world where one office serves a single university or research training institution (RTI), the National TTO in FYR Macedonia should not only serve all RTIs and universities, but also provide assistance to firms and entrepreneurs for in-licensing (importation) of technology. The technology transfer office model used in developed nations should not be adopted as it is not appropriate in the context of FYR Macedonia. The proposed NTTTO would also be responsible for advising the industry on topics related to identifying promising areas of research (patent landscape analysis), technology scouting, and IP in-licensing (especially from international sources). The NTTTO would maintain a database of activities thus helping conduct superior M&E of innovation commercialization activities in the country.

Project funds would finance the following activities:

- (a) development of a strategy for the NTTTO after an initial scan of the needs and capacities of RTIs and industry as well as an implementation roadmap and policies governing the NTTTO;
- (b) establishment of a system for the storage, handling and management of data on locally and globally available technologies, local research capacity and outputs, and local enterprise challenges and goals;
- (c) purchasing of patent and market databases for the proposed center;
- (d) scouting, hiring, and salaries of experts and staff to run the center;
- (e) consulting fees for patent attorneys on case by case basis, as needed;
- (f) preparing information exchange activities with relevant national and international institutions/organizations, and costs associated with marketing the IP; and
- (g) training of stakeholders on topics related to innovation and IP commercialization.

This subcomponent would also finance communications campaigns, outreach and dissemination events, and highlight salient success stories, upon completion of the launch of the technology transfer center. Such outreach activities are vital to create a culture of innovation commercialization.

3.3 Detailed Description of Project Component 2

Modernization of Secondary Technical Vocational Education and Training (US\$ 4.5 million, approximately 18.7% of total financing)

This component would finance activities targeted toward building the foundation of a modern and efficient secondary TVET system that is characterized by delayed tracking of students into vocational pathway, increased relevance of the standards and curriculum for the labor market and improved mechanisms for school-industry collaboration. These changes are expected to lead to the transformation of the secondary TVET from the narrow occupational to a more general and broader technical education and to result in greater labor market relevance and transferability of skills, and increased flexibility in secondary TVET provision. It consists of two sub-components.

Sub-component 2.1: Quality and labor market relevance of TVET provision.

This sub-component would contribute to modernization of the secondary TVET system and its relevance for the labor market needs and improving the capacity of TVET secondary schools to deliver quality TVET by means of new standards and curriculum modules, new training facilities, and better trained teachers and administrators.

Concept for Modernization of the Secondary TVET. This activity would finance technical assistance supporting the development of a new concept for secondary TVET. The main principle of the new concept is a shift from the narrow occupational training to a more general and broader technical education and promotion of flexible paths between vocational training, general education and higher education. The tracking of the students will be delayed until after the second year of secondary education to ensure that students attain general and academic basic skills before being tracked into vocational education. These general and academic skills will allow them to be more adaptive to changing economic environment, and increase internal and external mobility of the graduates in the labor market. In addition the concept would provide a proposal for consolidation of the existing occupations based on the national priorities for economic development and labor market needs. It would also include a proposal for enhanced social partnership between educators, employers and relevant government agencies. The concept would guide institutions in designing all other strategic documents for secondary TVET.

Efficiency Assessment of the School Network. The activity would contribute to aligning of the network to the new model for modernization of the secondary TVET and the needs of the economy, by meeting the needs for cost effectiveness, the needs of learners, the local businesses and the local government. This activity would finance an assessment of the network of VET schools to examine the capacity of each secondary VET school to provide programs with regard to availability of qualified teaching staff, equipment, possibility for practical training of students in the firms as well as regarding the economic, demographic and cultural environment in which each school operates. The assessment would be accompanied by an appropriate cost-benefit analysis and would provide a proposal for restructuring the network i.e. re-branding the schools and an operational plan for gradual implementation of the proposal.

Development of Standards for Vocational Qualification. The “National Methodology for Development of Occupational Standards” (2009) would be revised to ensure that qualification standards not only define the content of each vocational qualification (knowledge, skills and competences), but are also elaborated in partnership with representatives of the industries, professional associations, and government agencies. This activity would also provide technical assistance and guidance to the developers of occupational standards.

Development of Competency-Based Curriculum. This activity would finance technical assistance in developing the core curriculum and the program to guide the educational institutions in designing new secondary TVET programs. The new programs are expected to have a modular structure and to define the competences students need to acquire in respective vocational areas, as well as related expected learning outcomes, and suggest appropriate assessment techniques. The focus thus should be shifted from educational inputs – what is being taught and how – to educational outcomes – what a student will know and will be able to do.

Training of School Managers and Teachers. The activity would fund identification of the skills required from teachers and other staff to ensure high quality delivery of the revised curricula, and the development of manuals and other training materials which would provide the basis for staff training. The activity would then support the rollout of the training program in pilot occupations to enable quality implementation of the reform.

Upgrade of Equipment for School-Based Practical Training. This activity is designed to mitigate the shortage of key training equipment in the secondary TVET schools. The Project would finance: (a) need analyses and proposal for procurement of key training equipment per occupation and per TVET school; (b) provision of key training equipment needed for the revised courses; and (c) develop school guidelines for managing the equipment.

Sub-component 2.2: Grants for school-industry collaboration.

This subcomponent is aimed at supporting school-business collaboration and identifying successful models for engaging enterprises in practical vocational training. It would finance

technical assistance activities aimed at designing a grant program to support joint projects between TVET schools and enterprises aimed at improving the practical training of students, as well as fund the grants. In addition, the Project would provide technical assistance to schools and MOES in the implementation of competitive grant program. The MOES would receive technical assistance for the development of an Operational Manual for awarding grants on a competitive basis, and schools would receive assistance for preparation of project proposals.

All secondary TVET schools (72 in total) that voluntarily prepare grant applications in cooperation with enterprise/s would be eligible to apply for grants of approximately US\$ 6,000 to US\$ 10,000. The primary responsibility for implementation of the grants would rest with the schools, under the oversight of their school boards, school management and staff. In addition, a Grant Approval Committee would be established under the Project to evaluate grant application based on criteria set out in the Grant Operational Manual. A School Grant Operational Manual (SGOM) would define the following: (i) the selection processes; (ii) eligibility criteria; (iii) eligible and ineligible activities to be financed through grants program; (iii) the allocation formula for grant award limits; and (iv) implementation and reporting arrangements. The completion of the SGOM satisfactory to the Bank would be a condition for disbursing against this activity.

The key instrument for implementing this subcomponent would be the Improvement Agreement between the Ministry of Education and Science on the one hand and a TVET School and participating business on the other.

3.4 Detailed Description of Project Component 3

Improving the innovative capacity of enterprises and collaboration with research organizations(US\$ 12.94 million, approximately 54 % of total financing)

This component is focused on: (i) supporting the efforts of the FYR Macedonia Fund for Innovation and Technological Development (FITD) to build the institutional capacity to stimulate innovative activities and (ii) piloting financial instruments to support innovation and technological development in the enterprise sector.

Sub-component 3.1: Capacity Building of the FYR Macedonia Fund for Innovation and Technology Development (FITD)

The Innovation Law designated the FITD as the entity to spearhead the Government's interventions in the area of innovation. The FITD is a new entity that would be responsible for public financial support for innovation. Specifically, the Fund is to pilot: (i) financial instruments to support entrepreneurship, innovation commercialization and in-house business innovation at the pre-commercial and growth stages; and (ii) promote collaborative research and innovation linkages with research organizations and business innovators. This component would finance the activities required to build up the institutional competence of the FITD to undertake the complex task of running a successful innovation program. In this context, this component would support:

- (a) *Planning and designing the programs, strategy, operations and procedures.* This activity would include the design of the organizational structure and operational framework of the Fund, development of governance mechanisms, competencies and skills requirements of staff, and establishing operational rules that ensure transparent functioning, prompt investment decision making and effective delivery mechanisms, the design of performance measuring and control mechanisms for the FITD as a whole in terms of its effectiveness of reaching the intended beneficiaries and for the management of each program of the FITD. It would also design current and future financial instruments; establish policy and regulatory mechanisms; design and implement

organizational and operational procedures; assess training needs; design plans for fundraising and liaising with relevant international organizations; and design plans for business development.

- (b) *Staffing and training of FITD staff.* While extensive due diligence would be undertaken to select the right caliber of staff to undertake this operation, it is well understood that expertise in this area is lacking in FYR Macedonia. An overarching goal of this project is for FYR Macedonia to develop expertise locally in the area of innovation and therefore the services of an international resident advisor engaged to support the FITD staff would likely be required. The advisor would provide hands-on support to implement, do quality control and perform day-to-day monitoring of the project. The advisor should have significant innovation expertise and would be expected to be heavily involved in the beginning of the process and gradually wind down her/his engagement as she/he transfers her/his knowledge to the FITD staff. Furthermore, staff would receive training from experts and organizations, with the goal of developing expertise and capacity to design and manage current and future financial instruments. Areas of focus for training would include: (i) company formation; (ii) commercialization; (iii) promotion and design of financial instruments; (iv) conducting due diligence in early-stage technology development; (v) technology transfer; and (vi) project management.
- (c) *Selection of the Investment Committee and peer reviewers.* It is critical for the selection process of beneficiaries to be transparent with the selection based solely on merit and completed in a short time frame. Therefore the quality and independence of reviewers is of great importance. This activity would support the establishment of an independent due diligence and selection process through (i) an independent Investment Committee – including early stage technology development experts from the private sector industry, financial, entrepreneurial community and applied research sectors- that will be responsible for financing decisions, and (ii) engagement of international experts as peer reviewers for technical due diligence process, as needed.
- (d) *Mentoring and training for Fund beneficiary enterprises.* This activity supports the design and implementation of mentoring and training programs on entrepreneurship and commercialization, including but not limited to financial management, fund raising and venture capital, business development, legal and Intellectual Property (IP), and other areas of expertise identified by Fund beneficiaries. It is expected that training would be provided by reputable international experts and organizations based on needs identified by FITD beneficiaries.
- (e) *Marketing and Communications strategy.* The component would support the FITD to develop a coherent communications strategy, with the goal of promoting the financial instruments to ensure a solid pipeline of applicants. This activity would also finance a number of events and workshops during the course of the Project, including but not limited to project launch, call for proposals, project closing, workshops to promote awareness about entrepreneurship and innovation, EU innovation policy and programs (such as, for example, FP7, European Mobility Portal), as well as networking events for academia, entrepreneurs, and private investors.

Sub-component 3.2: Pilot of Financial Instruments to be delivered by FITD

Once the Innovation Fund is established, it would provide specific funding instruments to help foster innovation development in FYR Macedonia. The instruments to be supported by the Project are to span the entire spectrum of firm development timeline and are to include: (i) an accelerator; (ii) proof of concept innovation mini grants, including but not limited to IP protection, and business plan preparation for initial capital mobilization; (iii) commercialization matching grants and loans; and (iv) sector specific grants-extension program in technology

development and technology absorption projects for new or improved technologies, products and processes.

3.5 Project Management and Monitoring and Evaluation (US\$ 2.5 million, approximately 10.4 % of total financing).

This component would finance activities to: (i) ensure effective administration and implementation of the Project; and (ii) develop and put in place an effective monitoring and evaluation system.

Subcomponent 4.1: Project Management.

This sub-component would support the operation of a PMU. The PMU is to report to the Project Director and would be responsible for all the day-to-day project implementation activities, as well as procurement, disbursement, and accounting functions. Bank financing would be provided for consultants employed as part of the PMU, as well as for assistance and training to all project staff, project audits, office equipment and incremental operating costs.

Subcomponent 4.2: Monitoring and Evaluation.

The Project would support the design and implementation of: (a) tools to monitor the results framework for the Project; (b) M&E studies/surveys, to establish baselines for project results indicators as well as their measures upon project completion; (c) ex-post evaluation using survey of selected innovation programs; and (d) skills observatory. World Bank financing would be provided for technical assistance; services and training of the MOES staff engaged in monitoring; and the design, implementation, and analysis of evaluation surveys. This sub-component would also provide support for the development of evidence-based policymaking via the establishment of an Observatory to strengthen labor market and education information systems. This Observatory would make available to the public, policy-makers and stakeholders information on the performance (e.g. students placed in practical training at firms, job placements after graduation) and resources available (e.g. courses, firms providing internship and practical training opportunities, infrastructure, instructors) in VET schools, higher education institutions as well as general labor market information on employment opportunities and wages in different occupations and sectors. This sub-component would finance one tracer study for TVET and one for higher education employment outcomes of graduates, including technical assistance for designing such studies and carrying out the related proposed methodologies. The outcome of this activity would not only be the utilization of collected data but also the capacity building necessary to continue such activities in the future.

Table 1. Matrix of Responsibilities for the Technical Implementation of SDIS Project Subcomponents

Subcomponents	Units within the Institutions
1.1 Higher Education Finance Reforms	Department of Higher Education- MOES
1.2 Higher Education Quality Assurance and Relevance Activities and Grants for innovative proposals for institutional management capacity building	Department of Higher Education-MOES
1.3 Development of a National Technology Transfer Office	Departments of Science and Higher Education –MOES
2.1 Quality and relevance of TVET provision	VET Center - MOES
2.2 Grants for school-enterprise collaborations	VET Center - MOES
3.1 Capacity Building of the FYR Macedonia Fund for	MOES-FITD

Innovation and Technology Development (Fund)	
3.2 Pilot of Financial Instruments	FITD
4.1 Project Management	Project Management Unit
4.2 Project Monitoring and Evaluation	Project Management Unit

The FITD would be making equity investments, grants, and conditional grant. The fund could potentially have returns from the equity investments in the accelerators as the start-ups funded attract private financing or are acquired by larger companies, or through royalty payments from financed patents. Any income earned by the FITD would be ploughed back into the fund (revolving fund).

3.6 Safeguards

The SDIS Project is not associated with any social safeguard risk and so, no World Bank social safeguards are triggered. Nonetheless, its results framework would capture data disaggregated by gender, whenever possible/available. Institutions that receive project grants would be asked to provide team data disaggregated by gender. Every school grant proposal and every innovation grant proposal would be reviewed to avoid any negative social implication and/or potential gender bias in accordance with the following environmental screening procedure:

The procedure is made up of five steps listed below:

- Screening (for all grant applications)
- Disclosure and Public Consultation (in case EMP is required, i.e. for grant applications corresponding to Category II)
- Review and Approval (in case EMP is required, i.e. for grant applications corresponding to Category II)
- Conditionality (in case EMP is required, i.e. for grant applications corresponding to Category II)
- Monitoring and Reporting (in case EMP is required, i.e. for grant applications corresponding to Category II)

3.6.1 Screening

Environmental Screening Questionnaire (Annex C of the SDISP EMF) will be required for every project approved for financing and will be part of the project application.

The applicant will be responsible for ensuring that all of the adequate documentation has been submitted and filed, including: (a) all of the RS EA documentation; (b) official approvals for the documentation from responsible authorities for protection of environment, and (c) copies of the environmental permit. The applicants will be responsible to meet all of the legally prescribed requirements and to submit proof of doing so – through the documentation listed above. The incomplete applications will not be considered for financing.

Under the World Bank system, activities will be categorized in accordance with the following three screening categories.

- Category I (Low Risk): grant activities whose environmental impacts are expected to be negligible, for which no environmental evaluation will be required, corresponding to a World Bank Category C.

Category I activities have no further environmental assessment requirements.

- Category II (Intermediate Risk): grant activities with impacts that can be readily identified and standard preventative and/or remedial measures can be prescribed without a full EIA as per the Law on Environment (Official Gazette of the Republic of Macedonia No. 53/2005, 81/2005, 24/2007, 159/2008, 83/2009, 48/10, 124/10, 51/11, 123/12 and 93/2013). Mitigating measures are standard and are usually just good housekeeping or good engineering practice. This category corresponds to World Bank Category B.
- Category III (Not Eligible for Financing): activities which may have potential and highly significant or irreversible environmental impacts, the magnitude which are difficult to determine at the project identification stage (these will probably be identified in the first step) – corresponding to World Bank Category A. In addition, activities which involve resettlement or land acquisition, any type of construction and rehabilitation activities including simple renovation or small construction works, as well as those that include activities on the IFC exclusion list are not eligible for financing.

For grant applications corresponding to Category II (or WB Category B) an Environmental Management Plan (EMP) will be required. The format for a comprehensive EMP is presented in Annex D of the SDISP EMF. The applicant is responsible for preparing the EMP. If the Grant Applicant/Beneficiary refuses to prepare the EMP, the activity/application would be ineligible to access funds from the Project.

If a Request for an Environmental Permit was prepared by the applicant to meet Macedonian Environmental Assessment requirements this documentation should be used to prepare the EMP. The Independent Environmental Expert, to be engaged through the project, should check the Request and the EMP to insure, as a minimum, consistency in terms of: (a) identifying the same priority environmental issues, mitigating measures and implementing responsibility, (b) monitoring program, (c) institutional arrangements for environmental management.

3.6.2 Disclosure and Public Consultation

The Grant Applicant/Recipient is responsible for disclosing the EMP (both the draft EMP used for consultations and the final EMP revised following comments received during consultations) in a public place (library, municipal or government building etc.) near the project site and on the enterprise website, and place a notification in the local media (e.g. newspaper) as to where the EMP may be viewed, with a suitable feedback mechanism in place for comments or queries (both on-line and hard copy). Data on where and how the EMP was disclosed should be a part of the Final EMP.

Within the Skills Development and Innovation Support Project the grant funds will be provided for innovation purposes. Innovation and technological development are very sensitive issues with regards to disclosure of details related to the processes and activities involved. As such, the Grant Applicant/Recipient reserves the right to abbreviate the EMP in a manner where information disclosed will not give away any of the confidential information related to the innovation process itself but will sufficiently explain how the financed activities will mitigate any of the associated environmental impacts. Due to the nature of the Project, the Grant Applicant may not be required to hold a public consultation meeting, if the disclosed EMP on a website provides for an adequate feedback mechanism for comments or queries.

3.6.3 Review and Approval

The Independent Environmental Expert, to be engaged through the Project, is responsible for the preliminary screening of the proposed grant, or for checking the screening questionnaire already filled in by the applicant. The FITD will transfer this obligation to the Independent Environmental Expert, to be engaged through the Project, for review of the Checklist and for

review of the EMP forms. The FITD does not bear any liability for information that may be untruthfully and intentionally provided by the applicant.

The Independent Environmental Expert, to be engaged through the Project will also be responsible for reviewing and approving the EMP.

3.6.4 Conditionality

The FITD will include Grant Applicant/Recipient commitment to obey requirements set forth in the EMP into the respective grant agreement for category 2 applications. The Grant Applicant/Recipient will be required to show best effort to ensure that the funded activity is carried out with attention to good environmental management. The Applicant/Recipient will be held responsible for all mitigation measures that have been listed in the EMP.

3.6.5 Monitoring and reporting

As part of normal monitoring activities the FITD and the Independent Environmental Expert, to be engaged through the Project will perform desk and field-based monitoring functions to assure compliance by the grant recipients with overall and environmental obligations specified in the grant agreement. The performance reports will contain details on supervision of potential environmental impacts and report on implementation of EMPs for all of the grants that were required to prepare an EMP. Through this report the FITD and the Independent Environmental Expert, to be engaged through the Project will verify whether or not environmental requirements as detailed in the grant agreement have been met. If requirements have not been met, the FITD will provide recommendations for further action to insure compliance. Depending on the severity of a compliance failure, the FITD may terminate the project financing.

For the purposes of addressing associated environmental risks, the project is classified as a World Bank Environmental Category “B” Project, which requires preparation of the Environmental Management Framework (EMF). The Project EMF was prepared and publicly disclosed prior to project appraisal.

The World Bank requires that an EA of projects proposed for Bank financing is carried out to ensure they are environmentally sound and sustainable, and that the interested public has been informed and consulted. Under the World Bank’s regulations, the borrower is responsible for carrying out the EA in compliance with both the country’s legislation and the Bank’s operational policies. The Bank’s EA policy and procedures are described in OP/BP 4.01.

An EA evaluates a project’s potential environmental risks and impacts in its area of influence. Furthermore, it examines project alternatives and identifies ways of improving project selection, siting, planning, design, and implementation by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts. Finally, an EA recommends the process of mitigating and managing adverse environmental impacts throughout project implementation. The World Bank favors preventive measures over mitigation or compensatory measures, whenever feasible.

The main conclusion of the environmental analysis conducted by the World Bank was that the main environmental concern deals with the grant programs under Component 3 of the Project, which would be provided to enterprises for R&D as well technology development projects to support the development of new or significantly improved technologies, products and

processes. Given that the types of projects to be financed are not known at this stage, the MOES has prepared an EMF document that outlines the procedures to be used. The EMF procedures shall screen sub-projects/grants to ensure: (i) compliance with the World Bank Group exclusion list; (ii) that no sub-projects with significant impacts of a Category A type are supported; and (iii) that sub-projects/grants would not necessitate involuntary land acquisition or involuntary resettlement. The EMF also allows provisions for all activities corresponding to sub-projects defined as Category B to have an Environmental Management Plan that would identify sub-project specific environmental impacts and provide adequate mitigation measures in place prior to approval of the sub-project.

Notwithstanding, it is important to highlight that the SDIS Project doesn't finance any of the activities or project that relate to:

- Production or trade in any product or activity deemed illegal under host country law or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under CITES
- Production or trade in weapons or munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos, and equivalent enterprises
- Production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the IFC considers the radioactive source to be trivial and/or adequately shielded)
- Production or trade in unbounded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length
- Production or activities involving harmful or exploitive forms of forced labor/harmful child labor
- Commercial logging operations for use in primary tropical moist forest
- Production or trade in wood or other forestry products other than from sustainably managed forests
- Production or activities involving harmful or exploitive forms of forced labor/harmful child labor
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (includes gasoline, kerosene, and other petroleum products)
- Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples

The environmental screening procedure outlined in the mentioned EMF is part of this POM (see Annex III), as well as of the School Grants Operations Manual and of the Innovation Grant Operations Manual. When the screening procedure indicates that environmental impacts may occur, a specific Environmental Management Plan (EMP) shall be developed for the school grant or innovation grant/loan by the sub-grant/loan applicant (company or high school, depending of the type of sub-project) . The EMP will identify and require implementation of mitigation measures recommended for the assessed adverse environmental impacts, and will also identify institutional responsibilities and specific costs for the implementation and monitoring.

The School Grants Operations Manual and the Innovation Grant Operations Manual will both make explicit the type of subprojects and/or expenditures excluded from financing under the Project, including, but not limited to any:

- subprojects and/or expenditures falling within an exclusion listed on the World Bank /IFC exclusion list;
- subprojects involving the:
 - involuntary taking of land resulting in relocation or loss of shelter;
 - loss of assets or access to assets;
 - loss of income sources or means of livelihood;
- subprojects involving the involuntary restriction of access to legally designated parks and protected areas; and
- subprojects that would be classified as Category “A” in accordance with the World Bank’s policies and procedures.

Monitoring of the compliance with the EMPs will be undertaken by MoES, including progress monitoring on EMPs implementation, at least twice per year. The environmental monitoring and supervision reports will be also prepared twice per year, and will be submitted to the World Bank for review and endorsement. The Environmental Specialist (PMU staff) is responsible for reviewing, advising and overseeing compliance with the EMF and specific EMPs.

4. MONITORING AND EVALUATION

The Project would include an M&E framework to enable decision makers to track performance, adjust implementation as needed, and demonstrate the impact of policy interventions financed by the Project.

The PDO level and intermediate results indicators would be monitored using the following sources and methodologies: (i) regular data collection process; (ii) baseline and follow-up surveys; and (iii) evaluation reports.

The Project Director would be responsible for bringing together the reports and representatives of MOES and FITD for monitoring of the PDO and results, and communicating with the World Bank according to the frequency of reports described in Chapter 11 of the POM.M&E. MOES is expected to build a database to monitor key performance indicators that will continue to be regularly updated.

Ex-post evaluations would be carefully designed and performed for selected programs. Likewise, would be a performance evaluation to assess and review implementation of the competitively awarded grants in secondary TVET.

The M&E framework for the FITD component aims to measure input, output, and behavioral additionality¹². In order to understand whether the financial support provided through the FITD instruments is being effective, the three components of additionality will be tested together. The evaluation will help determine whether the R&D and Innovation activity are being carried out without public support, whether the public funding affects the scale and scope of the R&D and Innovation, and whether the R&D and Innovation are done differently.

Survey instrument design will be a highly structured questionnaire (preferably web-based) and addressed to directors/owners of the companies followed by in-person interview. To ensure a good mix, firms of all ages, sizes, and sectors will be approached. For the qualitative methodology semi-structured interviews will be conducted in order to explore the interviewees' experience regarding the FITD program. Based on these interviews, case studies will be developed.

Items used to assess input additionality will be: scope and scale of the project had they not received grant; and R&D intensity before and after the grant, etc. Items used to assess output additionality are: number of new products/services introduced to the market; number of new products/services under development etc. Items used to assess behavioral additionality are: innovation development process, new employment, R&D collaboration etc.

- (i) *Input additionality* is examined following two approaches. The first approach is where input additionality is evaluated by asking recipient firms what they would have done if they had not received the subsidy (adjusted scale of the project, development time, etc.). The second approach follows the "crowding out" literature. In order to examine if firms substituted any of the public money for their own investment, the values of own and total R&D intensity would be compared before and after the beginning of the FITD grant.
- (ii) *Output additionality*. In general, output additionality is difficult to measure because a clear direct link between specific innovation project and innovation output is hard to identify due to inter- and intra-firm spillovers. Spillovers from FITD are also

¹²Additionality in innovation stimulation distinguishes between 'input' additionality(e.g. the increase in private R&D investment as a consequence of awarding public support), 'output' additionality (the increase in innovation performance as a consequence of awarding public support) and 'behavioral' additionality (the change of innovation behavior as a consequence of awarding or changing the conditions of R&D support).

- considered benefit of the program, and output will be assessed by number of new products introductions and number of new products in development.
- (iii) *Behavioral additionality*. Given that FITD is geared toward fostering innovations, the first step is examining changes in the new product development process which is closely related to innovation capability of the firm.

Detailed information is given in Section 9. RESULTS FRAMEWORK AND MONITORING

5. ADMINISTRATIVE PROCEDURES

5.1 Personnel Management

The PMU is to be administered in accordance with the contract signed between the Consultants and the Implementing agency and in line with the procedures stated in Macedonian legislation governing Employment Relations and the WB requirements.

This includes public advertisement for the positions and establishment of selection committees.

The PMU personnel are selected on a competitive basis in accordance with the TOR for each position. Members of the Evaluating Committee are to be approved by the Minister.

5.2 Information management, disclosure, dissemination and public awareness

Competent information management is essential for successful implementation of the Project. A central component of information management is the proactive disclosure of sufficient information to the public, as well as transparency of decision-making and project activities. This is vital for building trust and support for the Project among stakeholders.

There are both national and international requirements for information disclosure and public participation. It is a World Bank policy to disclose information to the public and involve civic society.

On the other hand, not all information can be freely shared with all stakeholders due to a number of constraints. These include, for example, a need for confidentiality during the competitive bidding process, restricted dissemination of information during project preparation and negotiation, etc.

When planning information disclosure and dissemination, it is important to define the target audience for this information, in order to tailor the format and mechanisms of dissemination. Target audience may not always be comprised of the same groups and it has to be considered prior to disseminating any information.

Selection of the Bank's most relevant policies on information disclosure is given below:

Selected World Bank policies and guidelines relevant to information management

Title	Key relevant provisions
<i>World Bank Safeguard Policy OP/BP 4.01 'Environmental Assessment'</i>	The objectives of the policy are to help ensure the environmental and social soundness and sustainability of investment projects and .to support integration of environmental and social aspects of projects into the decision making process.
<i>World Bank Policy on Access to Information (last revised in July 2013)</i>	<ul style="list-style-type: none"> • The document sets out the Bank's policy on disclosure of information held by the Bank, and describes the materials available to the public; • Public information about the Bank's activities is available at the Bank's InfoShop (based in Washington), which offers, through the Internet (www.worldbank.org/infoshop), a complete set of Project Information Documents (PIDs) and a catalogue of other Bank documents available to public; PIDs are provided free of charge, either in electronic form or in hard copies; • PIDs are designed to make factual project summaries available while the project is still under preparation: the PID includes project objectives, expected or probable components, costs and financing, environmental issues, procurement arrangements, studies to be undertaken, prospective implementing agency and relevant points of contact; all PIDs are available in electronic form through the Internet (www.worldbank.org/infoshop); • WB Public Information Centres in Europe and Tokyo deal with requests for specific documents (not blanket requests for information); • Selected evaluation reports, information about procurement opportunities and contract awards may also be disclosed; • Operational Policies and Bank Procedures are publicly available on request; • The document also indicates the constraints that, while kept to a minimum, preclude external dissemination of some information, and spells out what documents are generally treated as confidential.
<i>Good Practices on Involving NGOs in Bank-Supported Activities (GP14.70) (2000)</i>	<ul style="list-style-type: none"> • NGOs are important stakeholders in the development process and the Bank encourages borrowers and staff members to consult with, and involve NGOs in Bank-supported activities; • The Bank aims to be proactive in sharing relevant information with NGOs at both, country and project levels; • Bank staff should provide timely and substantive responses to NGO requests regarding projects and policies and meet with them when possible; the Bank encourages borrower governments to act similarly; • As part of policy dialogue with stakeholders, Bank staff may make draft documents available for review by external specialists; • NGOs may be involved in Bank-supported activities in many ways: for example, as informal advisers, consultants, implementing agencies, or co-financiers.

Title	Key relevant provisions
<i>Guidelines for Selection and Employment of Consultants by World Bank Borrowers (2011)</i>	<ul style="list-style-type: none"> Information relating to the evaluation of proposals and recommendations concerning awards shall not be disclosed to the consultants who submitted the proposals or to other persons not officially concerned with the process, until the award of the contracts is notified to the successful firm; this confidentiality clause enables the Borrower and the Bank's reviewer's to avoid either the reality or perception of improper interference.
<i>Guidelines for Procurement under IBRD Loans and IDA Credits (2011)</i>	<ul style="list-style-type: none"> After the public opening of bids, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the successful bidder is notified of the award.

5.3 Project documentation handling

In the course of project preparation, implementation, evaluation and monitoring, a number of documents is being used currently, and will be produced further. These documents comprise the Bank's policies, procedures and guidelines, as well as project-specific materials. The PMU staff is mostly concerned with the management of the latter. Generally, each project document or material should be assigned an appropriate disclosure category, as specified below. The three main categories are:

1. **Public documents:** require full routine disclosure;
2. **Internal documents:** may be disclosed partly, or to selected parties upon request;
3. **Confidential documents:** not disclosed to the general public; access granted only to those directly concerned with the issue.

Examples of project documents with assigned disclosure category and access details are shown below. The list of documents is not exhaustive and may be extended or modified in line with the project development circumstances.

Categories of document disclosure

No	Document category	Examples of documents	Comments on access/disclosure
1	<i>Public</i>	Project Information Document (PID); final version of the Project Appraisal Document (PAD); Project Operational Manual (POM)); Terms of Reference for consultants and subcontractors, information on procurement opportunities and contract awards (after signature); selected final reports; selected draft documents prepared specifically for public consultation.	<ul style="list-style-type: none"> • Routinely disclosed in full to all parties; • Proactively disseminated to key stakeholders
2	<i>Internal</i>	Draft PAD and other draft documents under negotiation; most of the financial information except that, which is contained in the public documents above; staff recruitment, remuneration and appraisal; selected final reports that may not be fully disclosed; other documents with sensitive information.	<ul style="list-style-type: none"> • Restricted access; • May be disclosed partially or fully to selected parties or general public on request
3	<i>Confidential</i>	Selected financial information; bidding documentation before official notification of the award; selected proceedings of the Project Board meetings; other documents of confidential nature.	<ul style="list-style-type: none"> • Access allowed to specified parties only

It is possible, and often likely, that different sections of the same document are assigned different disclosure categories. Also, it is likely that certain documents change disclosure

categories over time. For example, many draft documents for negotiation in the “internal” category become “public” documents after negotiation is completed. If in doubt which category to assign, the issue should be referred to the relevant Task Team Leader at the World Bank.

Examples of suggested information dissemination activities

No	Activity/product	Frequency	Target Groups
1	Project information leaflet	Annually or bi-annually	All line Ministries and Government Agencies
2	Press-releases, media advisories and press-conferences	Frequency is linked to specific project events/developments, however should not be less frequent than monthly	Press
3	Posters and stickers	At the project start, as well as linked to key project milestones	Project counterparts, stakeholders and partners
4	E-mail distribution lists and project web site	Weekly updates	PMU and project stakeholders

Roles and responsibilities

The responsibilities for information handling, disclosure and proactive dissemination reside with PMU as suggested in the table below:

PMU staff responsibilities for information management

No	Staff title	Key responsibilities
1	Project Director	Planning and implementation of information dissemination and public awareness building activities; day-to-day communication with stakeholders; media liaison with the World Bank Task Manager on these issues
2	Procurement Manager	Information handling in planning and implementation of competitive bidding

The PMU staff should work closely with the PR unit within the MoES. No disclosure of the sensitive information is permitted without prior approval by the PMU staff.

6. PROJECT ORGANIZATIONAL STRUCTURE

6.1 Institutional and Implementation Arrangements

Pursuant to Section 3.01 of the Loan Agreement The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (i) carry out Parts 1, 2, 3.1 and 4 of the Project through MoES; and (ii) cause FITD to carry out Part 3.2 of the Project in accordance with the provisions of Article V of the General Conditions and the FITD Implementation Agreement.

The Implementing Agency for the Project is the Ministry of Education and Science, which would be ultimately accountable for execution of project activities. Project implementation will basically rely on the existing structures of the MoES, the newly established Fund for Innovation and Technology Development (FITD) and the Working Group. The MoES staff will be supported by the PMU. Implementation arrangements place an emphasis on continually strengthening the MoES's capacity, and capacity building of FITD to promote long-term sustainability of the system. The Project implementation structure consists of:

Project Steering Committee (PSC). The overall authorizing environment would come from the PSC. The main role of the PSC would be to ensure inter-institutional coordination and provide overall project oversight and strategic guidance, as well as to assist in resolving implementation obstacles. This PSC will be chaired by the Deputy Prime Minister for Economic Affairs and will include representatives of the MOES, Ministry of Finance (MOF), Ministry of Economy (MOE), Ministry of Labor and Social Protection (MOLSP), Inter-University Conference members, and representatives from the business sector. The latter will be appointed by the National Council for Entrepreneurship and Competitiveness.

Working Group (WG). The WG was established at the beginning of project preparation and comprises technical experts from the MOES, MLSP, MOF, MOE, Cabinet of the Deputy Prime Minister for Economic Affairs, and the VET Center. The WG has been meeting regularly with the World Bank team to discuss ongoing policy development and preparation issues. The WG would be maintained throughout project implementation to provide technical expertise and support as needed.

Project Management Unit (PMU). Day-to-day activities under the Project would be managed by a PMU headed by a Project Director. PMU staff would include one procurement specialist, one financial officer, area coordinators for each of the three components and one environmental expert to provide assistance on environmental safeguards issues. The PMU would report to the Minister of Education and Science and to the PSC; it would be responsible for overall project coordination, monitoring activities, safeguard and fiduciary functions, and reporting.

Investment Review Committee (IRC) consisting of competitively selected international and local experts from the academia and private sector would be responsible for evaluating and selecting sub-project proposals to receive grants/loans, based on criteria described in the Grants Operational Manual, and acceptable to the Bank.

Grant Approval Committee (GAC) consisting of representatives of MOES, the local self-government and the Chamber of Commerce would be responsible for evaluating and selecting proposals from secondary VET schools for joint projects with enterprises. The GAS will be guided by criteria described in the Grants Operational Manual and acceptable to the Bank.

6.2 Project Management Unit Role and Responsibility

Pursuant to Schedule 2, Section I, subsection A, line item 2 of the Loan Agreement the Borrower shall: (i) maintain the PMU, the Steering Committee and the Working Group; and (ii) establish and maintain the Investment Review Committee and the Grant Approval Committee; all with staff, resources and terms of reference satisfactory to the Bank.

The MoES as the main implementing agency for the Project will establish the PMU as a temporary body. The PMU staff is retained in full for the lifetime of the Project, subject to satisfactory performance.

The establishment of the PMU is supported by Loan funds and PMU staff remunerated on the basis of market rates in order to avoid fluctuation of the skilled staff.

To regulate the PMU staff responsibilities the PMU staff shall enter into contract with MoES using the standard WB time based form of contract for small assignments. These contracts prescribe in detail scope of work for each PMU consultant, rights and responsibilities for both contractual parties and both contractual parties must respect and behave accordingly while conducting project activities and tasks. The PMU contracts have to be approved by the WB.

From time to time the PMU can be supported by short-term consultant providing expertise and assistance.

In implementing their day-to-day activities, the PMU staff is directly subordinated to the Project Director.

Main responsibilities of PMU fall into the following groups of activities but are not limited to:

Coordination that includes (i) coordination of overall project implementation activities; (ii) coordination of involved institutions in order to make sure that the project activities are implemented in a technically and timely harmonized manner, (iii) coordination of international and local consultants and (iv) WB team's requirements.

In addition to the coordination work, the PMU is responsible for:

Planning and budgeting that includes precise assessment of the activities related to project preparation and implementation from their technical, financial and procurement viewpoint.

Procurement that includes (i) preparation of annual procurement plans agreed with the project involved institutions and approved by the WB, (ii) preparation of the specification for goods and services to be procured and resulting bidding and tender documents in accordance with the agreed procurement plan, and (iii) WB procurement requirements.

Financial management and accounting that includes organization and operation of the Project financial management system acceptable to the WB. The system will be established for the project on the basis of similar systems used in other Bank financed projects. The system is to include an accounting and control module with the capability to record and retrieve in a timely manner all financial transactions under the project. In addition, the financial management and accounting will follow the national financial management, accounting and reporting requirements.

Auditing includes external annual audit of project accounts and financial records in accordance with the WB requirements. In addition to the usual Project Financial Audit the Project would include Operational Audit of the FITD and Performance Audit for secondary TVET grants.

Monitoring and evaluation includes establishment of arrangements for systematic comparison of actual project activities against plan on the basis of agreed indicators and objectives. These indicators should also include those on the implementation of safeguard policies, specifically measures specified in the project Environmental Management Plan.

Reporting includes establishment of regular reporting system that is able to produce information about the Project as stipulated in the Loan Agreement, PAD, in this POM or as may be from time to time requested by the WB, MoES, MOF or authorized officials from the project beneficiaries.

PMU Staffing

Position	Subordinated to	Qualifications	Tasks
Project Director	Minister Education and Science	<ul style="list-style-type: none"> ○ University degree. Master degree would be considered an advantage; ○ At least 5 years work experience in the public sector. Experience in the human development area is an advantage. ○ At least 5 years work experience in coordination and/or management of projects funded by international organizations. Relevant experience on World Bank projects would be considered an advantage; ○ Knowledge of World Bank tendering, financing and contracting procedures. ○ Proven teamwork skills; ○ Excellent verbal and writing communication skills in English; ○ Computer Literate (MS Word, MS Excel, MS Project, Power Point, e-mail, Internet) ○ Ability to work under pressure and meet deadline 	<p>In the SDIS Project the Project Director is responsible for:</p> <ul style="list-style-type: none"> ○ Managing the PMU on a day-to-day basis, including coordination of the duties among PMU staff; ○ Overall planning, coordination and implementation and supervision of the Project activities in a timely, efficient and transparent manner; ○ Ensuring that all activities are carried out according to the provisions of the SDISP agreement and Macedonian legislation and regulations and according to the agreed project procedures, including and not limited to financial management, project budgeting, procurement, contract negotiations and management, and related activities; ○ Managing development of an annual Work program for the project; ○ Managing development of the annual project budget and procurement plan in cooperation with the Procurement Manager; ○ Managing and coordinating preparation of internal project documents, TORs and bidding documentation, evaluation committees and reports, contracts and agreements; ○ Ensuring accurate financial, procurement and accounting records and maintain financial and procurement discipline; ○ Ensuring that payments are made in a proper and timely manner and that all sources of funding are available for the Project; ○ Developing and establish an appropriate communication and information system to facilitate project preparation and coordination arrangements between the PMU, MoES, and stakeholders; ○ Ensuring proper stakeholder consultations on all issues related to project preparation; ○ Liaising with the World Bank, donors and other governmental and international financial institutions; ○ Liaising with other projects; ○ Providing assistance and support to the project beneficiaries in all areas related to the Project implementation; ○ Reporting toward MoES, Ministry of Finance and the World Bank, as well as other institutions involved as required; ○ Monitoring of performance of each project component
Higher Education Coordinator	Project Director	<p>Minimum</p> <ul style="list-style-type: none"> ● University degree; ● At least 3 years work 	<ul style="list-style-type: none"> ○ Provide administrative and logistical assistance to the Ministry of education and science, the Higher Education Accreditation and Evaluation Board and the universities , for issues related to the

		<p>experience in the Macedonian public sector.</p> <ul style="list-style-type: none"> • Experience in technical management, preferably in public sector; • At least 2 years' experience of project work with international organizations; • Good understanding of Macedonian Higher education system • Proven teamwork skills; • Excellent verbal and writing communication skills in English; • Computer Literate (MS Word, MS Excel, MS Project, Power Point, e-mail, Internet) • Ability to work under pressure and meet deadline 	<p>reforms in the higher education area as well as to the consultants in carrying out project implementation activities.</p> <ul style="list-style-type: none"> ○ Provide assistance in coordination and communication among the stakeholders, in order to ensure a consistent approach to project implementation; ○ Provide assistance to the Ministry of education and science and all relevant stakeholders in the preparation of Terms of Reference and other project related documents. ○ Provide assistance to the International and Local Consultants and assist the Ministry of education and SDIS Project Director and in coordination of their activities; ○ Monitoring of the project activities related to the education area; ○ Provide assistance to the Project Director, World Bank and Macedonian authorities in preparation of SDIS Project related documents; ○ Any other activities in correlation with the implementation of the SDIS project;
Procurement Manager	Project Director	<p><u>Minimum</u></p> <ul style="list-style-type: none"> ○ University degree ○ Three years of practical professional experience as a procurement or contract specialist. Experience on World Bank funded projects will be considered an advantage ; ○ Experience of project or contract work with international financial organizations ○ Proven teamwork skills ○ Computer literate (MS Word, MS Excel, MS Project, Power Point, e-mail, Internet) ○ Good verbal and writing communication skills in Macedonian and English ○ Ability to work under pressure and meet deadline 	<ul style="list-style-type: none"> ○ Coordinating and managing of day to day procurement activities carried out under the project, as well as for procurement on Project level and shared activities, and ensuring that procurement is carried out in compliance with the procedures agreed with the World Bank. ○ Based on the work plan preparing in collaboration with the relevant staff in the Ministry, an annual procurement plan, including its updates and an annual training plan; ○ Coordinating the procurement process for each contract by guiding preparation of bidding/proposal documents, submitting for review and no-objections from the WB where necessary, sending invitations of bids/proposals and clarifications to bidders/consultants; ○ Arranging for advertisement of procurement notices in the UN Development Business and other media for the procurement of goods and consultant services ○ Organizing and coordinating with relevant staff from the implementing agency involved in the process procurement evaluations including evaluation criteria, , contract award/rejection notices and all other documentation associated with the evaluation process; ○ Providing guidance in bid evaluation to nominated committees; ○ Maintaining a watching brief and keep updated on local taxation, banking and other pertinent regulations affecting the procurement

		<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> ○ activities of the Project; ○ Coordinating development of the project procurement tracking system and its updating; ○ Providing assistance to the PMU, evaluation committees, beneficiaries involved in the project, during the project implementation activities in respect to the procurement issues. ○ Liaising with the World Bank procurement staff; ○ Interacting with other PMU members in order to support overall project activities ○ Monitoring the procurement activities against the procurement plan and for coordination of procurement activities and for the follow up of contracts' execution; ○ Providing input on procurement to required progress reports; ○ Providing input during preparation and subsequent updates of the procurement arrangements section of the Project Operational Manual for the SDISP ○ Coordinating the review and approval of operating costs for the PMU and <i>[add any other beneficiaries as per the LA]</i> ○ Assisting project beneficiaries in their procurement activities and help them in developing reports in agreed format; ○ Assisting and advising project beneficiaries and their awarded sub-projects from the public entities in carrying out procurement in compliance with the procedures agreed with the World Bank; ○ Providing assistance and supervising procurement plans of awarded public entities under sub-financing category of the loan ○ Working closely with institutions involved in the project implementation. ○ Any other activities in correlation with the implementation of the SDIS project;
Coordinator for business and innovations	Project Director	<p>Minimum</p> <ul style="list-style-type: none"> -University and preferably advanced degree in business administration, economics, finance and/or engineering; · At least 5 years of professional experience in business management consulting, private sector development, innovation support, finance and investment; · Professional experience in project management and 	<ul style="list-style-type: none"> • Provide administrative and logistical assistance to the Ministry of education and science and the Fund for innovation and technology development, for issues related to the implementation of the Fund's programme and evaluation of applications as well as to the consultants in carrying out project implementation activities. • Provide assistance in coordination and communication among the stakeholders, in order to ensure a consistent approach to project implementation; • Provide assistance to the Ministry of education and science, the Fund and all relevant stakeholders in the preparation of Terms

		<p>development working with international organizations</p> <ul style="list-style-type: none"> · Excellent knowledge of the business regulatory environment and SME sector in Macedonia and the region; · Strong teamwork, leadership, communication, interpersonal, cross-cultural skills and computer skills; · Excellent verbal and writing proficiency in English; · Ability to work under pressure in a fast past work setting. 	<p>of Reference and other project related documents.</p> <ul style="list-style-type: none"> • Provide assistance to the International and Local Consultants and assist the Ministry of education and SDIS Project Director and FITD Director in coordination of their activities; • Monitoring of the project activities related to the implementation of Fund's support instruments; • Provide assistance to the Project Director, FITD Director, and Macedonian authorities in preparation of SDIS Project related documents; • Any other activities in correlation with the implementation of the SDIS project;
VET Coordinator	Project Director	<p>Minimum</p> <ul style="list-style-type: none"> • University degree; • At least 3 years work experience in the Macedonian public education sector. • Experience in technical management, preferably in public sector; • At least 2 years experience of project work with international organizations; • Good understanding of Secondary education system, especially the Vocational education and Training scheme • Proven teamwork skills; • Excellent verbal and writing communication skills in English; • Computer Literate (MS Word, MS Excel, MS Project, Power Point, e-mail, Internet) • Ability to work under pressure and meet deadline 	<ul style="list-style-type: none"> ○ Provide administrative and logistical assistance to the Ministry of education and science and the VET center, for issues related to the reforms in the Vocational education area as well as to the consultants in carrying out project implementation activities. ○ Provide assistance in coordination and communication among the stakeholders, in order to ensure a consistent approach to project implementation; ○ Provide assistance to the Ministry of education and science and all relevant stakeholders in the preparation of Terms of Reference and other project related documents. ○ Provide assistance to the International and Local Consultants and assist the Ministry of education and SDIS Project Director in coordination of their activities; ○ Monitoring of the project activities related to the Vocational education and training area; ○ Provide assistance to the Project Director, World Bank and Macedonian authorities in preparation of SDIS Project related documents; ○ Any other activities in correlation with the implementation of the SDIS project;
Financial Manager	Project Director	<p>Minimum</p> <ul style="list-style-type: none"> ○ University-level degree in economics, finance, or 	<ul style="list-style-type: none"> • Coordinating and managing the day-to-day financial management functions of the project, including financial reporting, disbursement,

		<p>accounting</p> <ul style="list-style-type: none"> ○ Three years of practical experience as a financial specialist ○ Experience of work with the International Accounting Standards and Macedonian tax and banking regulations ○ Proven teamwork skills ○ Computer literate (MS Word, MS Excel, MS Project, Power Point, e-mail, Internet) ○ Good verbal and writing communication skills in Macedonian and English ○ Ability to design and implement the project accounting system in line with World Bank and Government of Macedonia requirements ○ Experience with World Bank financial management and accounting principles ○ Good knowledge and skills in computer-based financial management systems and office applications ○ Ability to work under pressure and meet deadline 	<p>consolidation, budgeting, planning, accounting and auditing aspects of the project as per the procedures agreed with the World Bank and the duties and procedures outlined in the Project Operational Manual;</p> <ul style="list-style-type: none"> ● Contributing to the preparation of the design, customization and implementation of a proper financial and accounting system for project transactions to accommodate the World Bank and local authorities relevant requirements; ● Ensuring that all project transactions are properly recorded in the consolidated project's financial statements, to meet the World Bank, the Ministry of Finance and the Ministry of Education and Science financial requirements; ● Establishing and maintaining close links with the World Bank, National Bank of Republic of Macedonia, Ministry of Finance, and the Ministry of Education and Science and ensuring that adequate sources of financing are available for the project; ● Preparing and submitting for approval to the Project Director and/or Project Manager, MoES and MoF the financial statements, budgets, financial projections, cash flow forecasts and all other Project reports as requested by the World Bank and the Macedonian Government; ● Preparing and submitting to World Bank as per the agreed frequency withdrawal applications in the prescribed format to document and disburse the funds for project activities; ● Cooperating closely with the PMU Procurement Manager to ensure that all accounting, procurement and disbursement aspects are properly linked and monitored; ● In cooperation with the Procurement Manager, leading the annual work plan and budget formulation process with selected PMU staff and the loan end-users staff, and prepare final plans for approval by the Project Director and the Minister of Education and Science; ● Ensuring that payments are made and accounted for in a proper and timely manner as per the procedures agreed under the project, that all sources of financing are available for the Project and that an appropriate contract payments' monitoring system is operational, working in close cooperation with the Procurement Manager; ● Ensuring that payments for school grants are made and accounted for in a proper and timely manner and in accordance with the Project Operational Manual, respectively Grants Operational Manual, and ensuring adequate monitoring and control over grants disbursements and payments; ● Ensuring proper communication with the auditors of the project, providing information, allowing access and preparing the documents
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			<p>required for the audit of the annual project accounts;</p> <ul style="list-style-type: none"> • Controlling incoming invoices and other relevant documentation for reality of expenditures, adequacy and consistency versus signed contracts and preparing supporting documents for payments; • Operating the Designated and the associated mirror account, and performing and documenting the monthly account reconciliation, with any differences properly explained and/or followed up; • Keeping and updating on a timely basis comprehensive analytical accounting records, used as basis for the generation of the quarterly Interim Financial Reports (IFRs); • Working closely with the Fund for Innovation and Technology Development on the preparation of consolidated quarterly IFRs and submission to the World Bank in 45 days after each quarter end, respectively preparation of the annual consolidated project financial statements; • Interacting with other PMU members and other structures, i.e. Grants Approval Committee, if needed in order to support the overall project activities; • Assisting the project beneficiaries with their financial management activities; • Working closely with the institutions and beneficiaries involved in the project implementation; • Providing input during preparation and subsequent updates of the financial management section of the Project Operational Manual; • Performing any other activities in correlation with the implementation of the project.
Environmental Specialist	Project Director	<ul style="list-style-type: none"> • University degree in environmental sciences; engineering; natural sciences, and other related fields. • Min. 3 years experience in environmental aspects of demand-driven development projects; • experience in preparation of Environmental Assessments / 	<ul style="list-style-type: none"> • (i) ensure that grant proposals are correctly screened, (ii) review environmental management documentation of proposed grants/sub-projects, (iii) participate in the evaluation of the proposals, and (iv) deliver series of trainings to potential applicants and PMU, in order to improve the capacity of both to deal with environmental risks associated with the sub-project implementation. The Environmental Specialist will also advise grant applicants 'as needed' basis at all stages of grant/sub-project preparation and implementation. • conduct monitoring of sub-projects and will report to the PMU accordingly. For the sub-projects associated with higher risks and/or sensitivities, the monitoring will be conducted as frequently as needed by the project nature. Individual monitoring schedules should

		<p>Management Plans and environmental training programs for governmental organizations, NGOs and other audience for different types of the project,</p> <ul style="list-style-type: none"> • Strong experience in environmental problems prioritization, tools and methodology development, project management at local and regional experience • Exposure to development work with international organizations is an advantage; • Excellent interpersonal and communications skills; • Demonstrated ability to work in a team; • Computer literacy, in particular experience with WinWord and Excel programs (MS Office). 	<p>be identified by the Environmental Specialist at the stage of grant applications review and agreed with PMU M&E Officer. The report should specify the status of implementation of mitigation measures outlined in sub-project specific EMPs. In case of any issues the report should specify recommendations/follow up actions by PMU and a grant beneficiary, with indicative timeframe;</p> <ul style="list-style-type: none"> • The Environmental Specialist shall coordinate with the PMU M&E Officer and provide inputs for regular quarterly and annual progress reporting of the PMU to the Bank. The Environmental Specialist, together with M&E Officer, will prepare annual report on the status of safeguard implementation under the project. Such reports shall be furnished by the PMU to the Bank.
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6.3 PMU Rulebook and Procedures

PMU is responsible for coordination and all day-to-day Project implementation activities on behalf of MoES. PMU is responsible for the technical, financial and procurement aspect of the project implementation. On project progress and problems the PMU reports to the Minister and Working Groups through the Project Director.

PMU is staffed with contracted consultants of required disciplines and experience with the ultimate task to successfully implement the Project. The PMU members are directly subordinated to the Project Director. In implementing their tasks the PMU staff will adopt the following code of conduct:

- PMU staff act by the principles of professional impartiality, responsibility, honesty, transparency, openness, efficiency and effectiveness in relations with third parties (i.e. consultants, suppliers of goods, persons or institutions involved in any way in activities or results of those activities), and may not practice any form of discrimination or preferential treatment;
- PMU staff is expected to accord equal and fair treatment to the users of the services supplied by the Project;
- PMU staff use the available resources in the manner of a good host, and maximum cost-effectiveness in relation to the general objectives of Project, maximum cost-effectiveness should always be sought in decision-making within the PMU and in the practical application of its procedures;
- PMU staff shall not use available official information for private purposes;
- PMU staff may not directly, or through an intermediary, hold any interest in companies, or have responsibilities in public or private institutions having commercial relations with the PMU or benefiting from its activities, and they may not receive any gifts, remuneration, commission or fee of any kind from such companies or institutions. Compliance with this obligation is an express condition of engagement with the PMU;
- PMU staff should not be engaged in political propaganda;
- The Project Director is the only authorized person to issue work instructions to PMU staff,
- PMU does not permit the employment of a relative in any situation;
- Keeps evidence of working time and attendance of the staff for payroll;
- Process and keep all management documentation.

PMU work is based on following principles:

- Conformity with the Constitution of the Republic of Macedonia and other local laws;
- Autonomy of PMU - In terms of making decisions related to the Project, according to the delegation of the full authority in day-to-day management by the Minister to the Project Director;
- Impartiality in relations with third parties - The PMU shall not practice any form of discrimination or preferential treatment and shall exclusively apply the decision making criteria and selection procedures described in the approved documents such as Loan Agreement, PAD; POM;
- Transparency -The Project implementation methods are transparent and controllable, and goods, and services are procured on competitive way following the WB procurement rules. The public and potential suppliers of goods and service providers are informed properly about the availability of funds. The reporting to all partners should be accurate;

- Quality - Contracts are made only with those suppliers and service providers that undertake to ensure that their goods and services meet high quality standards. Technical proposals offered by suppliers and service providers would need to include credible quality assurance mechanisms. These mechanisms are evaluated by the PMU, as part of their overall evaluation of the proposals;
- Cost effectiveness - The resources are used at maximum efficiency; the results are monitored and evaluated on the basis of agreed indicators;
- Monitoring – Project monitoring activities should be carried out to ensure that:
- Goods and services are delivered in the quantities specified and according to the schedule and quality standards established in the contract;
- Problems are identified early, and any corrections necessary are applied quickly and effectively;
- Financial transactions are carried out in a proper and timely manner, and are supported by the necessary documentation;
- Effective coordination exists between suppliers/service providers and other interested parties;
- The overall program is implemented in a transparent manner through widely drawn public disclosure of program information.

Employment conditions

Organization of the work in the PMU is based on the principle of organizational unity and division of duties according to professional qualifications and other skills needed for the determined positions in the PMU.

Besides the professional qualifications the PMU staff should meet the following criteria:

- Is a citizen of Republic of Macedonia, aged 18 or above,
- Has not been sentenced for criminal acts on at least 6 month imprisonment or for other act that makes him/her unsuitable for performance in the administrative body,
- Meets other criteria set by law of the Republic of Macedonia.

New PMU staffs hired in accordance and following the procedure of the WB Guidelines for hiring of individual Consultants. Appointment of all new staff has to be approved by the World Bank.

The PMU staff works based on the consulting contracts signed by the staff and the Minister/Project Director. Before signing of contracts an employee is requested to provide documentation evidencing diplomas and degrees and statement of no conflicts of interests. Termination of contract is possible on the request of either party and is subject to the applicable laws and regulations in force in Republic of Macedonia and contract provisions.

For the temporary, occasional or short-time work of professional or non-professional nature (e.g. assistance in preparation of TS and TORs and evaluation of bids and proposals) the PMU can engage short term consultants. The selection should follow Individual Consultants selection or Selection Based on Consultant's Qualifications as described in this POM.

Working week is defined as from Monday through Friday, and working hours as 8,30 through 16,30, with a half hour paid lunch break. Saturdays, Sundays and National holidays of Republic of Macedonia, as defined in the Law on Labor relations of Republic of Macedonia, are non-working days. The Project Director can determine that the staff works longer in order to complete the assignment that cannot be delayed if it cannot be completed within the regular

working hours. PMU staff remuneration includes occasional overtime, and no additional remuneration will be provided, but equal or proportional leave should be given.

PMU staff is entitled to paid leave (annual and sick) as per conditions of individual contracts. The Project Director passes the plan for annual leaves of the staff, respecting to the extent possible the wishes of staff and based on the plan issues the separate decisions on approval of the annual leave for each PMU member.

For sick leave exceeding 3 days a doctor's certificate is required.

The performance evaluation of PMU employees is the responsibility of the Project Director, who discusses and documents the performance and professional development of the staff. Progress in the previous year, functions and goals for the succeeding year, and suggestions for enhancing the individual's personal and professional development are discussed and documented. PMU personnel receive his/her performance review during the month of January except employees who are in their probation period. New employees, regardless of his/her employment date, are put into the annual review cycle as appropriate.

Project Director encourages employees to improve and develop their job-related professional skills. Job-related training includes, but is not limited to, academically accredited courses, training seminars and language study. Staff development activities are for the benefit of the organization and decisions will be made accordingly. In addition, Project Director offers employees a range of other opportunities for professional development. For example, seminars and workshops conducted by staff, local or foreign consultants, public and governmental agencies on topics relevant to the PMU mission as Project management courses, procurement with special emphasis on IT, financial management courses and other courses which may be found by the Project Director as beneficial for increasing the PMU competence.

For its work the PMU staff will be held responsible for any violation of work discipline or any material damage caused to the company (i.e. disclosure of confidential information) according to the relevant Macedonian Law.

PMU staff has the contracted fees determined on the basis of complexity and scope of work, level of responsibility and budget that has been allocated for that purpose. Fee calculation is made based on the evidence of attendance that is together with the report on the work done submitted to Project Director. Remuneration fee is paid in "gross" to the account of the staff not later than 5th day of the current month for the previous month. Personal Income Tax will be paid for both, local and international consultants upon a calculation based on the Law for Personal Income Tax of the Republic of Macedonia. If the policy of the WB changes the Government shall pay all the taxes and contributions for the PMU staff in accordance with the Law of Employee Relations.

Fees are pro-rated based on number of working days, paid leave days and official holidays in each month. Training days (for training included in the implementation plan and approved by the Project Director designated in the contract) are counted as working days.

PMU staff receives reimbursement of expenses incurred for use of own car for PMU business purposes and expenses related to approved business trips outside of Skopje (i.e. accommodation, per diem, travel, telecommunications, in-town transportation) on the basis of the proper written order approved by the Project Director. The reimbursement per kilometer done will be not more than 20% of the cost of 1 liter of the fuel per kilometer traveled. Staff is entitled to, in course of the business trip, stay for the night in the place of business or place in proximity, if due to the distance, transportation means, duration and other relevant conditions,

he/she cannot reach the destination before 24,00 (0,00) hours. The reimbursement is made based on the original hotel bill, except for "de lux" category, when the reimbursement is made based on the price of the nearest "A" category hotel. Per diem is calculated only for trip outside Skopje which requires overnight stay. The business trips can be undertaken based on the prior approval of the Project Director made in a written form.

In case of official trips to foreign countries the PMU buys the air tickets and the reimbursement of other costs is based on actual expenses. The per diem is equal with the per diem rate relevant for the country of destination according to local regulations.

PMU staff keeps the business confidential information during the engagement in the PMU and after its termination in accordance with the confidentiality clause of the contract.

PMU ensures accurate and on-time preparation, sending, receiving and archiving of all business documentation and follow-up of its circulation. The business documentation is understood as:

- All the documentation that PMU makes or receives from the third persons, related to project (i.e.. agreements, invitations to bid, bids, minutes, evaluation reports, contracts, reports, guarantees, bills, evidences, no-objections, etc.);
- Contracts and general acts regulating the legal status of PMU;
- Financial documentation;
- Staff dossiers and evidences related to staff contracts;
- Other documents.

The staff dossiers contain: application, copy of the interview minutes, evaluation report, copy of the contract including the TORs, copy of the monthly payment orders for fee, monthly evidences on the attendance, decision of paid annual and sick leave, copy of written warnings, termination of the contract and other classified data on staff accessible only by the Project Director.

During the working hours the materials and acts must not be left un-supervised, and after the close of working hours all is stored in the locked cabinets in the locked premises, to ensure the safety.

Correspondence

Correspondence management comprises: receiving, opening, reading and distribution of mails and acts, grouping and forwarding for processing, administrative-technical processing, sending, classification by subject and archiving. The Project Director is responsible for receipt, review and distribution of mail, track record of documents, delivery of mail and filing.

The exception for the above rule is the treatment of bids/proposals if properly marked, which are immediately submitted unopened to the Procurement Manager for safekeeping.

Every act for official communication will have the common interface, with memo of the MoES, name and address of recipient, title, text, official seal and signature.

Mails sent from the staff individual address have to be copied to the Project Director's address.

The use of electronic mail is encouraged. Mails should be copied to all interested staff inside the PMU.

Each PMU staff gives professional international calls whenever judged appropriate and for official purposes related to the Project only. Staff is trusted to make a reasonable use of this facility.

All outgoing official paper correspondence (by mail, by hand, by facsimile) between the PMU and the WB is sent by the Project Director , Procurement and Financial managers, while other PMU staff can maintain the unofficial correspondence in the field of expertise but must always copy the Project Director.

Communication inside the PMU

All forms of internal communication are organized on a liberal basis. This means that management trusts each staff a priori, and that each staff is expected to act responsibly and reasonably in all forms of written and spoken communication, until the demonstration of the opposite has been made. The objective is to minimize internal bureaucracy by limiting prior authorizations or straight prohibitions; any detected abuse, negligence, etc. is severely repressed.

Communication with the Media

All communication and contact with the media should be organized through the Project Director and the Minister and the Public Relations Unit within the MoES. The individual communication of the PMU staff and the members of the Working Groups with the media representative are forbidden.

7. PROCUREMENT PROCEDURES

Pursuant to Section III of the Loan Agreement the procurement of goods and consultants services needed for the Project will be procured according to World Bank Procurement Guidelines and Consultant Guidelines.

7.1 General

Efficient procurement in World Bank financed projects is a prerequisite for the attainment of project objectives and timely disbursement of loan funds.

The Borrower's implementation agency and involved institutions should be fully aware that delay in contract award results in project implementation extension and increase of costs for the Borrower, because disbursements are made on basis of contracts signed and implemented. It should also be noted that unutilized loan funds are subject to commitment charges which have to be paid by the Borrower.

Summary of Procurement Procedures. The procurement under the Project includes procurement of goods and consulting and non consulting services, training and study tours.

All goods and consultants' services required for the activities and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth in World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consultant Services under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011; and the provisions stipulated in the Legal Agreement. In addition, the requirements originated from the World Bank Safeguard Policies should be duly reflected in the procurement processes and documentation, for example, bidding packages and contracts for respective school grants and innovation grants should incorporate the environmental requirements and sub-project specific EMPs identified and prepared in accordance with the project Environmental Management Framework.

A detailed procurement plan for the Project has been prepared and included in this chapter. During project implementation, the procurement plan in agreement with the Bank project team will be updated annually by the PMU and in consultation with the involved stakeholders, or as required to reflect the actual project implementation needs and improvements in the implementing agency institutional capacity. All procurement plans and their updates or modifications shall be submitted to the Bank for prior review and no-objection before implementation.

A template procurement plan for the innovation instruments/grant is provided in Chapter 9.

7.2 Procurement Planning and Responsibilities

To ensure efficient Project implementation, preparation of the Procurement Plan shall be coordinated with preparation of the annual Work Program and budget. The project will be implemented based on annual work programs (WPs) and budgets prepared by the PMU. Based on inputs from all participating agencies, the PMU will prepare consolidated WPs, incorporating specific activities to be undertaken during the succeeding year. The investment costs included in the WPs shall be clearly spelled out. The WPs will include, inter alia: (a) statement of the objectives to be pursued for the coming year; (b) description by component/sub-component of

the activities to be pursued during the year and their detailed budget; (c) equipment to be procured during the year; (d) financing plan (IBRD/counterpart financing); (e) conclusions and recommendations; (f) updated procurement plans; and (g) SDISP expected disbursements.

The Working Plans shall be approved by the Minister of Education and Science and submitted to the Bank by November 30, each year.

Procurement responsibilities. The MoES is the executing agency for this project. PMU, which is to be established within the MoES as a temporary structure, will be responsible for the whole cycle of procurement of all goods and services under the Project, including filing/record keeping of all related operations and activities, and coordinating the delivery of technical assistance provided by international and local consultants. This includes the following operations (as applicable in accordance with the procurement procedures concerned):

- Preparation of procurement plans and lot numbering;
- Finalization of technical specifications and terms of reference and their submission to the Bank for review and no-objection, in the format acceptable to the WB;
- Preparation of General Procurement Notices, Specific Procurement Notices and Requests for Expressions of Interest and submission thereof for publication in the Development Gateway and the United Nations Development Business;
- Preparation of bidding documents/requests for proposals, and their clearance with the WB. The bidding documents, inter alia, should contain necessary environmental provisions and specifically, sub-project specific EMPs;
- Publication of up-coming tenders for procurement of goods and consultants services;
- Receipt of expressions of interest;
- Preparation of short list if necessary;
- Dissemination of bidding documents/requests for proposals;
- Public opening of bids for goods and public opening of financial proposals for consulting services ;
- Recording and keeping original copies of bidding / performance / advance payment guarantees, bonds or securities;
- Submission of the bids/proposals to the Evaluation Committee for review;
- Technical evaluation of technical proposals;
- Financial evaluation of financial proposals;
- OR Evaluation of Expressions of Interest received;
- Preparation of bid evaluation reports based on Evaluation Committee review and their submission to the Bank for “no-objection”;
- Submission of draft negotiated contracts for consulting services for Bank’s no objection;
- Preparation of contract award notices to be sent to successful bidder after receipt of Bank’s “no-objection”;
- Finalization of contracts;
- Notifications to unsuccessful bidders and returning of bid guarantees / securities;
- Submission of copies of signed contracts to the Bank promptly after contract signature;
- Contract management; review of contract execution documentation (invoices, reports, acceptance certificates and delivery documents, etc.) and ensuring its compliance with contract conditions;
- Payments to suppliers/contractors/consultants in accordance with Chapter 5 of this Manual.
- Returning the performance and advance payment guarantees, bonds, and securities when no longer needed in accordance with contract conditions.
- Maintenance of a database of individuals and firms expressing interest in the tasks associated with the project.

7.3 Procurement Methods and Thresholds

The following methods will be used for procurement of:

A) Goods, Works and Non Consulting Services:

Contracts for various goods, works and non-consulting services shall be procured following one of the methods: International Competitive Bidding (ICB); National Competitive Bidding (NCB), subject to the additional procedures stipulated in the Annex to Schedule 2 of the Loan Agreement and applicable for contracts below the threshold indicated in the Procurement Plan; Shopping, applicable for contracts below the threshold indicated in the Procurement Plan; and Direct Contracting, subject to sufficiently detailed justification in accordance with par. 3.7 of the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consultant Services under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" dated January 2011. Contracts for goods, works and non-consultant services to be financed through matching grants and sub-loans provided to private sector entities under Component 3.2, may be awarded in accordance with established private sector or commercial practices which have been found acceptable to the Bank in accordance with the provisions of par. 3.13 of the Guidelines "Procurement in Loans to Financial Intermediary Institutions and Entities". In the Fund's rulebooks for financial instruments it has been foreseen that the beneficiaries will have to conduct procurement procedure (at least three official offers) for each procurement of equipment over 5,000 euros (for the co-financing grants for start-ups, spin-offs and innovation) and over 10.000 euros (for the co-financing grants and conditional loans for commercialization of innovation). The beneficiaries will have to obtain prior consent from the Fund, before executing each phase of the procurement (preparation of the technical proposal, evaluation of bids, recommendation for contract award). This and other safeguards mechanisms regarding procurement executed by the final beneficiaries will be elaborated in detail in the Fund's IGOM. Contracts for goods, works and non-consultant services to be financed through matching grants and sub-loans provided to public sector entities under Component 3.2, shall be awarded in accordance with the procurement methods as stipulated above and in the Loan Agreement.

B) Consulting Services

1. The following methods of procurement of Consultant's Services for those contracts which are specified in the procurement plan shall be applicable under the project: Quality and Cost Based Selection (QCBS), Quality-based Selection (QBS), Least Cost Selection (LCS), Selection under a Fixed Budget (FBS), Consultants' Qualifications (CQ), Single-sources Selection of consultant firms, Selection of Individual Consultants and Single-source procedures for the Selection of Individual Consultants. Contracts for consultants' services to be financed through matching grants and sub-loans provided to private sector entities under Component 3.2, may be awarded in accordance with established private sector or commercial practices which have been found acceptable to the Bank in accordance with the provisions of par. 3.13 of the Guidelines "Selection of Consultants in Loans to Financial Intermediary Institutions and Entities". Fund's beneficiaries will have to conduct a procurement procedure (at least three EOIs/CV's) for each procurement of consultants. The type of the procurement procedure will be dependent on the estimated cost of the procurement activity. The beneficiaries will have to obtain prior consent from the Fund, before executing each phase of the procurement (TOR, ER, recommendation for contract). This and other safeguards mechanisms regarding procurement executed by the final beneficiaries will be elaborated in detail in the Fund's IGOM. Contracts for consultants' services to be financed through matching grants and sub-loans provided to public sector entities under Component 3.2, shall be awarded in accordance with the methods for selection of consultants as stipulated above and in the Loan Agreement.

The thresholds for the prior review by the WB are as follows:

	Procurement Method	Procurement Threshold	Prior Review Threshold
1.	ICB (Goods)	Above Euro 150 000 per contract	All
2.	NCB (Goods)	Below Euro 150 000 per contract	First two irrespective of value
3.	ICB (Non-consulting services)		All
4.	NCB (Non-consulting services)	Below Euro 150 000	First two irrespective of value and all above Euro 100 000
5.	Shopping	Below Euro 75 000	First two
6.	Direct Contracting (DC)		All

	Selection Method	Prior Review Threshold
1.	Competitive Methods (Firms)	First two contracts under each selection method, irrespective of value and all above Euro 75 000
2.	Single Source (Firms and Individual Consultants)	All
3.	Individual consultants	All above Euro 350000

Post-review Arrangements and Frequency of Procurement Supervision. Contracts not subject to Bank's prior review will be post reviewed by the Bank' procurement specialist assigned to the project. Post review of contracts will be carried out once per year. At a minimum 1 out of 5 contracts will be randomly selected for post review. The POM will elaborate on the detailed provisions for post-review of *the innovation instruments/grants*. Provided that they are a significant number, it is recommended that the option of hiring a consultant to carry out performance review of the sub-projects, which should include review of procurement.

7.4 Retention of Procurement Documents

The PMU should maintain the procurement documents not limited to: the signed original to the contract and all subsequent amendments or addenda, proposals, the evaluation reports, public advertisements (if used) bidding documents, bid opening minutes (if used), eventual appeals against procedures or recommendation for award, securities, etc..

7.5 Procurement Process

7.5.1 Advertising

After project negotiations a General Procurement Notice (GPN) will be published on-line in United Nations Development Business (UNDB) and on the website of the MOES. Request for Expression of Interest (REoI) for consultant services contracts estimated to cost Euro 75 000 equivalent and above per contract shall be published on-line in United Nations Development Business (UNDB) and on the website of the MOES. In addition, all Terms of References (TOR)

for consultant services contracts shall be published on the website of MOES at the time of publication of REol. REol for consultant services contracts estimated to cost Euro 75 000 equivalent or less, and which are available locally shall be published in at least one widely circulated national daily newspaper or at the MOES website. The results of contract awards will be posted online in UNDB as required under the applicable Guidelines and on MOES website.

7.5.2 Implementation and Procurement Management

Procurement management is the responsibility of the PMU staff. The PMU is staffed with full-time procurement manager for the Project lifetime. The detailed TORs of the PMU staff, including the Procurement manager, as approved by the Bank are included in Annex IV to the POM .The PMU procurement staff is responsible for management of all steps of procurement cycle.

The PMU procurement staff is supported, coordinated and lead by other PMU staff in the following way:

- Coordinators are responsible for the general coordination of the procurement work among the involved stakeholders and for obtaining the draft TORs and TS,
- The Financial manger ensures that all project financial obligations are met in timely manner, this includes the payment for goods and services, the accounting and book keeping of all activities and ensuring the Project is carried out within the specified budget,
- Authorized representatives of the involved institutions participate in evaluation of bids and technical and financial proposals. Their membership in the Evaluation Committee should be approved after a submission of a request for membership in the evaluation committee by the PMU to the involved institutions for whom the procurement is organized or that are to benefit from the procurement. The proposal shall be made by the authorized representatives of the involved institution and no objection to the proposed list by the Minister of Education and Science or by the Project Director. The membership of the PMU staff is obligatory. Also the Minister of Education and Science or the Project Director can appoint additional members in the Evaluation Committee upon his/hers discretion but limited to one independent expert.

7.5.3 Register of Consultants and Suppliers

The PMU Procurement Manager will establish a computer based register of consultants and suppliers who expressed their interest in response to any type of advertisement (GPN, SPN, EOI, etc.).

The PMU should enter the following information into the register:

Name of consultants or suppliers

Area of expertise and brief information on qualifications (if available)

Date of expressing the interest

Contact details (postal address, phone and facsimile, email).

It is advisable that the register has a search function that will enable easy access to required information.

7.5.4 Formation of Evaluation Committees

For procurement of all contracts financed from the Loan an Evaluation Committee (EC) shall be established by the MoES. The EC will have odd number of members.

For procurement of goods, works and services above Euro 100,000 equivalent per contract, financed from the Loan, an Evaluation Committee (EC) comprising of minimum 5 members shall be established by MoES. The EC may include PMU staff, representatives of stakeholders and/or MOES public servants. Independent experts may be included in the EC only on consultative basis without voting rights.

Members of the EC will be appointed by the Minister of Education and Science of the Republic of Macedonia or the Project Director in writing.

For procurements of goods, works and consulting services below Euro 100,000 equivalent per contract, the EC shall comprise of minimum 3 members. The EC may include PMU staff, representatives of stakeholders and/or MOES public servants. Independent experts may be included in the EC only on consultative basis without voting rights.

7.5.5 Contracts Administration

The contract administration, monitoring and filing are the responsibility of PMU. All contracts are signed by the Minister of Education and Science or a respective authorized representative of behalf of the Minister.

PMU keeps a signed copy of each contract awarded under the Project.

7.6. Procurement Methods

7.6.1 Procurement of Goods, Works and Non Consulting Services

Goods consisting of upgrading improvement and maintenance of the CB management system, office and computer equipment, IT systems are grouped to the extent possible and considering project objectives in package sizes that encourage competitive bidding and economic efficiency.

The following methods of procurement of goods and works will apply: International Competitive Bidding (ICB); National Competitive Bidding (NCB), subject to the additional procedures stipulated in the Annex to Schedule 2 of the Loan Agreement and applicable for contracts below the threshold indicated in the Procurement Plan; Shopping, applicable for contracts below the threshold indicated in the Procurement Plan; and Direct Contracting, subject to sufficiently detailed justification in accordance with par. 37 of the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consultant Services under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" dated January 2011. Contracts for goods, works and non-consultant services to be financed through matching grants and sub-loans provided to private sector entities under Component 3, may be awarded in accordance with established private sector or commercial practices which have been found acceptable to the Bank in accordance with the provisions of par. 3.13 Procurement in Loans to Financial Intermediary Institutions and Entities. The POM, to be prepared and adopted by Loan Effectiveness, shall elaborate on the acceptable private sector and commercial practices, as well as the specific procurement and review arrangements under the innovation instruments. Contracts for goods, works and non-consultant services to be financed through matching grants and sub-loans provided to public sector entities

under Component 3, shall be awarded in accordance with the procurement methods as stipulated above and in the Loan Agreement.

7.6.2 Procurement of Consulting Services

3. Contracts for Consulting Services will be packaged to combine related skills and services in order to make them attractive for competition and reduce the number of contracts to be administered taking into consideration the size and physical distribution of the PMU and its limited capacity to administer large number of contracts. To the extent practicable, training activities would be incorporated with consulting services contracts. Consultant services consist of short-and long-term assignments to be contracted to firms and/or individuals (national and/or foreign or jointly) depending on the nature and duration of the assignments. Selection procedures will be generally through competition among qualified short listed consultants. The short lists for consultant services contracts with firms shall comprise six firms with a wide geographical spread, and with no more than two firms from any one eligible country. Short list of consultants for services, estimated to cost less than Euro 75 000 equivalent per contract, may comprise entirely of national consultants (firms registered or incorporated in the country) in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

The following methods of procurement of Consultant's Services for those contracts which are specified in the procurement plan shall be applicable under the project: Quality and Cost Based Selection (QCBS), Quality-based Selection (QBS), Least Cost Selection (LCS), Selection under a Fixed Budget (FBS), Consultants' Qualifications (CQ), Single-sours Selection of consultant firms, Selection of Individual Consultants and Single-source procedures for the Selection of Individual Consultants. Contracts for consultants' services to be financed through matching grants and sub-loans provided to private sector entities under Component 3, may be awarded in accordance with established private sector or commercial practices which have been found acceptable to the Bank in accordance with the provisions of par. 3.13 Selection of Consultants in Loans to Financial Intermediary Institutions and Entities. The IGOM, , shall elaborate on the acceptable private sector and commercial practices, as well as the specific procurement and review arrangements under the innovation instruments. Contracts for consultants' services to be financed through matching grants and sub-loans provided to public sector entities under Component 3, shall be awarded in accordance with the methods for selection of consultants as stipulated above and in the Loan Agreement.

7.6.3 Training Activities

The Loan finances training programs, including training workshops, study tours and local training. Such training programs may be included in larger contracts with firms to reduce administrative burden on the PMU. The PMU would be responsible for administration of a small number of local workshops and workshops and study tours for the PMU staff. Expenditures related to such training activities include: (a) for local training and workshops – per diems of participants to cover transportation, lodging and subsistence; minor organizational expenses (stationery, handouts, training materials, coffee breaks); (b) for international study tours – international travel and visa costs, per diems (lodging and subsistence) and course-related expenses (fixed tuition or participation fee).

The **institutions providing standard training**, conducting seminars, organization of study tours will be selected on the basis of analysis of the most suitable program of training offered by the institutions, availability of services, the period of training and the reasonableness of cost. However, individual consultants to deliver training under the project shall be selected in accordance to the selection of individual consultants procedures as stipulated in the Consultant Guidelines applicable to the project. An annual training plan shall be prepared and agreed with

the Bank. It will include information on the title of training, institution that shall provide it, timeline, cost, number, position and names of relevant people to be trained. The training plan shall be updated in agreement with the Bank through the duration of the project at least annually or as required to reflect the actual project implementation needs.

Universities. In cases where the services of state owned-universities, research institutes, and/or specialized education institutes are required for some project specific assignments, a justification in accordance with par. 1.11 of the Guidelines would be presented to the Bank for review on a case-by-case basis to determine eligibility. In addition, in cases where specialized services are required and which are known to be provided by only one university or a specialized education institution, a justification in accordance with par. 3.8 through 3.11 of the Guidelines would be presented to the Bank for review on a case-by-case basis to determine relevance of the proposed approach.

7.6.4 Operating Costs

These expenditures would cover incremental operating costs incurred by the PMU on account of Project implementation, management and monitoring, including dissemination of Project related information and publications, office rent and utilities, insurance, maintenance and repair of office and equipment, maintenance and repair of vehicles, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Bank. The Procurement and Consultant Guidelines do not apply for these expenditures.

7.7 Description of the process applied for Procurement of Goods, Works and Non-Consulting Services

Prior to the initiation of each procurement procedure, a procurement decision will be passed by the Minister of Education and Science or a person duly authorized by the Minister, containing the description of the procurement package, procurement method, the estimated cost and the names of the members of the evaluation committee. The Bidding documents will be initialed by the procurement manager. The final Evaluation Report will be signed by the members of the evaluation committee. The Notification of Contract Award will be prepared by the procurement manager, approved by the project director, and finally signed by the Minister or a person duly authorized by the Minister.

7.7.1 International Competitive Bidding (ICB) & National Competitive Bidding (NCB)

The ICB procedure is described in the Section II of the Procurement Guidelines. Computer software, equipment for the NTTD and any other procurement package under all components of the Project for contracts estimated to cost above Euro 150,000 equivalent per contract, will be procured using ICB procedures.

The steps involved in carrying out an ICB /NCB (in case of prior review) , are:

- Preparation of Bidding Documents including detailed technical-, and functional specifications in accordance with the Bank's SBD, and related environmental requirements and sub-project specific EMP; (in case of the procurement of the

- upgrade of existing IT equipment, the brand name of the original manufacturer can be given, if cleared with the WB);
- Receive the WB “No Objection” on the draft of Bidding Document prior to issuing them to eligible bidders;
 - Specific Procurement Notice (SPN) published in the local newspaper(s) and in the *Development Business* of the UN on line (only for ICB);
 - Direct notice shall be transmitted to those who have expressed interest in bidding in response to the GPN;
 - Issuing Bidding Documents to interested and eligible Bidders;
 - Clarifications and Amendments to the Bidding Documents shall be submitted to the Bank for review and no-objection prior to issuing them to the bidders who purchased the bidding documents.
 - Receiving of bids. The bid submission time should be recorded and the bids kept unopened until the bid opening time and date (which should be the same as the bid submission deadline) in a locked safe;
 - Public Bid Opening and preparation of Minutes;
 - Evaluation and comparison of bids using the WB standard form of evaluation report;
 - Preparation of Evaluation Report with the recommendation for award;
 - Submission of the evaluation report to the WB for “No Objection”;
 - Respond to clarification requests on evaluation to the WB (if any);
 - Receive the WB “No Objection” on Evaluation Report and recommendation for award;
 - Issue Notice of Award to the lowest evaluated, successful Bidder;
 - Sign Contract with the Bidder;
 - Obtain performance security and release bid security;
 - Submit copy of the signed Contract and the performance guarantee to WB
 - Inform unsuccessful bidders and release the bid securities;
 - Administer the contract, monitor delivery deadlines/completion schedules, apply penalties as/if needed;
 - Receive and inspect goods and process payments to the Supplier as per Contract terms or in the case of works, perform the technical/final acceptance of the premises ;

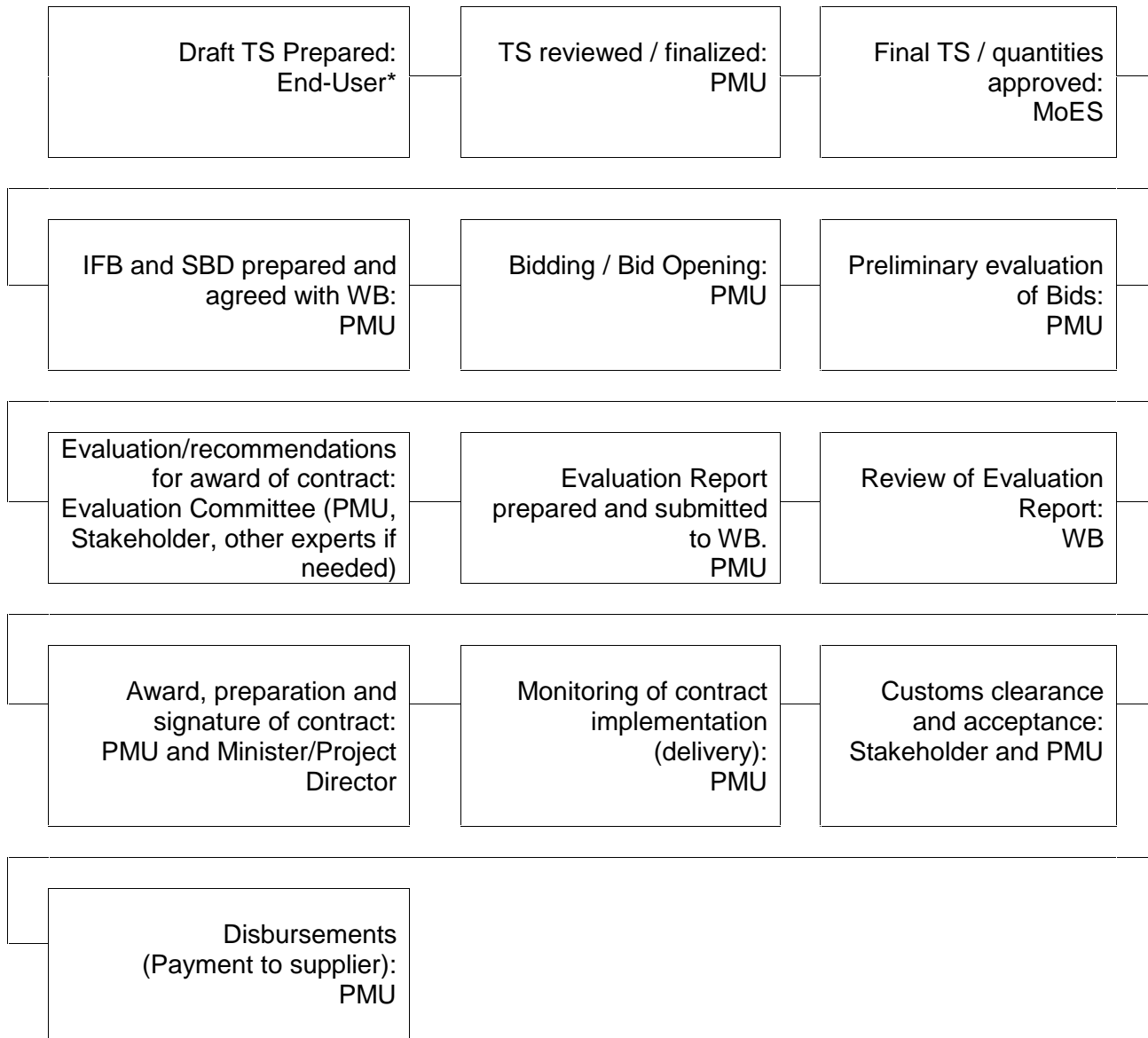
Bid Evaluation and Preparation of the Evaluation Report

The evaluation of bids will follow the steps indicated in guidance note in the most recent Standard Bid Evaluation Report of the Bank, available at the following web site:

<http://siteresources.worldbank.org/INTPROCUREMENT/Resources/sbefev2.doc>

Proposed decision making procedure is shown in the chart below.

Decision-Making and Involvement of Stakeholders into ICB/NCB Goods and Works Procedure



*) In certain cases external assistance in drafting specifications may be necessary. Such services/assistance may be financed under the Project.

TS – Technical Specifications

IFB – Invitation for Bids

WB – World Bank

Minister – Minister of Education and Science

MoES – Ministry of Education and Science PMU – Project Management Unit

7.7.2 Shopping (SH)

This method is used for readily available off-the-shelf goods, including office equipment, computer equipment that has standard specifications and minor repairs estimated to cost less than Euro 75,000 equivalent per contract. This procedure is based on obtaining and comparing price offers from at least three suppliers in accordance with paragraph 3.5 of Procurement Guidelines.

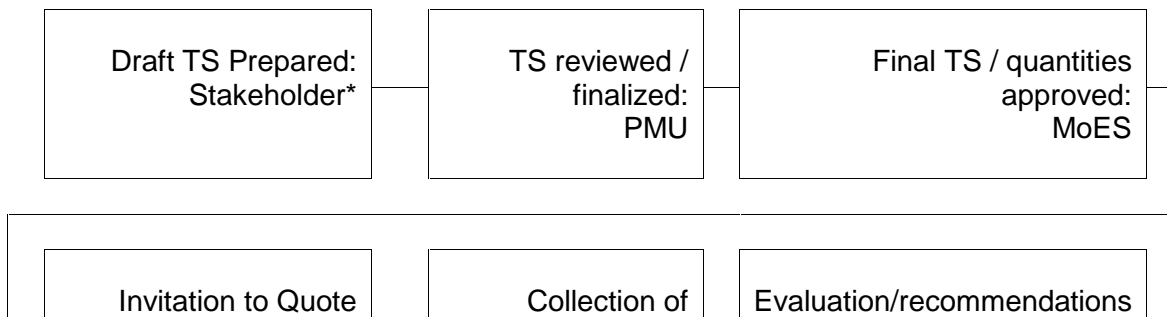
Following steps are involved in carrying out an SH(in a case of prior review):

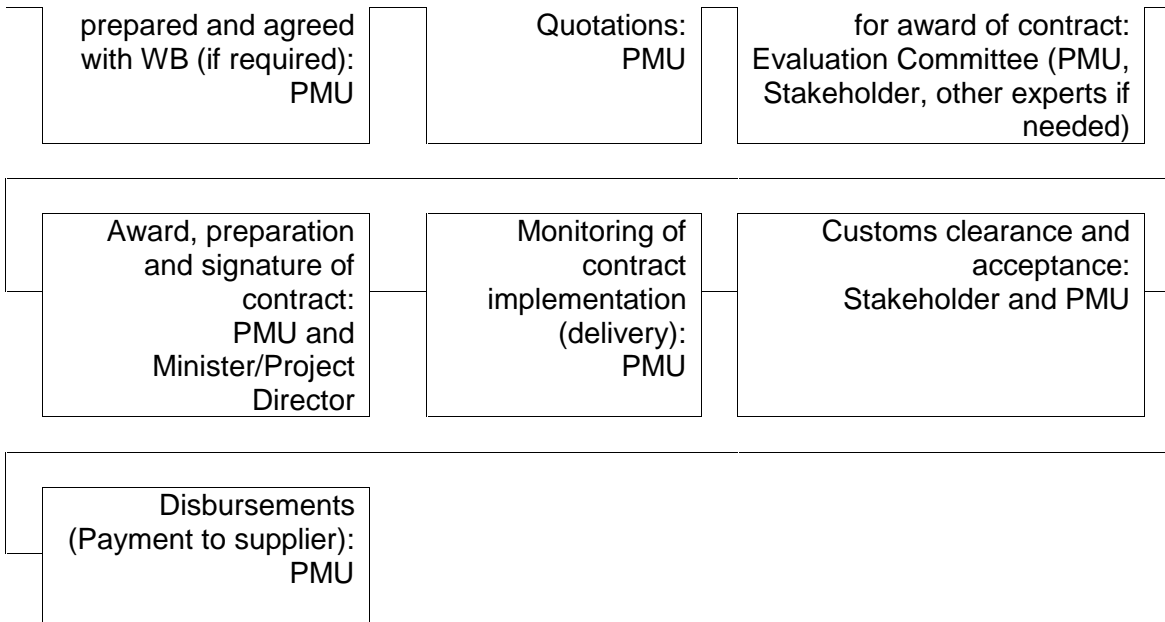
The PMU:

- Prepares with the help of stakeholders equipment/goods list and technical requirements;
- Receives the WB “No Objection” on the ITQ and the short list (in case prior review is required); The ITQ is sent to more than three companies in order to ensure receipt of minimum three quotations.
- Sends ITQ to qualified Suppliers;
- Obtains/receives quotations, evaluates it (for Evaluation Committee composition as described in this POM) and prepares an Evaluation Report in the standard form and finalizes draft Purchase Order;
- Receives the WB “No Objection” on Evaluation Report and draft Purchase Order (in case prior review is required);
- Sends draft Purchase Order including Terms and Conditions of Supply to the selected supplier;
- Obtains the Confirmation and acceptance on the Purchase Order
- Signing a Contract
- Informs unsuccessful suppliers;
- Submits copy of the signed Contract to the WB promptly after signing to facilitate disbursement
- Receives and inspects goods and makes payments on invoices as per the Purchase Order.

Proposed decision making procedure is shown in the chart below.

Decision-Making and Involvement of Stakeholders into SH Goods and Works Procedure





*) In certain cases external assistance in drafting specifications may be necessary. Such services/assistance may be financed under the Project.

TS – Technical Specifications

WB – World Bank

Minister – Minister of Education and Science

MoES – Ministry of Education and Science PMU – Project Management Unit

For procurement of small value goods (below Euro 8,000 per contract) if it is not possible to obtain written quotations, the PMU collects/obtains at least 3 price quotations from the shops/suppliers price lists, catalogues, other available sources of information on unit price and records it in a brief report indicating the suppliers, prices, the date. The report indicates the recommendation for procuring required items from the suppliers/shops, which offers the lowest price for items with acceptable technical characteristic.

7.7.3 Direct Contracting (DC)

This method can apply in certain cases given in item 3.6 “Direct Contracting” of the Guidelines for procurement of goods, subject to the prior approval of the Bank.

Steps to be followed:

The PMU:

- Prepares estimated cost of the goods or goods to be procured directly from a single course;
- Prepares justification for direct contracting in accordance with the requirements in par. 3.6 of the applicable Procurement Guidelines;
- Submits the estimated cost and the justification for direct contracting to the Bank;
- If Bank accepts justification, proceeds with the purchase by preparing technical specifications and contract conditions;
- Sends contract conditions to the supplier;
- Makes sure that the prices being charged are at least the same as the supplier charges to its other customers;
- Sends finalized contract to the WB for approval;
- After the contract is approved by the WB, Signs the contract.
- Sends signed Contract and a copy of the performance security and advance payment guarantee, as applicable to the WB for information and files.

Contract award notice: As per the Procurement Guidelines, within two weeks of receiving the Bank’s “no objection” to the recommendation of contract award, the SDISP shall publish in *UNDB online* and in *dgMarket* the results identifying the bid and lot numbers and the following information: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated prices of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded.

7.8 Description of the process applied for Procurement of Consulting Services

Prior to the initiation of each procurement procedure, a procurement decision will be passed by the Minister of Education and Science or a person duly authorized by the Minister, containing the description of the procurement package, procurement method, the estimated cost and the names of the members of the evaluation committee. The Bidding documents will be initialed by the procurement manager. The final Evaluation Report will be signed by the members of the evaluation committee. The Notification of Contract Award will be prepared by the procurement manager, approved by the project director, and finally signed by the Minister or a person duly authorized by the Minister.

Contracts for Consulting Services are packaged to combine related skills and services in order to make them attractive for competition, financially efficient and reduce the number of contracts to be administered. To the extent practicable, training activities would be incorporated with consulting services contracts. Consultant services consist of short-and long-term assignments to be contracted to firms and/or individuals (national and/or foreign or jointly) depending on the nature and duration of the assignments. Selection procedures are generally through competition among qualified short listed consultants. The short lists for consultant services contracts with firms comprise of six firms with a wide geographical spread, and with no more than two firms from any one eligible country. The consultants' short lists may comprise entirely of national consultants for consulting assignments that are estimated to cost below Euro 75,000.

7.8.1 Quality Cost Based Selection (QCBS)

The procedure QCBS as described in Section II, of the Consultant Guidelines are used for selection of company for: promotional campaign, development of the new TVET concept, assessment and reform of the funding options for the tertiary education.

The steps involved in selecting consulting firms under a QCBS procedure (in a case of prior review), are:

- PMU prepares the request for Expression of Interest (EOI) and a Request for Proposals (RFP)
- Set up minimum passing criteria for selecting firms for the short list;
- Send the Expression of Interest and the RFP to the WB for “No Objection”;
- Request for Expression of Interest (EOI) to be published in at least one widely circulating local newspaper, MOES website and in the UNDB on line;
- Receive Expressions of Interest;
- Prepare short list (6 firms), with no more than 2 firms from the same country (except in a case when the estimated value of the Contract is <Euro 75.000, when the short lists may comprise entirely of national consultants), from firms who responded to the REOI.
- Evaluation report and short-list submitted to the WB for “No Objection Letter”;
- Receive WB “No Objection Letter” on the Evaluation Report and Short List;
- Issue the RFP to short-listed firms;
- Document any questions for clarifications from consultants and their respective answers, and respond to all consulting firms without identifying the name(s) of the consulting firms requesting clarification.
- If there is a need to modify RFP documents due to answers provided to the consultants, or due to PMU own initiative, such modifications shall be made through an Amendment approved by the WB. PMU may extend the deadline date for submission if an Amendment so warrants and a longer preparation period is needed;
- Submission of Technical and Financial Proposals by consultants;
- Public opening of Technical Proposals (par.2.22 of the applicable Consultant Guidelines) Evaluation of Technical Proposals by the Evaluation Committee. The financial proposals are kept unopened at a safe locked place at this stage;
- The Evaluation Committee shall score the technical proposals based on the points disclosed to the short-listed consultants in the RFP. Each member shall score independently and sign an individual evaluation sheet. Members may average evaluation results or reach a consensus on the ranking of technical proposals;
- Firms scoring points equal to or greater than the minimum technical score indicated in RFP shall be considered for second stage evaluation of financial proposals;

- The PMU prepares the Technical Evaluation Report containing the scorings and describing in detail the relative strength and weakness of the proposals. The points assigned for each criterion shall be consistent with the information provided in the strengths and weaknesses section of the TER. The TER, signed by all evaluation committee members shall be submitted to the WB for review and “No Objection Letter”;
- Receipt of WB “No Objection Letter” for the results of Technical evaluation;
- Notification by PMU of the firms that passed the minimum technical score and will advise on the date, time and address for public opening of the financial proposals;
- Preparation of Minutes of the Financial Proposals opening meeting and send a copy to the WB;
- PMU checks, verifies or corrects the financial proposals of the firms;
- Completion of the final evaluation report and ranking the proposals according to their combined technical and financial scores using the RFP assigned weights, and send it to the WB for information. Final evaluation report will contain also the outline of the topics/issues to be clarified at finalizations, if needed;
- Invitation by the PMU of the firm scoring the highest combined technical and financial score for finalizations informing on the list of topics/issues to be clarified at finalizations or prior to contract signing;
- The finalization will include: Discussion of technical proposal, work plan, staffing and firm’s suggestions to improve the TOR as was suggested by consultant in the technical proposal; PMU and firm’s agreement on the final TOR to be incorporated in the description of services, Clarification on tax issues, if any and on how to account for them in the Contract;
- Should finalizations fail with the top ranked firm, PMU shall inform the WB and obtain “No Objection Letter” to invite the next ranked consultant;
- PMU shall incorporate the results of the finalizations in an initialed Draft Contract”;
- Draft negotiated contract accompanied with signed minutes of negotiations shall be sent to the WB for review and no-objection.
- Signing a contract between MoES and the consultant
- Publication of contract award in accordance with par. 2.31 of the applicable Consultant Guidelines.
- Inform unsuccessful bidders and post information on contract award
- The copy of the signed Contract shall be submitted to the WB promptly after signing to facilitate disbursement;
- The firm shall submit the invoice for advance payment and the bank guarantee, if applicable, and PMU shall pay the amount promptly for consultant to begin the assignment.

7.8.2 Least Cost Selection (LCS)

The procedure of LCS, is described in Section III, para 3.1 and 3.6 of the Consultant Guidelines. LCS procedure would be used for selection of an audit firm to carry out audit of the Financial Statements of the Project.

This method is used for selecting an audit firm and involves the following steps:

- Preparation and submission of an RFP including Short List, LOI, the TOR and draft contract to the World Bank for “No Objection Letter”;
- Issuing the RFP requesting technical and financial proposals to be submitted together in separate sealed envelopes;

- The minimum qualifying technical score will be defined in the RFP and all proposals above the minimum compete only on “cost”.
- Technical proposals are opened first in the presence of the evaluation committee members and the consultants’ representatives who chose to attend and evaluated by the Evaluation Committee, while the financial proposals are locked in the safe and kept unopened at this stage;
- PMU shall prepare the Technical Evaluation Report and submit to WB for “No Objection”;
- After the evaluation Report is completed (and for prior review contracts, after the Bank has issued its no objection), the Borrower shall inform consultants whose proposals did not meet the minimum qualifying technical score or were considered nonresponsive to the RFP and TOR that their financial proposals will be returned unopened after the signature of the contract. In addition, the Borrower shall inform each of the above consultants of their overall technical score as well as scores obtained for each criterion and sub-criterion if any. The Borrower shall simultaneously notify the consultants that have secured the minimum overall technical score of the date, time, and place set for opening the financial proposals. The opening date shall be set allowing sufficient time for consultants to make arrangements to attend the opening of the financial proposals. The financial proposals shall be opened in the presence of representatives of the consultants who choose to attend (in person or online). The name of the consultant, the technical scores, including the break-down by criterion, and the offered total prices shall be read aloud (and posted online when electronic submission of proposals is used) and recorded when the financial proposals are opened. The Borrower shall also prepare the minutes of the opening and a copy of this record shall be promptly sent to the Bank and to all consultants who submitted proposals.
- The PMU submits the final combined Evaluation report to the WB for information.
- PMU invites the firm that has offered the lowest price to contract negotiations;
- PMU incorporates the results of the finalizations in a final Contract and submits the draft negotiated contract, accompanied with the minutes of negotiations to the Bank for review and no-objection prior to its signing.
- Signing a Contract between MoES and the Consultant after the WB has issued a ‘No-objection Letter’;
- Inform unsuccessful bidders and post results of the selection and return their financial proposals unopened;
- Publication
- The copy of the signed Contract shall be submitted to the WB, promptly after signing to facilitate disbursement;
- The firm shall submit the invoice for advance payment and the bank guarantee, if applicable, and PMU shall make the first payment promptly for consultant to begin the assignment.

7.8.3 Selection under a Fixed Budget

The procedure of FB is described in Section III, paragraph 3.1 and 3.5 of the Consultant Guidelines.

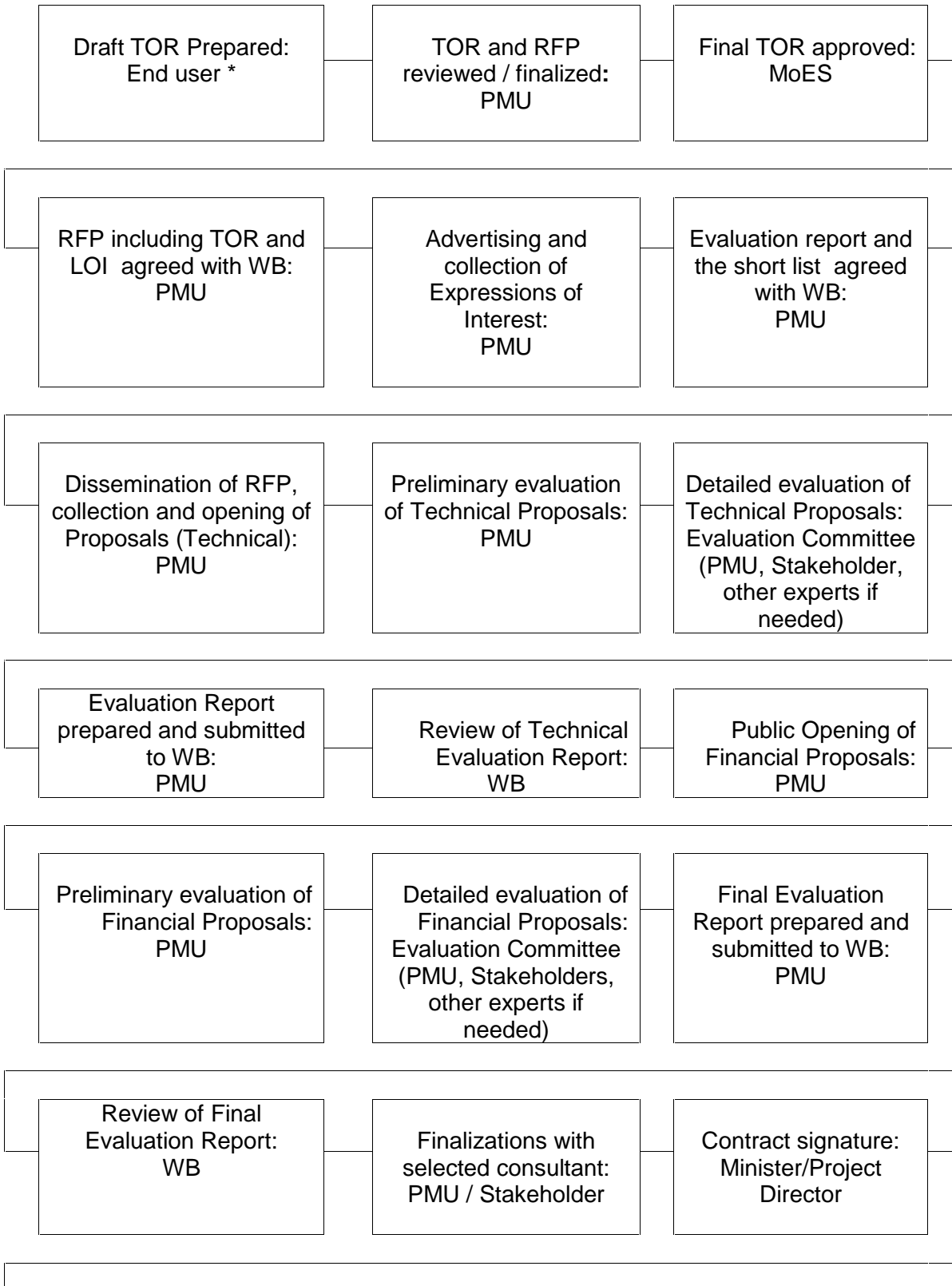
The steps involved in selecting consulting firm under a FB procedure (in a case of prior review), are:

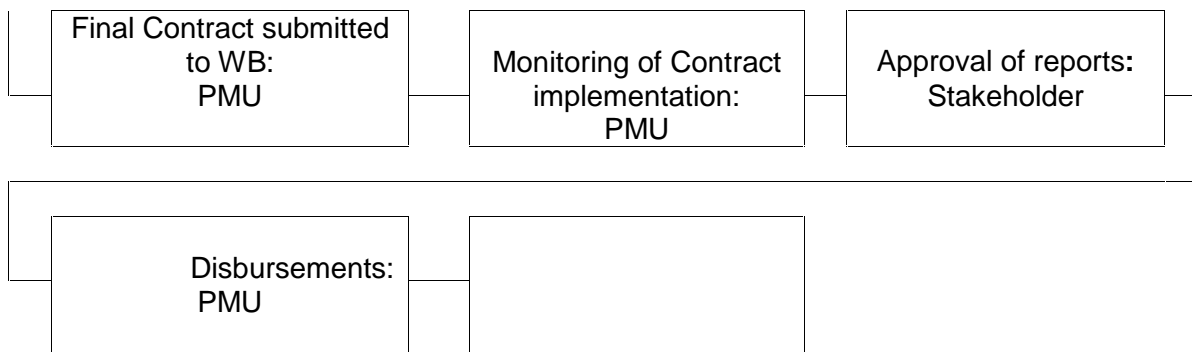
- Preparation and submission of an RFP including LOI, the TOR and draft contract to the World Bank for “No Objection Letter”;
- Request for Expression of Interest (EOI) to be published in the local newspaper(s), and in the UNDB on line;
- Receive Expressions of Interest;
- Preparation of Evaluation Report and a short-list and submission to the to the World Bank for “No Objection Letter”;
- The RFP is send to the short listed consultants
- The RFP indicates the available budget and request the consultants to provide their best technical and financial proposals in separate envelopes, within the budget;
- Technical proposals e are opened first in the presence of the evaluation committee members and the consultants’ representatives who chose to attend and evaluated by the Evaluation Committee, while the financial proposals are locked in the safe and kept unopened at this stage;
- PMU shall prepare the Technical Evaluation Report and submit to WB for “No Objection”;
- Receipt of WB “No Objection” for the results of Technical evaluation;
- After the evaluation Report is completed (and for prior review contracts, after the Bank has issued its no objection), the Borrower shall inform consultants whose proposals did not meet the minimum qualifying technical score or were considered non responsive to the RFP and TOR that their financial proposals will be returned unopened after the signature of the contract. In addition, the Borrower shall inform each of the above consultants of their overall technical score as well as scores obtained for each criterion and sub-criterion if any. The Borrower shall simultaneously notify the consultants that have secured the minimum overall technical score of the date, time, and place set for opening the financial proposals. The opening date shall be set allowing sufficient time for consultants to make arrangements to attend the opening of the financial proposals. The financial proposals shall be opened in the presence of representatives of the consultants who choose to attend (in person or online). The name of the consultant, the technical scores, including the break-down by criterion, and the offered total prices shall be read aloud (and posted online when electronic submission of proposals is used) and recorded when the financial proposals are opened. The Borrower shall also prepare the minutes of the opening and a copy of this record shall be promptly sent to the Bank and to all consultants who submitted proposals.
- Notification by PMU of the firms that passed the minimum technical score and will advise on the date, time and address for public opening of the financial proposals;
- Preparation of Minutes of the Financial Proposals opening meeting
- Proposals that exceed the indicated budget shall be rejected;
- The Consultant who has submitted the highest ranked technical proposal among the rest shall be selected and invited to negotiate a contract;
- The PMU finalizes the Evaluation report and send it to the WB for information
- After receiving WB “No Objection Letter” PMU invites the firm to contract negotiations;
- PMU incorporates the results of the finalizations in a final Contract and submits the draft negotiated contract, accompanied with the minutes of negotiations to the WB for review and no-objection;

- MoES and the Consultant shall sign the Contract;
- Inform unsuccessful bidders and post results of the selection and returns the financial proposals unopened;
- The copy of the signed Contract shall be submitted to the WB, promptly after signing in order to facilitate disbursement.

Proposed decision making procedure is shown in the chart below.

Decision Making and Involvement of Stakeholders into Selection of Consultants
(QCBS LCS and FBS).





*) In certain cases external assistance in drafting TOR may be necessary. Such services/assistance may be financed under the Project.

TOR – Terms of Reference

RFP – Request for Proposals

WB – World Bank

PMU – Project Management Unit

Minister – Minister of Education and Science

7.8.4 Selection Based on Consultant’s Qualifications (CQ)

The procedure of CQ, is described in Section III, para 3.1 and 3.7 of the Consultant Guidelines.

The steps involved in selection of consulting firms under CQ vary depending whether the selection is subject to prior review or post review as per Legal Agreement.

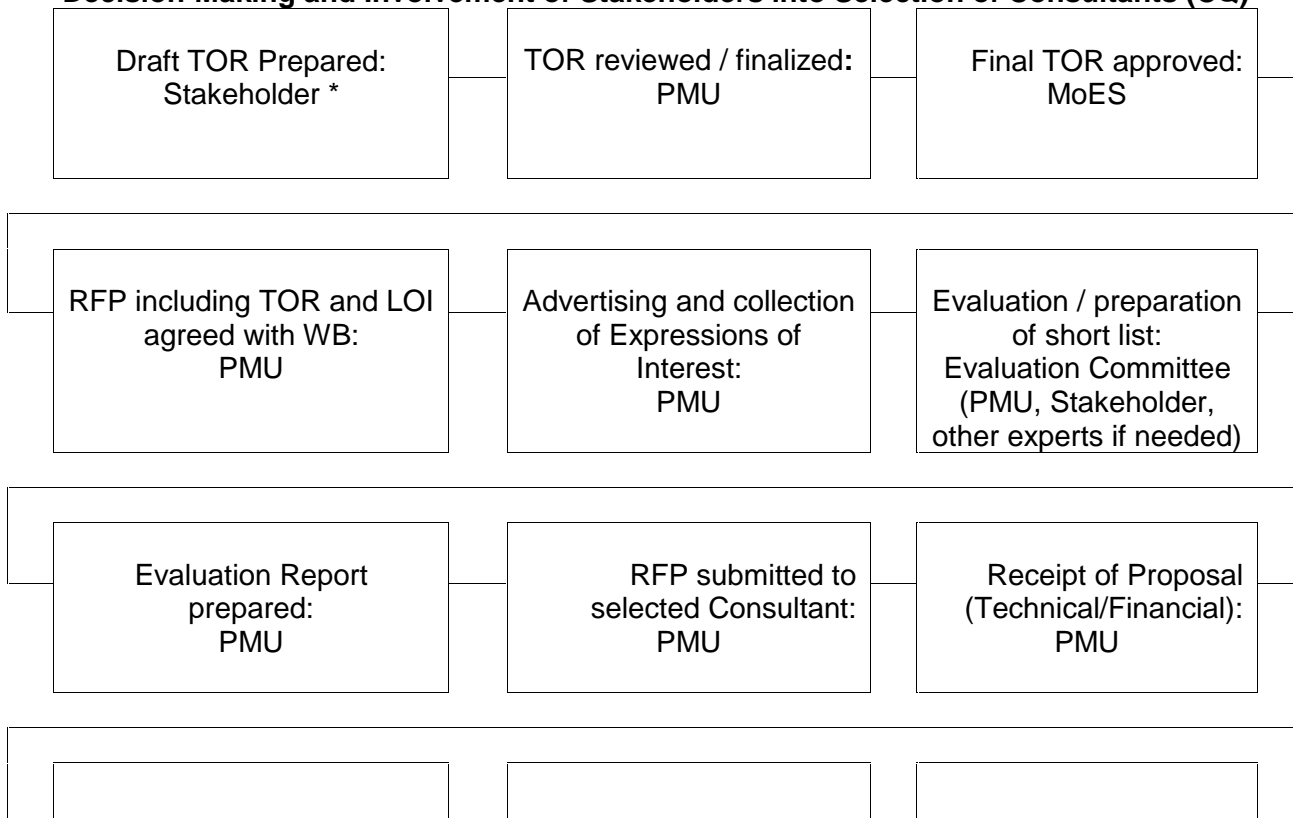
For selection based on CQ that is being subject to prior review following steps are to be followed:

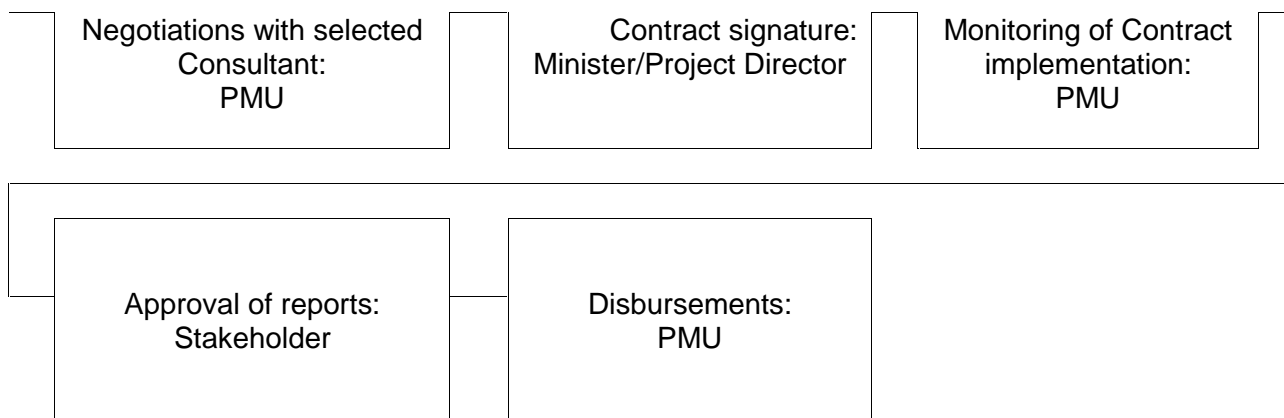
- PMU prepares the request for Expression of Interest (EOI) and Request for Proposal (RFP)
- Set up minimum passing criteria for selecting firms for the short list;
- Send the Expression of Interest and the RFP to the WB for “No Objection Letter”;
- Advertise the EOI in the local newspaper and or UNDB asking consultants to express interest in the assignment and provide information on consultant’s experience, competence, qualification relevant to the assignment; (the EOI may be advertised in UNDB on-line or in international newspaper, or in relevant technical magazine)
- Prepare a long list from all firms who responded to the EOI advertisement. Select three firms from the long list to the short list
- Evaluation Committee ranks short listed candidates based on criteria agreed prior to the selection process begins;
- PMU prepares an Evaluation Report explaining strengthening and weakness of each short listed firm and justifies selection of the most qualified one for the assignment;
- Preparation and submission of an Evaluation report to the World Bank for “No Objection Letter”;
- PMU sends RFP requesting combined technical and financial proposal to the selected, most qualified Consultant;
- The Evaluation Committee reviews the Technical and Financial proposals,

- PMU invites the firm for negotiations which include: verification of understanding of the TORs, methodology and work plan, PMU and firm's agreement on the final TOR, taken into consideration consultant's suggestions (proposed modifications) as described in the consultant's technical proposal, corrections of the financial proposal (arithmetical errors if any) where appropriate, clarification on tax issues and on how to account for them in the Contract;
- If negotiations with the first firm do not result in contract signing, PMU shall inform the Bank through sending an amendment to the evaluation report and recommend to invite the second ranked firm to submit the combined technical and financial proposal and negotiate contract;
- PMU shall incorporate the results of the negotiations in an initialed Draft Contract which together with the minutes of negotiations shall be submitted to the WB for review and "No Objection Letter";
- After receiving WB "No Objection" to the draft Contract, Ministry and the firm shall sign the Contract;
- Copy of the final Contract shall be submitted to the WB promptly after signing in order to facilitate disbursement;
- The firm shall submit the invoice for an advance payment as per contract terms and the bank guarantee, if required, and PMU shall pay the amount promptly for work to begin.

Proposed decision making procedure is shown in the chart below.

Decision-Making and Involvement of Stakeholders into Selection of Consultants (CQ)





*) In certain cases external assistance in drafting TOR may be necessary. Such services/assistance may be financed under the Project.

TOR – Terms of Reference

RFP – Request for Proposals

WB – World Bank

PMU – Project Management Unit

Minister – Minister of Education and Science

7.8.5 Selection of Individual Consultants (IC)

Individuals are selected on the basis of their qualifications for the assignment by comparing the CVs obtained in response to an advertisement in the national press or UNDP, or based on the PMU consultants register.

The steps involved in selection of Individual Consultants vary depending whether the selection is subject to prior review or post review as per Loan Agreement.

For selection of IC that is being subject to prior review following steps are to be followed:

- Prepare and agree with the WB on the draft TORs
- Advertise the EOI in the local newspaper, in case of International Consultant place an advertisement in UNDB on line;
- Prepare a long list from candidates who responded to the published EOI and/or picked from the IC database maintained by the PMU registering any interested consultant who expressed interest in the project through either contacting the PMU or responding to GPN, EOI and other advertisement on the Project;
- Evaluate the expressions of interest and prepare a shortlist of a minimum of three qualified candidates based on their qualification and previous experience in the area of the assignment;
- Send the Evaluation Report with all CVs to the World Bank for “No Objection Letter”,
- Send the LOI to the first ranked consultant to submit technical and financial proposal
- Negotiate contract with the selected consultant;
- If negotiations with the first individual consultant do not result in contract signing, PMU shall request the WB for a “No Objection Letter“ to invite the second candidate;
- PMU shall incorporate the results of the negotiations in a Draft Contract to be sent to WB for “No Objection Letter”, accompanied by an amended evaluation report if the second scenario applies;

- After receiving WB “No Objection Letter” for the draft of negotiated Contract, sign the Contract with the selected consultant;
- Copy of the signed Contract shall be submitted to the WB promptly after signing to facilitate disbursement;
- No advance payments are allowed for Individual Consultants¹.

7.8.6 Sole Source Selection of Individual Consultants procedure is conducted in accordance with paragraph 5.6 of the Consultant Guidelines, subject to the prior approval of the Bank.

7.8.7 Single Source Selection (SSS)

This method can apply in certain cases given in item 3.8-3.11 “Single Source Selection” of the Consultant Guidelines, subject to the prior approval of the Bank

7.9 Considerations with regard to Commercial Practices

The procurement process for sub-financing sub-projects of innovation programs shall be carried out by the relevant sub-borrowers following their commercial practices, acceptable to the Bank.

The majority of firms have purchasing arrangements and practices, such as corporate ethics, policies and procedures, internal purchasing rules, computerized purchasing management system. As a practice, contracts are awarded through comparison of minimum three quotations depending on the value of the contracts, based on a combination of evaluation criteria such as price, quality, delivery, maintenance, commercial conditions and reference for past performance. In most cases standard forms of contracts are used. Larger companies source the majority of new suppliers primarily through trade journals, internet, etc. Some companies periodically advertise new tender opportunities in the national press. Smaller companies often favor awarding contracts by direct negotiations without a tender process. In case of goods, the local practice is to prepare the technical specifications and solicit quotations from the local and/or international market, depending on the object of the contract. When equipment and machinery is needed for expansion of existing facilities, the purchasers usually prefer proprietary goods from a single source for the sake of standardization and minimization of the operation and maintenance cost. Therefore, the local private sector or commercial practices can be considered to be consistent with the World Bank’s criteria with respect to economy and efficiency. The general rule in the sector is to procure the least cost goods consistent with minimum quality requirements.

The following procurements will not be eligible for financing by the project:

- Goods, and Consulting Services contracts between sub-borrowers and their subsidiary or affiliated companies will not be eligible for financing out of the Loan;
- The procurement of second hand goods shall not be eligible for financing out of the Loan;
- No contract will be financed with a firm/individual which is not eligible under World Bank financing under Paragraph 1.8 through 1.10 of the Procurement Guidelines. The World Bank List of Debarred Firms is available in www.worldbank.org/procure.

The following principles and practices in carrying out commercial practices are recommended, but not mandatory, to be followed by the sub-borrowers in procuring goods (and consultant services) under commercial practices:

- The sub-borrower is recommended to observe competitive bidding procedures as needed to ensure competitive prices. To this end, the sub-borrower may seek bids/quotations from a list of potential suppliers and contractors broad enough to achieve a competitive price; select, develop and maintain a reliable list of suppliers, contractors and consultants by pre-screening procedures; approve vendor lists; and use preferred item lists, prequalified products, etc. and update such lists from time to time.
- Advertising bidding opportunities in the local and international press is considered best practice for large value procurement though not mandatory under commercial practices.
- As needed to achieve a successful procurement it is recommended that a bidding document be prepared by the sub-borrower including the provisions for (i) General Scope of the Bid, (ii) Contents of the Bidding Documents, (iii) Preparation of Bids, (iv) Submission and Opening of Bids (v) Evaluation and Comparison of Bids and (vi) Award of Contract. The bidding document will also include a sample contract. In the bidding documents care has to be taken of other relevant factors such as time of delivery, efficiency and reliability of the goods and availability of maintenance facilities and spare parts, capacity of the contractor, in case of non-consultant services, of the quality and competence of the parties rendering them.
- In principle, evaluation and selection of suppliers and contractors will be based on consideration of price, quality, reliability, performance and sub-borrower's commercial decision.

Contracts may be placed by the sub-borrower based on single source in cases where benefit of competition has been considered and rejected for sound reasons. Some examples where single source selection may be considered are: (i) repeat purchases and purchasing additional quantities or additional works; (ii) when equipment and machinery is needed for expansion of existing facilities; (iii) for the sake of the standardization and minimization of the operation and maintenance cost; (iv) when there is no interest from other suppliers or contractors; (v) a previous successful contract performance; (vi) other well justified commercial reasons.

7.10 Contract award notice: The Borrower shall publish information on *UNDB online* for all contracts when the short list included any foreign firm and all single-source selection contracts awarded to foreign firms, and in the *National*¹³ press all contracts where the short list comprises only National firms and all single-source selection contracts awarded to National firms. Such publication shall be within two weeks after receiving the Bank's no objection for award of the contract as per paragraphs 2(h) and 2(j) of this Appendix for contracts subject to the Bank's prior review, and within two weeks of successful negotiations with the selected firm for contracts subject to the Bank's post review. Publications shall include the following information as relevant and applicable for each method: (a) the names of all consultants in the short list, specifying those that submitted proposals; (b) the overall technical scores and scores assigned for each criterion and sub-criterion to each consultant; (c) the prices offered by each consultant as read out and as they have been evaluated; (d) the final combined scores and the final ranking of the consultants; and (e) the name of the successful consultant and the total price, duration, and summary scope of the contract. The same information shall be sent to all consultants who have submitted proposals. The Bank will arrange the publication of the award of contracts

¹³ In a national newspaper of wide circulation, or on the web site of the Ministry of Education and Science, in the Macedonian language

under prior review on its external website upon receipt from the Borrower of a conformed copy of the signed contract in accordance with paragraph 2(i) above.

Note: The procedure outlining the procurement and review arrangements for goods and non-consulting services for the innovation instruments/grants, will be described in the IGOM and incorporated in the POM, subject to bank’s approval.

7.11 Procurement Filing System

The PMU establishes a Procurement Filing System for the Project following the structure of the Procurement Plan.

For each Procurement package an individual folder is opened. Each folder is labeled with a code identifying:

Beneficiary	Sequence number of the package/year of the contract signature	Procurement Method	Disbursement Category	Component Number and Name	Contract Awarded
MoES	001/14	ICB	Goods	Component 1: Sub-component A:	Name of contractor

7.12 Anti-Corruption Measures

The proposed project shall be subject to the Bank’s most recent Anti-Corruption Guidelines and will not enable services of firms and individuals debarred by the Bank. The list of such debarred firms and individuals can be found at the following website: <http://www.worldbank.org/html/opr/procure/debarr.html>

In addition, the following anti-corruption measures will be applied::

1. *Enhanced Disclosure.* MoES will publish the following information on their official website at: www.mon.gov.mk or any successor website and in the bidding documents: Invitations to Bid; Bid opening minutes; and Information on contract award (i.e. name of successful bidder, currency and amount of contract award). Each Procurement plan will be published on the website.
2. *Improved Implementation and Procurement oversight.* MoES will inform through their website of the progress of the SDIS Project and will enable civil society to obtain general information pertaining to the current status and progress of project implementation. This mechanism will include regular press releases concerning program implementation.
3. *Mitigation of Forgery and Fraud Risks.* MoES will appoint and maintain qualified procurement specialists and financial management specialists. Proper project and procurement filing including filing of advertisements, bidding documents, evaluation reports, contract award and final contract documents will be maintained. Timelines for procurement decisions will be stated and defined in the Project Operations Manual.

4. *Mitigation of Conflict of Interest.* Each person serving as a member of a selection committee, or who is otherwise involved in a procurement process, shall disclose to the Project Director and Steering Committee if they, or any of their immediate family members, are related or otherwise connected to any of the members of the boards of directors or commissioners of the bidders and/or consultants participating in any of the procurement packages (“Interested Member”). Any Interested Member shall recuse himself or herself from further participation in the evaluation process; and any Interested Member who is an Official shall refuse himself or herself from any decisions relating to the evaluation process or contract award.
5. Each Member of the Evaluation committee before the evaluation process starts, will sign a Declaration of impartiality and confidentiality (sample of the Declaration is given in the Chapter 9)

7.13 Sample Bidding documents Procurement of Goods –Shopping

- Invitation to Quote
- Purchase of Order
- Conditions of supply

INVITATION TO QUOTE

To:

1. You are invited to submit your price quotation(s) for the supply of the following items:

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

2. The Government of Republic of Macedonia has received a loan from the International Bank for Reconstruction and Development (IBRD) towards the Skills Development and Innovation Support Project, and intends to apply the proceeds of this loan to eligible payments under the contracts for which this invitation for quotation is issued.

3. You may quote for any or more items under this invitation. Each item shall be evaluated and contract awarded separately to the firm(s) offering the lowest evaluated price for each item. {You must quote for all the items under this Invitation. Price quotations will be evaluated for all the items together and contract awarded to the firm offering the lowest evaluated total cost of all the items}.

{Note: The Purchaser must select one of the two options and delete the non-applicable option}

4. Your quotation(s) in the required format (Purchase Order) should be addressed and submitted to:

e-mail : _____
FAX: _____

5. Your quotation in duplicate and in English language, should be accompanied by adequate technical documentation and catalogue(s) and other printed material or pertinent information (in English language) for each item quoted, including names and addresses of firms providing service facilities in _____.

{The purchaser to specify the name of the Borrower country}

6. The deadline for receipt of your quotation (s) by the Purchaser at the addressed indicated in Paragraph 5 is: _____

7. Quotations by e-mail or fax are acceptable

8. Your quotation(s) should be submitted as per the following instructions and in accordance with the Terms and Conditions of supply in the attached draft Purchase Order. Please sign attachment to the Purchase Order and return the same to the Purchaser.

(i) PRICES: The prices should be quoted for delivery CIF _____(port) or CIP _____(place) {Purchaser should select one of the two} for imported goods and ex-factory for domestically supplied goods, according to INCOTERMS, 2000. Prices can be quoted in any Bank member country currency, including Euro, but no more than three currencies.

(ii) EVALUATION AND AWARD OF PURCHASE ORDER: Offers determined to be substantially responsive to the technical specifications will be evaluated by comparison of their prices by converting their CIF/CIP/Ex-Works price to the _____(national currency of the Purchaser) based on the selling exchange rate published by the Central Bank of _____ (Purchaser's country) on the date for submission of quotations, specified in Paragraph 7 above. The award will be made to the firm offering the lowest evaluated price and that meets the required standards of technical and financial capabilities.

(iii) VALIDITY OF THE OFFER: Your quotation(s) should be valid for a period of 45 days from the date of receipt for quotation(s) as indicated in Paragraph 7 of this Invitation to Quote.

10. Further information can be obtained from:

Telephone: _____

Fax: _____

e-mail: _____

11. Please Confirm by Fax/e-mail the receipt of this invitation and whether or not you will submit the price quotation(s).

Sincerely,

Ministry of Education and Science

Purchase Order

Purchase Order No. _____

Date of Purchase Order _____

Name of the Purchaser _____

Complete Postal Address of Purchaser _____

Telephone No. _____

Fax No. _____

Subject: SUPPLY OF _____

TO: {Please insert Supplier's name and address}

Dear Sirs:

Your price quotation No. _____
dated _____ for the supply of the above goods is accepted by the Purchaser for an
amount of _____ as per the Terms and Conditions described in Attachment 2
to this Purchase Order. Please complete your supply in accordance with the terms and
conditions contained in the attachment to this Purchase Order.

Please acknowledge receipt within 10 (ten) days from the date of receipt of this
Purchase Order.

Sincerely,

Terms and Conditions of Supply

Project Name: Skills Development and Innovation Support Project

Purchaser: Ministry of Education and Science

Consignee: _____

Package No: _____

1. Prices and Schedules for Supply

<u>S.No.</u>	<u>Item No.</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total Price</u>
--------------	-----------------	-----------------	-------------------	--------------------

Delivery Time

1.

2.

{Note: In case of discrepancy between unit price and Total derived from unit price, unit price shall prevail}

Spare Parts }

Tools and Accessories }

Manuals } Specify, if applicable.

Maintenance Requirements }

2. Fixe Price: The prices indicated above are firm and fixed and not subject to any adjustment during contract performance.

3. Delivery Schedule: The delivery should be completed as per above schedule but not exceeding _____ months from the date of L/C confirmation.

4. Payment for your invoice will be made 100% against delivery of shipping documents, through an irrevocable and Confirmed Letter of Credit, opened by _____ (name of the Bank in Purchaser's country) in favor of the _____ (Supplier's Bank).

5. Warranty: Goods offered should be covered by manufacturer's warranty for at least 12 months from the date of delivery to the Purchaser. Please specify warranty period and terms in detail.

6. Packaging and Marking Instructions: {Purchaser to specify}

7. Required Technical Specifications

(i) General Description

(ii) Specific details and technical standards

(iii) Performance Parameters

The Supplier confirms compliance with above specifications {In case of deviations supplier to list all such deviations}

9. Failure to Perform: The Purchaser may cancel the Purchase Order if the Supplier fails to deliver the Goods, in accordance with the above terms and conditions, in spite of a 21 day notice given by the Purchaser, without incurring any liability to the Supplier.

NAME OF THE SUPPLIER

Authorized Signature_____

Place: Date:

7.14 Evaluation Forms – Goods

- **Price Comparison and Evaluation Form for small value Goods (i.e. below Euro 8,000)**
- **Evaluation Form for Goods under SH**

Price Comparison and Evaluation Form for small value Goods -Evaluation Form for Goods under SH

1. Details of goods to be procured:

<i>List of items to be procured</i>	<i>Brief description of the items to be procured</i>	<i>Quantities</i>

2. Quotations Obtained

Name and address of Suppliers	Date when Price is obtained	Price validity period	Price		Ranking
			per unit	total	

3. Non-responsive quotations: _____

4. Name of the Supplier with the lowest price
Supplier_____

5. Total price of the (Contract) PO award _____

6. Date of Purchase order award _____

7. Any issues to be discussed at the finalization of the contract:_____

8. Complaints from other Suppliers: _____

Date:

Signatures of the Member of the Evaluation Committee

7.15 Sample documents for selection of Individual Consultants

- Letter of Invitation for applying for assignments
- Letter of Invitation for submission of technical and financial proposal
- Evaluation Report for Individual Consultants

Letter of Invitation for applying for assignments

Dear,

1. You are hereby invited to submit your curriculum vitae (CV) for providing the consulting services on _____ (brief description of services).
2. If selected, you would assist the ministry of labor and social policy (hereinafter referred to as "the Client") with _____. More details on the services are provided in the attached Terms of Reference.
3. Your experience and qualification shall conform to the requirement as specified in the terms of reference. The CV will be evaluated for the qualification and experience of the candidates in accordance with the following criteria:

(i) General Qualification -	20
(ii) Adequacy for Project -	60
(iii) Language and Experience-	20
Total Points:	100
4. Following the evaluation of the CV's of individual consultants, the candidate whose evaluation scores is the highest, will be invited to contract negotiations and signing. Contract will be negotiated by phone or E-mail. In case of any delay the Client has right to withdraw the invitation. In case agreement is not reached for a contract, the negotiations with the individual consultant will be terminated and new negotiation will be proposed with the next ranked candidate.
5. You will be requested to start your assignment by..... The Client will make its best efforts to select a consultant during this period.
6. The estimated term required for the assignment is:
7. Please note that the cost of preparing a CV and of negotiating a contract is not reimbursable as a direct cost of the assignment.
8. The following documents are attached to the Letter of Invitation:
 - I. Sample Format of Curriculum Vitae (CV)
 - II. Terms of Reference
 - III. Draft contract
9. If you require further information on the assignment and the local conditions, you may contact Mr. at the following phone number and address:
10. Your CV should be faxed or e-mailed or delivered to the above address before
11. The Client is not bound to accept any of the CV's submitted.
12. Please inform us, upon receipt:

- (a) that you received the letter of invitation; and
- (b) whether or not you will be submitting a CV.'

Yours sincerely,

I. Sample Format of Curriculum Vitae (CV)

Proposed Position: _____

Name of Consultant : _____

Profession: _____

Date of Birth: _____

Nationality: _____

Membership in Professional Societies: _____

Detailed Tasks Assigned: _____

Key Qualifications:

[Give an outline of consultant's experience and training most pertinent to tasks on assignment. Describe degree of responsibility held by the consultant on relevant previous assignments and give dates and locations. Use about half a page.]

Education:

[Summarize college/university and other specialized education of the consultant, giving names of schools, dates attended, and degrees obtained. Use about one quarter of a page.]

Employment Record:

[Starting with present position, list in reverse order every employment held. List all positions held by the consultant since graduation, giving dates, names of employing organizations, titles of positions held, and locations of assignments. For experience in last ten years, also give types of activities performed and client references, where appropriate. Use about two pages.]

Languages:

[For each language indicate proficiency: excellent, good, fair, or poor in speaking, reading, and writing.]

Certification:

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe me, my qualifications, and my experience.

_____ Date: _____
[Signature of consultant] *Day/Month/Year*

Full name of staff member: _____

- II. Terms of Reference
- III. Draft contract

Letter of Invitation for submission of technical and financial proposal

Dear,

1. We are pleased to announce that you have been selected for the assignment_____. At this point you are kindly invited to submit your technical and financial proposal.
2. If selected, you would assist _____ (hereinafter referred to as “the Client”) with _____. More details on the services are provided in the attached Terms of Reference.
3. After receiving your technical and financial proposal you will be invited for contract negotiations and contract signing. Contract will be negotiated in person, by phone or E-mail (or any other way convenient to both parties). In case of any delay the Client (Ministry of Education and Science) has right to withdraw the invitation. In case agreement is not reached for a contract, the negotiations with you as a first ranked consultant will be terminated and new negotiation will be proposed with the next ranked candidate.
4. You will be requested to start your assignment by..... The Client will make its best efforts to select a consultant during this period.
5. The estimated term required for the assignment is:
6. Please note that the cost of preparing a CV and of negotiating a contract is not reimbursable as a direct cost of the assignment.
7. The following documents are attached to the Letter of Invitation:
 - I. Cost Estimate of services and Schedule of Rates
 - II. Terms of Reference
 - III. Draft contract
8. If you require further information on the assignment and the local conditions, you may contact Mr. at the following phone number and address:
9. Please inform us, upon receipt:
 - a. that you received the letter of invitation; and
 - b. whether or not you will be submitting a proposal.

Yours sincerely,

Cost Estimate of Services and Schedule of Rates

(1) Remuneration

<i>Name</i>	<i>Rate (per working day)</i>	<i>Time spent (number of working days)</i>	<i>Total (currency)</i>
			Sub-Total (1)

(2) Reimbursables¹

	<i>Rate</i>	<i>Calendar days</i>	<i>Total</i>
(a) International Travel			
(b) Local Transportation			
(c) Interpreter/Translation			
(d) Per Diem/Accommodation			
			Sub-total (2)

TOTAL COST _____

¹ To include expenses for international travel, local transportation, interpretation/translation, per diem, visas, airport taxes, and other such travel related expenses as may be necessary; reimbursable at cost with supporting documents/receipts; except for per diem (which is fixed and includes cost of housing, meals and subsistence for the period spent in the country).

7.16 EVALUATION REPORT FORMS- SELECTION OF CONSULTING SERVICES

Date:

1. Implementing Agency: Ministry of Education and Science
2. Name of consulting assignment:
3. Total Estimated Cost of Assignment:
4. Period of the Assignment:
5. Date of Issue of the LOI:
6. Name of individual consultants invited:
7. Evaluation Criteria basis: General Qualification to TOR, Adequacy for Project, Language and Experience
8. Deadline for submission of CVs:
9. Name of consultants who submitted CVs:
11. Members of Evaluation Committee:
 - A.
 - B.
 - C.
12. Brief summary of the Evaluation:

(Provide in an attachment A: Summary of technical evaluation of each CV with respect to TOR and other evaluation criteria/requirements)
13. Results of evaluation of CVs: The lowest score is achieved by CV from
14. Based on the substantial responsiveness of the best evaluated CV with respect to compliance with technical and other related aspects specified in the TORs the following award of contract is recommended:

Name of the Individual:
Total Contract Price:

Period of Consulting/Services:

Evaluation Sheet

Individual Consultant											
	Consultants Names		Age	General Qualification to TOR (20 Points)		Adequacy for Project (60Points)		Language and Experience (20 Points)		Total points	
				Rating* (A)	(A) x (Points) (B)	Rating* (C)	(C) x (Points) (D)	Rating* (E)	(E x (Points) (F)	(B) + (D) + (F) = (G)	
1.											
2.											
3.											

Rating:
100%– Highly Satisfactory
90%– Satisfactory
80% – Good
60% – Poor

Attachment A: Summary of technical evaluation of each CV with respect to TOR and other evaluation criteria/requirements

Consultant Name	Criteria I (General Qualifications)		Criteria II (Adequacy for the Assignment)		Criteria III (Language and Experience in the Region)	
	Strength	Weakness	Strength	Weakness	Strength	Weakness
1						
2						
3						

7.17 Selection of Individual Consultants –Sample Contracts

- **CONTRACT FOR SIMPLE CONSULTING SERVICES (IC) -TIME-BASED**
- **CONTRACT FOR SIMPLE CONSULTING SERVICES (IC) –LUMP-SUM**

**SAMPLE CONTRACT FOR CONSULTING SERVICES
SMALL ASSIGNMENTS
TIME-BASED PAYMENTS
(IBRD/IDA FINANCED)**

CONTRACT No. *[insert]*

THIS CONTRACT (“Contract”) is entered into this *[insert starting date of assignment]*, by and between *[insert Client’s name]* (“the Client”) having its principal place of business at *[insert Client’s address]*, and *[insert Consultant’s name]* (“the Consultant”) having its principal office located at *[insert Consultant’s address¹]*.

WHEREAS, the Client wishes to have the Consultant performing the services hereinafter referred to, and

WHEREAS, the Consultant is willing to perform these services,

NOW THEREFORE THE PARTIES hereby agree as follows:

- 1. Services**
 - (i) The Consultant shall perform the services specified in Annex A, “Terms of Reference and Scope of Services,” which is made an integral part of this Contract (“the Services”).
 - (ii) The Consultant shall provide the reports listed in Annex B, “Consultant’s Reporting Obligations,” within the time periods listed in such Annex, and the personnel listed in Annex C, “Cost Estimate of Services, List of Personnel and Schedule of Rates” to perform the Services.
- 2. Term**

The Consultant shall perform the Services during the period commencing *[insert start date]* and continuing through *[insert completion date]* or any other period as may be subsequently agreed by the parties in writing.
- 3. Payment**
 - A. Ceiling

For Services rendered pursuant to Annex A, the Client shall pay the Consultant an amount not to exceed a ceiling of *[insert ceiling amount]*. This amount has been established based on the understanding that it includes all of the Consultant’s costs and profits as well as any tax obligation that may be imposed on the Consultant. The payments made under the Contract consist of the Consultant’s remuneration as defined in sub-paragraph B

¹ Avoid use of “P.O. Box” address

below and of the reimbursable expenditures as defined in sub-paragraph C below.

B. Remuneration

The Client shall pay the Consultant for Services rendered at the rate(s) per man/month spent¹ (or per day spent or per hour spent, subject to a maximum of eight hours per day) in accordance with the rates agreed and specified in Annex C, "Cost Estimate of Services, List of Personnel and Schedule of Rates."

C. Reimbursables

The Client shall pay the Consultant for reimbursable expenses, which shall consist of and be limited to:

- (i) normal and customary expenditures for official travel, accommodation, printing, and telephone charges; official travel will be reimbursed at the cost of less than first class travel and will need to be authorized by the Client's coordinator;
- (ii) such other expenses as approved in advance by the Client's coordinator.²

D. Payment Conditions

Payment shall be made in *[specify currency]* not later than 30 days following submission of invoices in duplicate to the Coordinator designated in paragraph 4.

Payments shall be made to Consultant's bank account *[insert banking details. If payment by bank wire is not possible, prior Bank approval to apply cash payments option shall be obtained]*

4. Project Administration

A. Coordinator

The Client designates Mr./Ms. *[insert name and job title]* as Client's Coordinator; the Coordinator shall be responsible for the coordination of activities under the Contract, for receiving and approving invoices for payment, and for acceptance of the deliverables by the Client.

¹ Select the applicable rate and delete the others.

² Specific expenses can be added as an item (iii) in paragraph 3.C.

B. Timesheets

During the course of their work under this Contract, including field work, the Consultant's employees providing services under this Contract may be required to complete timesheets or any other document used to identify time spent, as well as expenses incurred, as instructed by the Project Coordinator.

C. Records and Accounts

The Consultant shall keep, and shall cause its Sub-Consultants to keep, accurate and systematic records and accounts in respect of the Services, which will clearly identify all charges and expenses. The Client reserves the right to audit, or to nominate a reputable accounting firm to audit, the Consultant's records relating to amounts claimed under this Contract during its term and any extension, and for a period of three months thereafter.

- 5. Performance Standard** The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly replace any employees assigned under this Contract that the Client considers unsatisfactory.
- 6. Inspections and Auditing** The Consultant shall permit, and shall cause its Sub-Consultants to permit, the Bank and/or persons or auditors appointed by the Bank to inspect and/or audit its accounts and records and other documents relating to the submission of the Proposal to provide the Services and performance of the Contract. Any failure to comply with this obligation may constitute a prohibited practice subject to contract termination and/or the imposition of sanctions by the Bank (including without limitation a determination of ineligibility) in accordance with prevailing Bank's sanctions procedures.
- 7. Confidentiality** The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client's business or operations without the prior written consent of the Client.
- 8. Ownership of Material** Any studies, reports or other material, graphic, software or otherwise, prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and

software.³

- 9. Consultant Not to be Engaged in Certain Activities** The Consultant agrees that, during the term of this Contract and after its termination, the Consultants and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services (other than consulting services that would not give rise to a conflict of interest) resulting from or closely related to the Consulting Services for the preparation or implementation of the Project.
- 10. Insurance** The Consultant will be responsible for taking out any appropriate insurance coverage.
- 11. Assignment** The Consultant shall not assign this Contract or Subcontract any portion of it without the Client's prior written consent.
- 12. Law Governing Contract and Language** The Contract shall be governed by the laws of *[insert government]*, and the language of the Contract shall be⁴ *[insert language]*.

³ Restrictions about the future use of these documents and software, if any, shall be specified at the end of Article 8.

⁴ The law selected by the Client is usually the law of its country. However, the Bank does not object if the Client and the Consultant agree on another law. The language shall be English, French, or Spanish, unless the Contract is entered into with a domestic firm, in which case it can be the local language.

13. Dispute Resolution⁵

Any dispute arising out of this Contract, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of the Client's country.

14. Termination

The Client may terminate this Contract with at least ten (10) working days prior written notice to the Consultant after the occurrence of any of the events specified in paragraphs (a) through (d) of this Clause:

- (a) If the Consultant does not remedy a failure in the performance of its obligations under the Contract within seven (7) working days after being notified, or within any further period as the Client may have subsequently approved in writing;
- (b) If the Consultant becomes insolvent or bankrupt;
- (c) If the Consultant, in the judgment of the Client or the Bank, has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices (as defined in the prevailing Bank's sanctions procedures) in competing for or in performing the Contract.
- (d) If the Client, in its sole discretion and for any reason whatsoever, decides to terminate this Contract.

FOR THE CLIENT

FOR THE CONSULTANT

Signed by _____

Signed by _____

Title: _____

Title: _____

⁵ In the case of a Contract entered into with a foreign Consultant, the following provision may be substituted for paragraph 13: "Any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force."

LIST OF ANNEXES

Annex A: Terms of Reference and Scope of Services

Annex B: Consultant's Reporting Obligations

Annex C: Cost Estimate of Services, List of Personnel and Schedule of Rates

ANNEX C

Cost Estimate of Services, List of Personnel and Schedule of Rates

(1) Remuneration of Staff

	Name	Rate (per month/day/ hour in currency)	Time spent (number of month/day/hour)	Total (currency)
(a) Team Leader				
(b)				
(c)				
				Sub-Total (1)

(2) Reimbursables⁶

	Rate	Days	Total
(a) International Travel			
(b) Local Transportation			
(c) Per Diem			
			Sub-total (2)

TOTAL COST _____

Physical Contingency⁷ _____

CONTRACT CEILING _____

⁶ To include expenses for international travel, local transportation, per diem, communications, reporting costs, visas, inoculations, routine medical examinations, portage fees, in-and-out expenses, airport taxes, and other such travel related expenses as may be necessary; reimbursable at cost with supporting documents/receipts; except for per diem (which is fixed and includes housing and _____ expenses).

⁷ From 0 to 15 percent of total cost; use of contingency requires prior approval of the Client.

**SAMPLE CONTRACT FOR CONSULTING SERVICES
SMALL ASSIGNMENTS
LUMP-SUM PAYMENTS
(IBRD/IDA FINANCED)**

CONTRACT No. *[insert]*

THIS CONTRACT (“Contract”) is entered into this *[insert starting date of assignment]*, by and between *[insert Client’s name]* (“the Client”) having its principal place of business at *[insert Client’s address]*, and *[insert Consultant’s name]* (“the Consultant”) having its principal office located at *[insert Consultant’s address*¹*]*.

WHEREAS, the Client wishes to have the Consultant perform the services hereinafter referred to, and

WHEREAS, the Consultant is willing to perform these services,

NOW THEREFORE THE PARTIES hereby agree as follows:

- 1. Services**
- (i) The Consultant shall perform the services specified in Annex A, “Terms of Reference and Scope of Services,” which is made an integral part of this Contract (“the Services”).
 - (ii) The Consultant shall provide the personnel listed in Annex B, “Consultant’s Personnel,” to perform the Services.
 - (iii) The Consultant shall submit to the Client the reports in the form and within the time periods specified in Annex C, “Consultant’s Reporting Obligations.”

2. Term The Consultant shall perform the Services during the period commencing *[insert starting date]* and continuing through *[insert completion date]*, or any other period as may be subsequently agreed by the parties in writing.

3. Payment A. Ceiling

For Services rendered pursuant to Annex A, the Client shall pay the Consultant an amount not to exceed *[insert amount]*. This amount has been established based on the understanding that it includes all of the Consultant’s costs and profits as well as any tax obligation that may be imposed on the Consultant.

B. Schedule of Payments

¹ Avoid use of “P.O. Box” address

The schedule of payments is specified below²:

[insert detailed list of payments specifying amount of each installment, deliverable/output for which the installment is paid and currency]

C. Payment Conditions

Payment shall be made in *[specify currency]*, no later than 30 days following submission by the Consultant of invoices in duplicate to the Coordinator designated in paragraph 4.

Payments shall be made to Consultant's bank account *[insert banking details. If payment by bank wire is not possible, prior Bank approval to apply cash payments option shall be obtained]*

4. Project Administration

A. Coordinator.

The Client designates Mr./Ms. *[insert name and job title]* as Client's Coordinator; the Coordinator will be responsible for the coordination of activities under this Contract, for acceptance and approval of the reports and of other deliverables by the Client and for receiving and approving invoices for the payment.

B. Reports.

The reports listed in Annex C, "Consultant's Reporting Obligations," shall be submitted in the course of the assignment, and will constitute the basis for the payments to be made under paragraph 3.

5. Performance Standards

The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly replace any employees assigned under this Contract that the Client considers unsatisfactory.

6. Inspections and Auditing

The Consultant shall permit, and shall cause its Sub-Consultants to permit, the Bank and/or persons or auditors appointed by the Bank to inspect and/or audit its accounts and records and other documents relating to the submission of the Proposal to provide the Services and performance of the Contract. Any failure to comply with this obligation may constitute a prohibited practice subject to contract termination and/or the imposition of sanctions by the Bank (including without limitation s determination of

² Fill in based on required outputs as described in Annex A (Terms of Reference) and Annex C (Reporting Requirements). Avoid front-loaded payments. Advance payments in contracts with firms require a bank guarantee for the same amount.

ineligibility) in accordance with prevailing Bank's sanctions procedures.

7. **Confidentiality** The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client's business or operations without the prior written consent of the Client.
8. **Ownership of Material** Any studies reports or other material, graphic, software or otherwise, prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and software³.
9. **Consultant Not to be Engaged in Certain Activities** The Consultant agrees that, during the term of this Contract and after its termination, the Consultants and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services (other than consulting services that would not give rise to a conflict of interest) resulting from or closely related to the Consulting Services for the preparation or implementation of the Project
10. **Insurance** The Consultant will be responsible for taking out any appropriate insurance coverage.
11. **Assignment** The Consultant shall not assign this Contract or sub-contract any portion of it without the Client's prior written consent.
12. **Law Governing Contract and Language** The Contract shall be governed by the laws of *[insert government]*, and the language of the Contract shall be⁴ *[insert language]*
13. **Dispute Resolution**⁵ Any dispute arising out of the Contract, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of the Client's country.
14. **Termination** **The Client may terminate this Contract with at least ten (10) working days prior written notice to the Consultant after the**

³ Restrictions about the future use of these documents and software, if any, shall be specified at the end of paragraph 8.

⁴ The law selected by the Client is usually the law of its country. However, the Bank does not object if the Client and the Consultant agree on another law. The language shall be English, French, or Spanish, unless the Contract is entered into with a domestic firm, in which case it can be the local language.

⁵ In case of a Contract entered into with a foreign Consultant, the following provision may be substituted for paragraph 13: "Any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force."

occurrence of any of the events specified in paragraphs (a) through (d) of this Clause:

- (a) If the Consultant does not remedy a failure in the performance of its obligations under the Contract within seven (7) working days after being notified, or within any further period as the Client may have subsequently approved in writing;
- (b) If the Consultant becomes insolvent or bankrupt;
- (c) If the Consultant, in the judgment of the Client or the Bank, has engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices (as defined in the prevailing Bank's sanctions procedures) in competing for or in performing the Contract.
- (d) If the Client, in its sole discretion and for any reason whatsoever, decides to terminate this Contract.

FOR THE CLIENT

FOR THE CONSULTANT

Signed by _____

Signed by _____

Title: _____

Title: _____

LIST OF ANNEXES

Annex A: Terms of Reference and Scope of Services

Annex B: Consultant's Personnel and corresponding unit rates

Annex C: Consultant's Reporting Obligations

7.18: Declaration of impartiality and confidentiality

Declaration of impartiality and confidentiality

Publication ref: (*Name of the assignment*)

I, the undersigned, hereby declare that I agree to participate in the evaluation of the above-mentioned procurement procedure for selection of a firm for the assignment " _____ ", ref. no. _____. By making this declaration, I confirm that I have familiarized myself with the information available to date concerning this procurement procedure. I further declare that I shall execute my responsibilities honestly and fairly.

I am independent of all parties which stand to gain from the outcome of the evaluation process. To the best of my knowledge and belief, there are no facts or circumstances, past or present, or that could arise in the foreseeable future, which might call into question my independence in the eyes of any party; and, should it become apparent during the course of the evaluation process that such a relationship exists or has been established, I will immediately cease to participate in the evaluation process.

I agree to hold in trust and confidence any information or documents ("confidential information") disclosed to me or discovered by me or prepared by me in the course of or as a result of the evaluation and agree that it shall be used only for the purposes of this evaluation and shall not be disclosed to any third party. I also agree not to retain copies of any written information or prototypes supplied.

Confidential information shall not be disclosed to any employee or expert unless they agree to execute and be bound by the terms of this Declaration.

Name	
Signed	
Name	
Signed	
Date	

7.19 Procurement Plan

PROCUREMENT PLAN

REPUBLIC OF MACEDONIA

SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT

I. GENERAL

1. **Project information:** Ministry of Education and Science (MOES) of FY Republic of Macedonia

2. **Bank's approval Date of the procurement Plan** *Date of Negotiations*

7 **Date of General Procurement Notice:** *Date after Negotiations*

8 **Period covered by this procurement plan:** *First 18 months*

9 **Applicable Guidelines:** All goods and consultants' services required for the activities and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth in World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consultant Services under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011; and the provisions stipulated in the Legal Agreement.

10 **Advertising:** After project negotiations a General Procurement Notice (GPN) will be published on-line in United Nations Development Business (UNDB) and in national gazette and on the website of the MOES. Request for Expression of Interest (REoI) for consultant services contracts estimated to cost Euro 75 000 equivalent and above per contract shall be published on-line in United Nations Development Business (UNDB) in one widely circulating national newspaper and on the website of the MOES. In addition, all Terms of References (TOR) for consultant services contracts shall be published on the website of MOES at the time of publication of REoI. REoI for consultant services contracts estimated to cost Euro 75 000 equivalent or less, and which are available locally shall be published in at least one widely circulated national daily newspaper and/or at the MOES website. The results of contract awards will be posted online in UNDB as required under the applicable Guidelines and on MOES website.

II. **GOODS AND WORKS AND NON-CONSULTING SERVICES.**

11 **Prior Review Threshold:** Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

	Procurement Method	Procurement Threshold	Prior Review Threshold
1.	ICB (Goods)	Above Euro 150 000 per contract	All
2.	NCB (Goods)	Below Euro 150 000 per contract	First two irrespective of value

3.	ICB (Non-consulting services)		All
4.	NCB (Non-consulting services)	Below Euro 150 000	First two irrespective of value and all above Euro 100 000
5.	Shopping	Below Euro 75 000	First two
6.	Direct Contracting (DC)		All

2. Particular Methods for Procurement of Goods, Works and Non-Consulting Services.

Contracts for various goods and non-consulting services shall be procured following one of the methods: International Competitive Bidding (ICB); National Competitive Bidding (NCB), subject to the additional procedures stipulated in the Annex to Schedule 2 of the Loan Agreement and applicable for contracts below the threshold indicated in the Procurement Plan; Shopping, applicable for contracts below the threshold indicated in the Procurement Plan; and Direct Contracting, subject to sufficiently detailed justification in accordance with par. 37 of the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consultant Services under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" dated January 2011. Contracts for goods, works and non-consultant services to be financed through matching grants and sub-loans provided to private sector entities under Component 3, may be awarded in accordance with established private sector or commercial practices which have been found acceptable to the Bank in accordance with the provisions of par. 3.13 Procurement in Loans to Financial Intermediary Institutions and Entities. The POM, to be prepared and adopted by Loan Effectiveness, shall elaborate on the acceptable private sector and commercial practices, as well as the specific procurement and review arrangements under the innovation instruments. Contracts for goods, works and non-consultant services to be financed through matching grants and sub-loans provided to public sector entities under Component 3, shall be awarded in accordance with the procurement methods as stipulated above and in the Loan Agreement.

12 **Reference to Project Operational/Procurement Manual (POM):** The POM will include details with regard to procurement and review arrangements of goods and non-consulting services for the innovation instruments/grants, as well as a template of the procurement plan template for the purposes of the *innovation instruments/grants*.

13 Procurement Packages with Methods and Time Schedule as per Annex to the Procurement Plan

III. SELECTION OF CONSULTANTS

14 **Prior Review Threshold:** Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

	Selection Method	Prior Review Threshold
1.	Competitive Methods (Firms)	First two contracts under each selection method, irrespective of value and all above Euro 75 000
2.	Single Source (Firms and Individual Consultants)	All
3.	Individual consultants	All above Euro 350000

3. Particular Methods of Procurement of Consultants' Services. The following methods of procurement of Consultant's Services for those contracts which are specified in the procurement plan shall be applicable under the project: Quality and Cost Based Selection (QCBS), Quality-based Selection (QBS), Least Cost Selection (LCS), Selection under a Fixed Budget (FBS), Consultants' Qualifications (CQ), Single-sours Selection of consultant firms, Selection of Individual Consultants and Single-source procedures for the Selection of Individual Consultants. Contracts for consultants' services to be financed through matching grants and sub-loans provided to private sector entities under Component 3, may be awarded in accordance with established private sector or commercial practices which have been found acceptable to the Bank in accordance with the provisions of par. 3.13 Selection of Consultants in Loans to Financial Intermediary Institutions and Entities. The POM, to be prepared and adopted by Loan Effectiveness, shall elaborate on the acceptable private sector and commercial practices, as well as the specific procurement and review arrangements under the innovation instruments. Contracts for consultants' services to be financed through matching grants and sub-loans provided to public sector entities under Component 3, shall be awarded in accordance with the methods for selection of consultants as stipulated above and in the Loan Agreement.

15 Short list of consultants for services, estimated to cost less than Euro 75 000 equivalent per contract, may comprise entirely of national consultants (firms registered or incorporated in the country) in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

16 Reference to Project Operational/Procurement Manual: The POM to be agreed prior to negotiations will spell out guidance on acceptable practices with regard to selection of consultant services and review arrangements for the innovation instruments/grants, as well as a template of the procurement plan template for the purposes of the *innovation instruments/grants*.

17 Any Other Special Selection Arrangements: Training and Training Plan. The institutions providing standard raining, conducting seminars, organization of study tours will be selected on the basis of analysis of the most suitable program of training offered by the institutions, availability of services, the period of training and the reasonableness of cost. However, individual consultants to deliver training under the project shall be selected in accordance to the selection of individual consultants procedures as stipulated in the Consultant Guidelines applicable to the project. An annual training plan shall be prepared and agreed with the Bank. It will include information on the title of training, institution that shall provide it, timeline, cost, number, position and names of relevant people to be trained. The training plan shall be updated in agreement with the Bank through the duration of the project at least annually or as required to reflect the actual project implementation needs.

18 Universities. In cases where the services of state owned-universities, research institutes, and/or specialized education institutes are required for some project specific assignments, a justification in accordance with par. 1.11 of the Guidelines would be presented to the Bank for review on a case-by-case basis to determine eligibility. In addition, in cases where specialized services are required and which are known to be provided by only one university or a specialized education institution, a justification in accordance with par. 3.8 through 3.11 of the Guidelines would be presented to the Bank for review on a case-by-case basis to determine relevance of the proposed approach.

19 The POM will include details with regard to procurement and review arrangements of consulting services for the innovation instruments/grants, as well as a template of the procurement plan template for the purposes of the *innovation instruments/grants*.

20 Consultancy Assignments with Selection Methods and Time Schedule as per Annex to the Procurement Plan

IV. PROCUREMENT PLAN AND PROCUREMENT ARRANGEMENTS. The procurement plan for the entire life of the project has been prepared during project appraisal and its final version was agreed at project negotiations. The Procurement Plan for project implementation provides the basis for procurement methods as well as the procurement review arrangements. In the procurement plan, all contracts are grouped in packages as much as possible to encourage better competition. It will be available at the office of the PIU, and on the Bank's external website. The Procurement Plan shall be updated in agreement with the Bank through the duration of the project at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. All procurement plans and their updates or modifications shall be subject to the Bank's prior review and no-objection before implementation. After loan negotiations, the initial Procurement Plan shall be published on the Bank's external website, as well as all subsequent updates once the Bank has provided a no-objection. Given the demand-driven nature of *the innovation instruments/grants*, it is not possible to prepare a Procurement Plan for them as per par. 1.18 of the Procurement and par. 1.25 of the Consultant Guidelines. The POM will include a template of procurement plan for *the innovation instruments/grants*.

V. POST-REVIEW ARRANGEMENTS AND FREQUENCY OF PROCUREMENT SUPERVISION. Contracts not subject to Bank's prior review will be post reviewed by the Bank's procurement specialist assigned to the project. Post review of contracts will be carried out once per year. At a minimum 1 out of 5 contracts will be randomly selected for post review. The POM will elaborate on the detailed provisions for post-review of *the innovation instruments/grants*. Provided that they are a significant number, it is recommended that the option of hiring a consultant to carry out performance review of the sub-projects, which should include review of procurement.

VI. RISKS AND MITIGATION MEASURES.

The following measures were agreed to mitigate the risks for procurement management and to maintain the implementing team's capacity:

- (i) A qualified and experienced Procurement Specialist to be hired as soon as possible, but not later than project effectiveness.
- (ii) Project Operations Manual (POM) to be prepared and adopted and it shall include detailed description of overall procurement arrangements under the project, as well as procurement arrangements under Component 3 of the project with regard to the specific funding instruments (grants) which will be provided by the Fund for Innovation and Technological Development (FITD) to help foster innovation development in Macedonia. Detailed measures for mitigating the above referenced risks shall be defined after the risk assessment for procurement is finalized.
- (iii) More specifically the, procurement section of the POM shall, among other things, elaborate on the roles and responsibilities in the management and coordination of the procurement process, preparation of terms of reference and technical specifications, evaluation, establishment and appointment of evaluation committees, conflict of interest mitigation measures, record keeping, contract management, a complaint handling mechanism, roles and responsibilities of the parties involved in the procurement process under sub-financing of sub-projects for innovation programs, etc.

- (iv) The POM will include details with regard to procurement and review arrangements of goods, non-consulting and consulting services for the innovation instruments/grants, as well as a template of the procurement plan template for the purposes of the *innovation instruments/grants*.
- (v) The staff that will be involved in the procurement process shall attend a formal training or regionally organized training in procurement with a focus on the new Procurement and Consultant Guidelines of January 2011 and the revised bidding documents and documents for selection of consultants. As an alternative the Bank's Procurement Specialist assigned to the project shall carry out a tailor made training on the above topics after the project approval.
- (vi) During project implementation, in case of need, an additional technical support for preparation of TORs in the areas of the consultant contracts planned to be financed from the loan proceeds, external consultants to assist the PIU and the project beneficiaries in that might be required to strengthening the PIU capacity.

PROCUREMENT PLAN FOR THE SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT -SDISP
(total loan amount including front end fee 18.3 million EUR)

Activity	Package Number	Initially planned amounts (EUR)	Current allocated costs	Procurement method	Category	Prior Review	Comment	Review		Bid/EOI Invitation		Opening		WB no objection		Contract signing		Contract completion	
								Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Component 1: Improving Transparency of Higher Education (US\$ 4 million, approximately 16.6% of total financing) -3.280.000 EUR																			
Sub-component 1.1: Quality Assurance in Higher Education																			
1.1.1 External Evaluation of Universities	1	300,000.00		SSS	CS	yes		Jan 15		Feb 15		Mar 15		Mar 15		Apr 15		Apr 18	
1.1.2 Needs Assessment for Capacity Building of the Board for HEAEB	1	40,000.00		IC	CS	yes		Jun-14		Jun-14		Jul-14		Jul-14		Aug-14		Feb-15	
1.1.3 Capacity Building of the Administrative Capacity of the Board for HEAEB	1	100,000.00		CQ	CS	no		Apr-14		May-14		Jun-14				Aug-14		Feb-15	
1.1.4 Technical assistance for HEAEB	2	90,000.00		IC	CS	yes		Feb-14		Feb-14		Mar-14		Mar-14		Apr-14		Dec-18	
1.1.5 External Evaluation of the Board for HEAEB for Membership in EQAR and ENQA		50,000.00		OC/SSS				Jan-15		Feb-15		Mar-15		Mar-15		Apr-15		Dec-15	
1.1.6 EQAR and ENQA Membership Fee for the Board for HEAEB	3	30,000.00		OC														2016-2018	
1.1.7 Development and Implementation of Data Base for Monitoring the Operation and Outputs of the Tertiary Education and for Administering the Common Admission System	1	150,000.00		ICB	G	yes		Jul-14		Aug-14		Sep-14		Oct-14		Nov-14		Jun-15	
1.1.8 Computer Hardware for Data Base Application	1	50,000.00		S	G	no		Jun-15		Jul-15		Jul-15				Aug-15		Oct-15	
total sub-component 1.1		810,000.00																	
Sub-component 1.2: Higher Education Financing Reforms																			
1.2.1 Assessment of Funding Model Options and Preparation of Funding Model and Formula and Implementation Plan	1	250,000.00		QCBS	CS	yes		Jun-14		Jul-14		Aug-14		Sep-14		Dec-14		Dec-15	
total sub-component 1.2		250,000.00																	
Sub-component 1.3:Development of a National Technology Transfer Office																			
1.3.1 Needs Assessment, Strategy and Policy Development for NTTO	1	100,000.00		CQ	CS	yes		Jun-14		Jun-14		Jul-14		Jul-14		Aug-14		Feb-15	
1.3.2 Technical assistance to the NTTO	10	600,000.00		IC	CS	yes		Feb-14		Mar-14		Apr-14		May-14		Jun-14		Dec-18	
1.3.3 Equipment for the NTTO	2	200,000.00		ICB	G	yes		Feb-14		Mar-14		May-14		May-14		Jun-14		Sep-14	
1.3.4 Management Information System for NTTO	1	50,000.00		S	G	no		Aug-14		Sept-14		Oct-14				Nov-14			
1.3.5 Purchasing of patent and market databases access																			
total sub-component 1.3		950,000.00																	
TOTAL COMPONENT 1		2,010,000.00																	

	Component 2: Modernization of Secondary Technical Vocational Education and Training (US\$ 4.5 million, approximately 18.7% of total financing)- 3.600.000 EUR																		
	Sub-component 2.1: Quality and labor market relevance of TVET provision																		
2.1.1	Development and Design of the Concept for Secondary TVET	1	1,100,000.00	QCBS	CS	yes		Feb-14	Mar-14	May-14	Jun-14	Jul-14	Jul-15						
2.1.2	Training of School Teachers and Managers to Support Implementation of the Reformed Secondary TVET Curricula		300,000.00		T														2016-2017
2.1.3	Equipment for Secondary TVET School Training Centers	14	2,000,000.00	ICB	G	yes		Feb-16	Mar-16	May-16	Jun-16	Jun-16	Dec-16						
	total sub-component 2.1		3,400,000.00																
	Sub-component 2.2: Grants for school-industry collaboration.																		
	Preparation of program for provision of grants and support in development of implementation legal procedures	1	20,000.00	IC	CS	yes		Jun-14	Jul-14	Aug-14	Aug-14	Sep-14	Dec-14						
	Transfers (Grants) for Secondary TVET Schools-Business Sector Joint Projects		700,000.00		transfer														2015-2018
	total sub-component 2.2		720,000.00																
	TOTAL COMPONENT 2		4,120,000.00																

	Component 3: Improving the innovative capacity of enterprises and collaboration with research organizations (US\$ 12.96 million, approximately 54% of total financing)-9.700.000 EUR																		
	Sub-component 1: Capacity Building of the Fund for Innovation and Technology Development (FITD).																		
3.1.3	Resident Advisor for Capacity Building of the FITD	1	100,000.00	IC	CS	yes		May-14	Jun-14	Jul-14	Aug-14	Sep-14	Dec-18						
3.1.2	Capacity Building of the FITD		50,000.00		T/OC			Apr-14					Dec-14						
3.1.3	Software for the Needs of the FITD	1	20,000.00	S	G	no		Apr-14	May-14	May-14		Jun-14	Sep-14						
3.1.4	Equipment and hardware for the FITD	1	50,000.00	S	G	no		Apr-14	May-14	May-14		Jun-14	Sep-14						
	total sub-component 3.1		220,000.00																
	Sub-component 2: Pilot of Financial Instruments to be delivered by FITD																		
3.2.1	Grants to Support Development of Accelerators		1,500,000.00		transfer														2014-2018
3.2.2	Grants to Support Start-Up and Innovations for Micro and Small Entrepreneurs and Spin-Off Companies		2,000,000.00		transfer														2014-2018
3.2.3	Grants to Support Commercialization of Innovation for SMEs		3,500,000.00		transfer														2014-2018
3.2.5	Grants to Support Transfer of Technology		1,500,000.00		transfer														2014-2018
3.2.7	Technical Assistance to the Companies for preparation of grant applications		700,000.00		OC														
	total sub-component 3.2		9,200,000.00																
	TOTAL COMPONENT 3		9,420,000.00																

Component 4 – Project Management and Monitoring and Evaluation (US\$2.5 million equivalent, approximately 10.4% of total financing)																				
Sub-component 1: Project Management																				
4.1.1	Project Manager/Director	1	132,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.2	Procurement Specialist	1	114,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.3	Financial Specialist	1	114,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.4	Higher Education Coordinator	1	90,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.5	VET Coordinator	1	90,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.6	Coordinator for business and innovations	1	90,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.7	Monitoring and Evaluation Specialist	1	90,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.8	Part-Time Environmental Consultant	1	15,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.9	IT Specialist	1	90,000.00	IC	CS	yes		Jan-14	Jan-14	Feb-14	Feb-14	Mar-14	end of project							
4.1.10	Operating Cost for the PIU		200,000.00		OC								2014-2018							
4.1.11	Training for PIU staff		50,000.00		T								2014-2018							
4.1.12	Financial/Accounting Software and support and maintenance for the project duration	1	30,000.00	S	G	no		Jan-14	Jan-14	Feb-14		Mar-14	Mar-14							
4.1.13	Hardware and equipment for the PIU	1	50,000.00	S	G	no		Feb-14	Feb-14	Mar-14		Apr-14	May-14							
4.1.14	Project Audit	1	60,000.00	LCS	CS	yes		May-14	Jun-14	Jul-14	Aug-14	Sep-14	end of project							
4.1.15	Long-Term External Promotional Campaigne for the SDIS Project Reforms	1	350,000.00	QCBS	CS	yes		Nov-14	Dec-14	Feb-15	May-15	Jun-15	Dec-18							
4.1.16	Vehicle for the PIU	1	15,000.00	S	G	no		Jun-14	Jul-14	Aug-14		Oct-14	Dec-14							
total sub-component 4.1			1,580,000.00																	
Subcomponent 2: Monitoring and Evaluation																				
4.2.1	Performance Audit for Secondary TVET grants	1	100,000.00	CQ	CS	yes		Nov-17	Dec-17	Jan-18	Mar-18	Apr-18	Dec-18							
4.2.3	Baseline and Follow-Up Survey of the Instruments for Innovation Support	1	100,000.00	CQ	CS	yes		Nov-14	Dec-14	Jan-15	Mar-15	Apr-15	Dec-18							
4.2.4	Evaluation Specialist for the Instruments for Innovation Support	1	70,000.00	IC	CS	yes		Apr-15	May-15	May-15	Jun-15	Jun-15	Dec-18							
4.2.5	Operational Audit of the FITD	1	100,000.00	CQ	CS	yes		Jan-17	Feb-17	Mar-17	May-17	Jun-17	Dec-17							
4.2.6	Development of Software for Skills Observatory	1	400,000.00	ICB	G	yes		Oct-14	Nov-14	Feb-15	Mar-15	Apr-15	Dec-15							
total sub-component 4.2			770,000.00																	
TOTAL COMPONENT 4			2,350,000.00																	
TOTAL PROJECT COST			17,900,000.00	EUR																
			23,449,000.00	USD																
Front end fee			30,500.00	EUR																
Unallocated			369,500.00																	
Total Loan			18,300,000.00	EUR																

7.20 Procurement Plan Template for the innovation instruments/grants

Ref. no.	Description of procurement package	Category (goods, works, services)	Estimated Cost	Actual Cost	Date of Invitation to bid	Date of Contract award	Name of Supplier/ Consultant	Date of Contract completion	Comments
1									
2									
3									
4									

8. FINANCIAL MANAGEMENT, DISBURSEMENT AND ACCOUNTING ARRANGEMENTS

Pursuant to Schedule 2, Section II, subsection B, line item 1 of the Loan Agreement the Borrower, through MoES, shall and shall cause FITD to maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect operations, resources and expenditures related to the Project.

8.1 General

In order that the FM and disbursement arrangements of the project are acceptable, several effectiveness and disbursement conditions, and a dated-covenant have to be met, as described below.

(i) conditions for effectiveness of the Loan

- employment by MoES of a full-time qualified and experienced Financial Officer;
- preparation of an acceptable Project Operational Manual (POM), including financial management chapter as an integral part;

(ii) conditions for disbursement under the Loan

- preparation of an acceptable School-Industry Collaboration Grant Operational Manual (prior to disbursement under sub-component 2.2)
- implementation of adequate financial management arrangements within FITD (prior to disbursement under sub-component 3.2);
- preparation of an acceptable Innovation Grants Operational Manual (prior to disbursement under sub-component 3.2).

(iii) dated-covenant

- acquisition and installation by MoES of an acceptable accounting software for the project

Financial management and disbursement under the project, except sub-component 3.2 is the responsibility of the PMU staff. FITD will be responsible for the implementation of sub-component 3.2 and will bear the fiduciary responsibility related to that part of the project. As FITD is not yet established, the manual does not reflect the specific arrangements to be instituted in the Fund for the project and it will be updated once the entity will be established and operational. Grantees under the project would have their own fiduciary responsibilities, as defined in the related Grants Operational Manuals. The PMU will be staffed with a full-time Financial Manager for the Project life time. The financial staff within the Ministry structure would be involved in the procedures pertaining to the Project and would participate in any relevant training organized by the World Bank.

The PMU and the FITD will be using accounting software developed by a local software company. The software will be reviewed by the WB financial accredited staff who would assess its transparency and reliability given the complexity of the project and a need to consolidate all project information in one place. The manual will be supplemented with specific details regarding

the functions and structure of the designated project accounting software once the application will become operational.

In addition, in order to follow the national FM legislation requirements the PMU and FITD is using the treasury system for accounting and reporting. The treasury system is already assessed by the WB's diagnostic work and found to be sound with reliable and reporting and ex-ante controls.

Project financial management should be seen as a process which brings together planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement and the physical performance of the Project with the aim of managing project resources properly and achieving the project's development objectives within the specified timeframe and budget.

Financial management systems are designed to facilitate project implementation. A clear understanding of the nature and features of the Project is therefore of primary importance.

To clearly understand the Project the following should be considered:

- **the Project objectives and components;** the amount and type of expenditure under each component, summarized under grants/loans, goods, consultants' services, etc.;
- **sources of project financing**
- **flow of funds arrangements** such as the use and management of Designated Account, other project bank accounts, organizations which will be making payments or receiving funding, currency of payments, etc.;
- **the profile of project expenditures** e.g. grants/loans, the size, number and nature of contracts; the requirements for international or local bidding, and the use of consultants;
- **the information that PMU will need to manage the project;** and which government oversight agencies, and the Bank will also need to monitor the project, (including the type, format and frequency of such information); and the laws, rules and regulations of the Borrower that may have an impact on the project.

The PAD outlines the Project objectives and the components of the project under which costs are incurred to achieve the objectives. These components are divided into sub-components reflecting the activities and outputs expected from the Project.

8.2 Sources of Project Financing

IBRD Loan

International Bank for Reconstruction and Development (IBRD) awarded a loan to be disbursed for the Skills Development and Innovation Support Project in an amount of EUR 17.8 million, over a period of 5years.

The table below sets forth the Categories of items/activities to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items/activities so to be financed in each Category

Allocation of Loan Proceeds

Project Components	Estimated Cost (US\$ equivalent)	IBRD Financing (US\$ equivalent)	% Allocation of Loan Funds
1. Higher Education and Skills	4,000,000	4,000,000	16.65
2. Quality and Relevance of Secondary TVET	4,500,000	4,500,000	18.7
3. Improving the innovative capacity of enterprises and collaboration with research organizations	12,940,000	12,940,000	54
4. Project Management and Monitoring and Evaluation	2,500,000	2,500,000	10.4
Total Baseline Costs	23,940,000	23,940,000	99.75
Total Project Costs	23,940,000	23,940,000	99.75
Front-end Fee	60,000	60,000	0,25
Total Financing Required	24,000,000	24,000,000	100.0

The financing of the projects provided by the IBRD will be used for certain types of expenditure and in certain proportions. The items/activities in the project that qualify for funding by the World Bank are known as “eligible” expenditures.

By default, any expenditure that is not eligible for World Bank financing is deemed “ineligible” and therefore must be paid for by the Government.

8.3 Flow of Funds Arrangements

In order to enable smooth implementation of the Project and timely payments for expenditures incurred under the Project, the Borrower shall open and maintain Designated Accounts (DA's) for loan funds (DA operated by the MoES for the use of the funds under all project components except component 3.2. and a separate Designated Account (DA) operated by the FITD for the use of the funds under component 3.2.) in Euro would be opened in the National Bank of FYR Macedonia, and would be mirrored by a local currency account part of the Single Treasury Account to be used for payments to beneficiaries under component 3.2.)

8.3.1 Project Accounts

8.3.1.1 Designated Accounts

Two segregated Designated Accounts will be opened for implementation of the project: Designated Account A for the MOES-PMU and Designated Account B for FITD.

The DA acts as a revolving account whereby the World Bank deposits an advance disbursement from the Loan in this account and then replenishes the DA on the basis of appropriate Applications for Withdrawals submitted.

It is critical to understand that deposits into, and payments out of the Designated Account are made exclusively for eligible expenditures in accordance with the provisions as per Schedule 2, Section IV, sub-section A, item 2 of the Loan Agreement.

In order to contribute towards building capacity within the Fund in medium and long term, it is agreed that the Fund would manage independently the flow of funds under the innovation Project Sub-component 3.2. A separate Designated Account (DA) in Euro would be opened in the National Bank of Macedonia, and would be mirrored by a local currency accounts part of the Single Treasury Account to be used for payments to beneficiaries.

The Fund is to maintain adequate analytical project records and report on a quarterly basis to MOES on the use of funds under the Sub-component 3.2. Disbursement under Sub-component 3.2 would be conditioned by proper establishment and appraisal of the Fund, and preparation of an Operational Manual for the innovation financial instruments satisfactory to the World Bank. Similarly, disbursement under Sub-component 2.2 would be also conditioned by preparation of a manual acceptable to the Bank describing the arrangements for the grants for school-industry collaboration.

8.3.1.1.1 Purpose of the Designated Accounts

The purpose of the DA is to cover the WB's share of financing, in both foreign and local currencies, for eligible expenditures under the Loan Agreement. The objectives of the DA are to:

- Reduce delay in payments,
- Provide foreign exchange for the Project
- Reduce the number of withdrawal applications submitted to the WB
- Improve information on payment for the Borrower
- Reduce the number of documents to be sent to the WB. This especially applies when the SOE procedure is used.

8.3.1.1.2 Operation of the Designated Accounts

The Designated Accounts are used for payments of eligible expenditures incurred under the Project. When the size of payments is below the prior threshold, the expenditures are justified on SOE basis. When the size of payment is above the prior threshold, the expenditures are fully documented and forwarded together with the Application for Withdrawal.

As it was noted previously no direct payments can be performed under the positive domestic legislation governing the financial operations area.

Payments are made out of the DA on the basis of payments orders prepared by PMU and send to NBRM at which the DA is held.

If any ineligible expenditure is paid through the DA, the World Bank is entitled to withhold any further deposits until the Government has refunded the amounts. Funds should only be withdrawn from the DA when eligible expenses must be paid. If eligible payments are required to be paid in local currency, an amount should be transferred from the DA and converted into local currency at the official buying exchange rate of that day.

8.3.1.1.3 Authorized Allocation

As per the Disbursement Letter, The “Authorized Allocation” of each DA is EUR 1.000.000 i.e. the maximum amount that can be advanced into the DA.

Withdrawal applications for the replenishments of the DA's are prepared by PMU and the Fund and sent to the World Bank monthly, or when the balance of the DA's is equal to about one third of the initial deposit or the authorized allocation, whichever comes first.

8.3.1.2 Local Currency Account (Denar Designated Account)

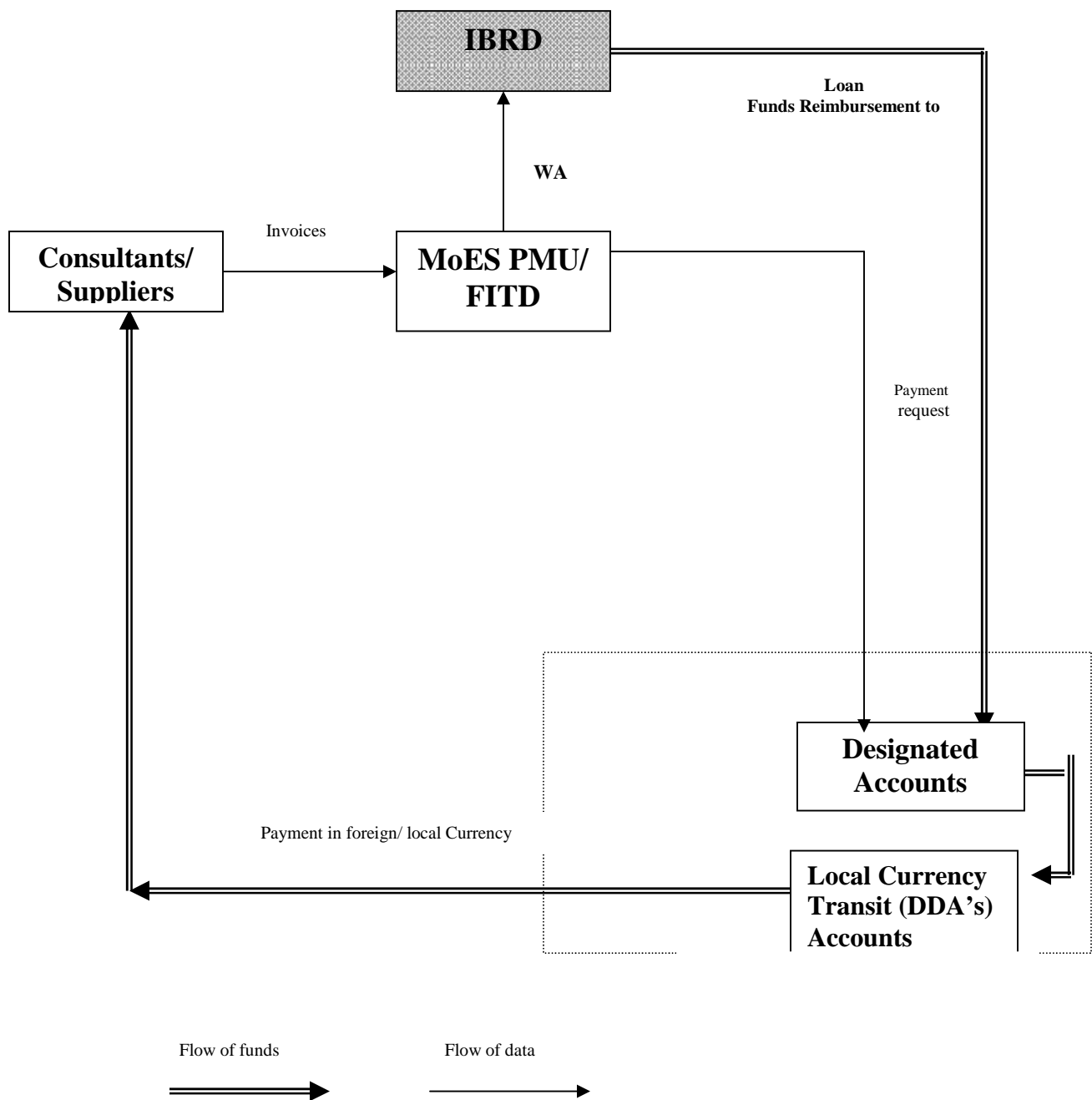
Two Denar Designated Accounts (DDAs) will be opened in the Treasury Office at the Ministry of Finance by the MoES and the FITD. DDA's will be used to make WB eligible payments in Local

Currency (Denar). In order to avoid exchange risk, it is expected that substantial funds will not be accumulated on the DDA's, and only current portions to be paid in Denar will be converted on DDA's from the DA's at the official buying exchange rate of the NBRM on that day.

Payments are made out of the DDA on the basis of payment orders prepared by PMU/FITD and send to Treasury Office at the Ministry of Finance at which the DDA is held. DDA is used to pay WB eligible expenditures to local suppliers or consultants and to register the payments of foreign expenditures by using the procedure for such an action regulated with an Organic Budget Law and laws and by-laws governing treasury operations.

Arrangement of flow of funds for the Project is shown in chart 2.

Chart 2: Flow of Funds Arrangement for services supplied under the project



8.3.1.2 Account number

The first digit of the account number forms is the basis for the unique account number that can be described as the smallest categorization with the Project chart of accounts – denominating headings of the financial statements (i.e. balance sheet, sources and uses of funds statement).

10XX Cash

12XX Accounts receivable

22XX Accounts payable

4XXX XX Expenses (Goods, services, training and transfers)

7XXX Incomes/revenues

1000 IBRD DA Denar account

1001 Government cofinancing account

1040 IBRD DA Foreign account

1010 Cash in local currency

1011 Cash in foreign currency

1200 Receive advances

2200 Commitments towards suppliers local

2210 Commitments towards suppliers foreign

42XXXX services, training and operating costs,

47XXXXSKILLS transfers,

48XXXX goods.

7XXXXX Incomes/revenues

The expense accounts in the chart of accounts have been set up under several general categories of consulting services, training, goods, and operational costs. The accounting system is further developed to indicate “eligible” and “ineligible” accounts to enable separate recording of the contributions by the WB and Government.

The Incomes/revenues in the accounting system is further developed to indicate the incomes from the World Bank and incomes from Government contribution (from Budget), if applicable.

8.3.2 Bank Reconciliation

The PMU and the FITD should receive regular (every time a transaction occurs) bank statements from NBRM on the respective DA's and Treasury Department at the Ministry of Finance on other Project Accounts. Individual payment and receipt advice slips should be received each time a deposit or payment is made, as verification of the transaction. These should be checked to the supporting documentation for the payment or receipt and attached to journal voucher forms prepared. Reconciliation of bank statements to the project accounts and records must be prepared by the PMU Financial Manger.

8.3.3 The Procurement Profile of Project Expenditure

Payment conditions must be clearly defined in bidding documents / Request for Proposals when the documents are distributed to potential suppliers / consultants. They are an important element in the calculation of prices for goods or services to be procured and once parties enter

into contract become legally binding for both parties. Procurement documents should clearly outline the terms and conditions of supply and terms of payment.

8.4 Disbursement Procedures

World Bank Funding

The World Bank will disburse funds for the Project using traditional methods such as Statements of Expenditure (SOE).

Method of disbursement of funds by the World Bank includes:

Applications for Withdrawal (using Form 2380 E) for advances and replenishments to any of the Designated Accounts. Prior to sending the Application for Withdrawal to the Bank, it should be checked against the following:

- application shows the currency and amount required,
- signed by the Borrower's duly authorized person to withdraw funds,
- sufficient funds exist in the specific disbursement category of the Loan Account,
- is in compliance with the Loan Agreement conditions,
- procurement regulations and safeguard requirements have been followed.

The Financial Manager is responsible for the preparation of Application for Withdrawal (WA), SOE, summary sheets, DA reconciliation as required, for the components implemented by MoES. These documents should be reviewed and signed by the Minister of MoES as authorized signer to the Loan proceeds. The documents are then sent by courier to the World Bank, Regional Disbursement Office in Zagreb, Croatia.

For the funds under part 3.2 of the Project, the FITD authorized personnel will be responsible for the preparation and signing of the Application for Withdrawal (WA), SOE etc.

Applications for Withdrawal must be submitted in duplicate and should be sequentially numbered. Any major alterations or changes made on the Application for Withdrawal form should be initiated by the authorized representatives to verify that the changes are valid. If the space available on the WA is insufficient to provide all the necessary data, summary sheets should be used.

8.5 Accounting Procedures

The PMU is responsible for recording, classifying, interpreting and reporting for project financial data. FITD has the same responsibility for the transactions incurred under sub-component 3.2. Beneficiaries of the grants and loans to be provided under the Loan have to maintain proper fiduciary arrangements as well, as described in the Grants Operational Manuals. In order to keep necessary financial records and prepare financial statements, the Financial manager follows the accounting cycle, a six-step process including:

- analysis of transactions from source documents into an appropriate number of debits and loans to be entered into accounting records;
- journalizing of transactions, i.e., recording transactions in a journal for later posting to the general ledger and subsidiary ledger;
- posting general ledger at the end of each month of operations
- adjusting general ledger at the end of each quarter
- closing and balancing ledger at the month end and year end;
- preparing consolidated financial statements in IFRs format.

8.5.1 Income/Revenue

The main purpose of the project is to distribute benefits from funding by the World Bank and Government, rather than to generate income/revenue. Therefore, the types of income/revenue

that the project receives is mainly “incidental” income from sale of tender documents, interest earned on bank accounts and any foreign exchange gains.

8.5.2 Expenses

The items purchased for different loan end-users should not be recorded at fixed assets of the project but as expenses. A record of the physical assets held by each loan end-user is maintained by the accounting department who also holds the equipment acceptance forms and the bar coded numbering labels (which form part of the procurement department’s planned system for acceptance). Proof for this should be a statement of account for fixed assets presenting that the commodities have been input into the system and that afterwards amortization/depreciation is calculated in accordance with the local laws and supporting by-laws from the accounting area. The statement of account should be signed by an authorized signer and stamped from the entity that accepts commodities. The PMU shall keep records of this documents during the whole project life cycle and after that in accordance with the law governing archive and archiving material.

8.5.3 Valuation

The project accounting is based on valuation at historical acquisition cost. Acquisition cost is defined as the aggregate purchase cost as well as other reasonable and necessary costs incurred to bring the asset to its present location.

8.5.4 Inventories

Inventories are valued at historical cost. Write-downs of inventory values are recorded as losses in the income statement of the period in which losses in value are determined. In identifying the historical cost of inventory items, the first-in, first-out (FIFO) approach is used.

8.5.5 Long-term tangible and intangible assets

Non-current tangible and intangible assets are recorded at their initial acquisition costs. Non-current assets purchased for Project implementation are typically computers, office equipment and cars.

The bookkeeping of them and their depreciation is responsibility of the end-user accounting department (The MLSP official accounting officer within Department of Budget, finance and accounting).

8.6 Payment Execution

8.6.1 Payment for services/goods supplied under the project

8.6.1.1 Payment to Locals Treasury Transfers

Withdrawals from DA’s held in the NBRM bank to the Denar Designated Account are also made in the form of Treasury transfer. Treasury transfers are made for payments to all local consultants and suppliers by conversion of EUR to Denar applying the buying exchange rate of NBRM on the date of payment.

8.6.1.2 Payment to Foreign Suppliers/Contractors

Expenditures for payments to foreign suppliers and consultants are made through the DA’s using the letter of credit.

No direct payment is anticipated under the Project. However if there is a need for direct payment the same is not excluded as an option to the MoES.

All payments by the Project (including PMU salaries) should be made by bank transfer. For payments to suppliers/consultants, suppliers/consultants submit their invoice in duplicate to the PMU for review and payment. Once the project becomes effective a Designated account will be opened in the NBRM, to which the funds will be transferred. A mirror Denar account is opened within the Treasury Single Account to serve as an operating account for withdrawals from the foreign currency account. The Designated Account will be managed and operated by the MoES. When payments to local suppliers are made, then a corresponding amount of foreign currency is exchanged in Denars and credited to the Denar mirror account. If a payment needs to be made to a foreign supplier in foreign currency, then the foreign currency equivalent amount is converted to Denars and credited to the mirror Denar account. The Denar account is then debited with the transaction amount, the Denars are converted to the appropriate foreign currency, and the respective amount transferred to the supplier. This flow of funds is followed even if the Designated Account and the payment due to the supplier are in the same currency. This ensures that the mirror Denar account, as part of the Single Treasury Account, captures all amounts paid to suppliers in the Treasury system.

8.6.2 Payment of Grants and Innovation sub-Loans

Payment of Innovation Grants, Innovation sub-Loans or any other financial instrument that is to be delivered by the FITD will be explained in the separate IGOM. The transfers of funds from the SDISP to the respected schools under subcomponent 2.2 will be done after the respective procurement procedure is completed and on actual cost basis (supplemented by an invoice). These funds will be transferred to a separate account that is to be opened by the beneficiary school for the sole purpose of the procurement and payment of the goods and services approved in the school-business grant application. More details will be provided in the respective GOM.

8.7 Petty Cash

In order to facilitate the smooth running of the Project a small Petty Cash float in Denar should be established to pay for minor expenses (e.g. office consumables, postage, fuel, local travel cost, etc) incurred during daily operations of the office. When the petty cash funds drop below a certain balance (i.e. corresponding to one week of cash expenditures) it should be replenished through a withdrawal from the Local Project account for the Denar Petty Cash or EUR or other foreign currency if necessary from the DA for the foreign currency Petty Cash. The PMU Financial manager is responsible to document all disbursements from the petty cash, the denar or other petty cash currencies account according to local legal provisions covering the petty cash accounting operation. The documentation should include: corresponding invoice, receipt, or petty cash voucher.

The PMU Financial manager shall establish a system of internal control to ensure that petty cash is adequately safeguarded from theft or embezzlement. The internal control shall include the following:

- cash is under lock
- maintenance of cash accounts sheet
- statements of cash flow reflecting both cash receipts and cash disbursement records.

The statement of cash disbursements and cash count should be reported to the Project Director on bi-weekly basis or as required.

The above mentioned requirements for petty cash do not limit the Financial manager to follow the updated national requirements for usage of petty cash.

8.8 Transaction Management

General responsibility for processing payments shall rest with the PMU Financial manager.

The contract price should be paid in the currency in which the bid or proposal is made. If the payment is requested in a currency other than that stated in bid or proposal, the exchange rate used for payment should be the one utilized in the contract price so as maintain the foreign currency portion of the contract.

8.9 Invoice Reception and Registration

All invoices and respective supporting documentation shall be submitted to the PMU Financial manager responsible for invoice registration. If an invoice has been received by another structural unit of the MoES, the documents shall be immediately transferred to the PMU Financial manager for registration and processing. The invoices shall be registered in a Unified Register of Incoming Invoices.

8.10 Documents to support the Payment

The following documents are required to support payment orders:

Equipment

- guarantee, if required, for the advance payment only
- request for payment;
- invoice;
- Procurement manager approval;
- receipt of the arrival of the equipment to the site, Acceptance Certificate signed by the Acceptance Committee (in case when contract requires for installation and testing on site an Acceptance Certificate should be signed only after the testing is completed satisfactory);
- equipment guarantee/manufactures warranty (check contract requirements).

Services

- guarantee, if required, for the advance payment only;
- report on the services performed and, in case of lump sum contracts, a written acceptance by the Project Director (as designated in the contract) that a report is acceptable (in case payments is made upon submission of a report);
- Procurement Manager approval;
- timesheets or invoice (in case of time-based contracts).

Fees to PMU consultants

- report on the services performed;

- fee journal showing calculation of amount payable to each staff member (consultant);

Travel Advance and travel expenses

For foreign travel – No objection letter by e-mail from World Bank;

- travel authorization;
- air tickets;
- hotel receipts;
- fax and communication receipts (for business purposes only and if included in a budget approved by the WB for the trip);

For local travel – travel order/travel authorization;

- hotel receipts;
- fax and communication receipts (for business purposes only and as prior authorized by the PMU Director).

Office Cost

- overhead and telecommunication costs – invoices from service providers;
- transportation - driver's register (travel order for a travel in the country or abroad), indicating the time and place when the driver worked for PMU, speedometer data at the beginning and at the end of working day, name of passenger(s);
- stationary and office maintenance - contract, sales slip, check, commercial invoice, receipt, etc.

Bank Charges

- bank transaction slips

8.11 Arrangements for Verification of Payment

8.11.1 Verification of Payment for services supplied under the Project

Verification of invoices and documentation is an important phase of the financial management.

Responsibility for the invoice and supporting documentation verification and payment procedure rests with the overall PMU as follows:

In case of procurement of goods the PMU Procurement Manager shall verify:

- contract requested documentation is complete,
- the purchase order, the confirmation of the order and the invoice concur as regards to the contract number, item specification, quantities, unit prices, type and terms of payment,
- packing list, and inspection certificate when applicable,
- transport documents (i.e. airway bill, original clean bill of lading, postal receipt),
- insurance certificate.

In case of any doubt or discrepancies, the PMU Procurement Manager should consult those who compiled the technical specifications and agree on the action to be taken (i.e. partial payment or the rejection of the full shipment).

In case of procurement of consulting services the PMU Procurement Manager shall verify:

- contract requested documentation is complete,
- bank guarantee for advance payment,
- insurance certificate.

Once the Financial manager receives the final clearance from the Procurement Manager, FM shall independently identify the financial sources and established percentage of expenditure financing from the Loan.

When reviewing invoices under the Project Contracts, the Financial manager shall receive a written approval from the component coordinator confirming:

- acceptance of contracted service and availability of required reports;
- work of the contracted personnel;
- compliance with other contract terms within the competence of the technical terms.

Finally prior the payment the Financial manager shall verify:

- invoice and supporting documentation compliance with the contract financial terms;
- availability of contract balance for payment execution;
- accuracy of the amounts submitted;
- execution of other financial terms of the contract and Loan Agreement.

Final check of the invoice and supporting documents is done by the PMU Project Director. Verification of invoices (check of compliance with contract terms) and respective supporting documentation (availability check) shall be done in a timely manner with no unnecessary delays.

Any change of the submitted invoice or respective communication with the supplier/consultant that submitted the invoice shall be done in writing.

8.11.2 Verification of Payment for goods services supplied under the School-Business Grants

In the case of school-business grants, the verifications that are to precede the payment are the responsibility of the school.

The responsibility of the school is to verify that the goods and services are delivered in accordance with the contract and the requested supporting documentation is complete (warranties, manuals etc) The whole documentation regarding the procurement of the items subject of the contract for school-business grants will be available to the SDIS project at any time.

The detailed procedure for procurement and disbursement for goods and services under the, school-business grants category, will be described in the relevant GOM.

Final check of the invoice and supporting documents, prior to payment, is done by the PMU procurement and financial managers.

Verification of invoices (check of compliance with contract terms) and respective supporting documentation (availability check) shall be done in a timely manner with no unnecessary delays.

8.12 Internal Controls

Internal control should be seen as a process designed to provide reasonable assurance that the objectives of the Project are being achieved in the following categories: *effectiveness and efficiency of operations; reliability of financial and operational reporting; and compliances with applicable laws, and regulations.*

Internal control consists of specific policies and procedures which are often called “controls”. These controls fall into the following five components:

- *Control Environment* – The control environment is the foundation for the other four main components of internal control. Where the control environment is weak, the other components of internal control are not likely to be effective.

Establishment of an adequate control environment is ensured through properly organized computerized financial and management accounting system of the PMU. Internal network allows to effectively segregating the duties between the PMU staff and authorization by the system administrator. The Project operates on the basis of cash-based accounting with additional information provided for commitments on signed contracts.

- *Risk Assessment and Management* - the established procedures to define, identify, analyze and manage the risks that may arise from internal and external sources that may affect the project.

In order to minimize the negative impact of both internal and external factors on the Project implementation, the following procedures have been introduced:

- *suitable authorization procedures*– Authorization procedures that are effected by the PMU (especially checks, purchase orders, and cash receipts) ensure that all transactions are properly authorized and confirmed by the authorized personnel, that minimize the risk of unauthorized transactions. The authorizing authority for all contracts, payments and withdrawal applications is the Minister of education and science (or another person duly authorized by the Minister). Prior to submission of the documents to the Minister, the same will be approved and initialed by the procurement/financial specialist and the project director;
- *appropriate delegation and segregation of duties and responsibilities* – Terms of Reference and Employment Contracts of the PMU staff set out the duties of the responsibilities of each PMU personnel. Responsibilities such as authorization, custody, record keeping and accounting duties are adequately segregated;
- *adequate measures for safeguarding project assets, including cash and bank balances* – authorization procedures ensure that unauthorized personnel does not have access to the Project cash/bank accounts.
- *arrangements for carrying out accounting reconciliation and independent verification of assets and records* – verification of assets and records, and reconciliation against

primary data are carried out by the Financial Manager through computerized financial and management accounting system;

- *arrangements for storing project documents and restricting access to unauthorized personnel* – data and information is stored both in file system, and on the hard drive. Restricted information is stored in fire-resistant safe, and information on the computer hard drive is password-protected;
- *information and communication* – the exchange of information, data verification and monitoring is in majority carried out through computerized system, and internal network. That arrangement facilitates flow of information;
- *financial monitoring* – performance monitoring is carried out by both internal (the PMU system administration) and external (World Bank Missions, Project Audit) monitors.

Key internal controls to be applied for the project include:

- appropriate authorizations and approvals;
- segregation of duties;
- different persons being responsible for different phases of transaction;
- reconciliations between records and actual balances, as well as with third parties should be performed on regular basis by the project Financial Manager; and
- original documentation should exist to support project transactions.
- reconciliation of Designated Account
- budgetary control

Furthermore, adequate procedures and controls will be instituted and applied in practice for grants to schools under sub-component 2.2, and companies under sub-component 3.2. The respective procedures will be designed to ensure use of funds for intended purposes and will be described in the Grants Operational Manuals. Key internal controls and procedures that need to be in place with respect to grants and loans mechanism should include:

- clear description of eligibility criteria for beneficiaries;
- clear description of eligibility criteria for projects;
- procedures relating to evaluation and selection of grants/loans, including determining and describing responsibilities for this process;
- procedures and processes of monitoring of grants/loans implementation, including reporting back;
- time plan of the number and allocated time of the staff to perform activities relating to grant facility;
- the procurement processes for the grants.

8.13 Filing of Supporting Documentation

The supporting documentation for each payment (invoice and attached statements of services performed, copy of the signed payment order, and copy of instruments delegating signature authority, if appropriate) is filed by a chronological numbering system. A file of supporting documentation is kept and regularly updated. It should allow for document selection according to the following criteria (cross-referenced or not):

- (1) Sources of funds
- (2) Project component

- (3) Name of contracted firm
- (4) Date or time period
- (5) Number of the replenishment request supported by pertinent documentation.

8.14 Financial Planning

Project goals include completing the project on time and within the estimated cost. Project planning is a tool to achieve these objectives. It helps to set realistic goals for each year and quarter of the project's life. A project plan is a quantitative expression of a set of actions prepared in advance. Project planning includes a financial plan.

Financial planning should start with the cost information-cost tables. Cost tables should be based on the project's chart of accounts to ensure that project financial reports can also be prepared on this basis. The cost information should be refining into detailed specifications for project activities, detailed schedules (including procurement plan), and expenditure budgets broken down by time periods. The budgeted expenditure for each quarter should reflect the project activities scheduled for the quarter. Before the beginning of each such quarter, plan should be reviewed and revised. Any variances between planned and actual costs should be analyzed and the remedial actions to be taken should be agreed for coming quarter. Before beginning of each fiscal year of the project, the project budget for the coming year should be reviewed and revised reflecting any updating of the project implementation plan.

8.15 Reporting

The PMU/FITD will prepare a full set of interim unaudited financial reports – IFRs in EUR for each calendar quarter throughout the life of the project. They will be due 45 days after each quarter ends. The reports will incorporate detailed information on amounts transferred to the MoES/FITD from the Designated Account, amounts transferred to the beneficiaries, and any unused funds which were transferred from Designated Account for each quarter, year-to-date and on cumulative basis.

The IFRs will comprise the following reports presented in the agreed format:

- Statement of Project Cash Receipts ad Payments
- Uses of Funds by Activity - shows the total expenses by project components and sub-components of the reporting period. Details of actual, planned amounts and variances should be shown and compared to the total amounts budgeted over the project's life and per the PAD.
- Designated Account(s)statement for MoES, respectively FITD;
- Detailed breakdown of grants and loans; and
- Narratives to the reports - This report describes factors influencing the financial and physical progress – physical outputs in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation;

The Financial Manager will coordinate with FITD representatives regarding the submission of the financial data related to sub-component 3.2 in 30 days from the quarter end. Such information will be centralized in the project IFRs to be submitted to the Bank by the Financial Manager in 45 days from the quarter end.

The format of the IFRs is agreed during the negotiations and attached to the minutes from negotiations.

The PMU staff responsibilities for IFRs preparation is given below:

- Financial Reports (to be prepared by the Financial Manager) include:

Sources and Uses of Funds Statements - This report shows sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

Uses of Funds by Project Activity - This report shows the total expenses by project components and sub-components of the reporting period. Details of actual, planned amounts and variances should be shown and compared to the total amounts budgeted over the project's life and per the PAD.

Project Balance Sheet

- Narrative Physical Progress Reports (to be prepared by the Project Director and Coordinators) include:

This report describes physical progress – physical outputs in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

- Procurement Reports (to be prepared by the Procurement Manager)

This report shows the status of procurement under the Project, as at the end of the period covered by said report.

It is important to point out that the FMIS is generating the above mentioned reports from the data input in the system. The IFRs have to be consolidated with certain data especially presented in the Reports showing physical progress. The system shall require update of the physical progress and that information should be provided by the Project Director and Component coordinators immediately after the end of the respective quarter and cumulatively for the half period. These data should be input into the system in order to produce reports showing realistic data for the physical progress.

Financial reports depict variances between planned and actual costs. Similarly, physical progress monitoring reports and procurement reports show variances between planned and actual outputs and contracting, respectively. Significant variances should be analyzed, and explanations, together with the remedial actions to be taken, should be given in the reports. The level at which a variance is significant and requires further investigation or remedial action should be agreed during project preparation, either by setting a percentage level of variance or agreeing on those activities to be addressed. The cost of a small activity may vary by a large percentage, but its impact on the project as a whole may be relatively insignificant. Therefore, the level of variance that needs to be addressed could differ from one activity to another within the project, as well as between projects.

Monitoring Physical Progress. Monitoring expenditures in relation to physical progress is a key aspect of ensuring that project costs are under control. Physical progress monitoring requires data on project outputs that reflect the cost drivers of the project components. Some borrowers do not systematically collect such output data, and others need to strengthen their current

systems for doing so. For this reason, identifying relevant outputs requires close attention during project preparation. This requires all of the following:

- project design, as defined in the Bank's logical framework for overall
- project design and development, that identifies the project components and the set of activities to which outputs relate;
- understanding of the link between outputs and costs; and
- reliable means of recording and reporting outputs.

Project monitoring is based on the indicator agreed and given in this POM.

The development of output indicators for physical progress monitoring should be undertaken in conjunction with the development of output and outcome indicators for the M&E plan. This avoids duplication as in some cases the same output indicators may be relevant for physical progress monitoring and M&E.

Distribution of IFRs

All completed IFRs should be sent to the World Bank's Task Team Leader, within 45 days of the end of each calendar quarter. Therefore, the Procurement Manager and the Coordinators should give a draft of the Procurement Reports and Physical Progress Reports to the PMU Financial Manager within 15 days of the end of each calendar quarter. The PMU Financial Manager provides the financial information applicable to each report and discusses the reports with the relevant persons for completion of a final version of the reports.

After each report has been completed in the final version, the person preparing the report should sign it and return to the Procurement Manager and Coordinators for collation. After the collection the Report must be verified and approved by the Project Director, before submission to the World Bank. A paper copy of each completed IFR should be printed and filed at the PMU with all the supporting documentation to substantiate the information stated in the IFRs.

Government Reporting Requirements

Various Governmental entities may require the Project to provide information to them. The Financial Manager should ensure that all information provided in reports is in accordance with the project's records and accounting software.

Back-up of Financial Data

Prior to closing the fiscal year, a back-up of the accounting records should be taken both on computer hard drive and the CD. CD shall be held in fire-resistant safe. This ensures that a record is kept of all the transactions of that fiscal year. The back-up records of all individual fiscal years should be maintained throughout the life of the Project. Therefore, at the closing of the project, a comprehensive record of all transactions throughout the whole life of the project is available by way of all back up CDs for each fiscal year and upon final closing of the accounts.

8.16 External Audit

Pursuant to Schedule 2, Section II, subsection B line item 3 of the Loan Agreement the Borrower shall have its financial statements audited in accordance with consistently applied auditing standards acceptable to the WB, by independent auditors acceptable to the WB.
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The consolidated Project's Financial Statements will be audited each fiscal year by independent auditors acceptable to the Bank based on terms of reference agreed with the Bank. The first audit will cover the period from the effectiveness date to 31 December 2014.

The audit includes a review of the consolidated project financial statements, including transactions incurred by FITD, as well as financial and accounting system, transactions and operations, verify the reliability of accounting and financial statements and other reports submitted to the Project Director, the Minister and the WB. The audit should also identify bottlenecks in the internal control and financial systems, and recommend respective improvements. Pursuant to the Bank's requirements, the audit of financial statements shall be conducted in compliance with the International Standards on Audit (IAS) published by the International Federation of Accountants. The scope of audit will be extended from overall project financial statements, to audit of randomly selected financial statements of grant beneficiaries under sub-components 2.2 and 3.2, and in relation to the use of grant funds. The full details on extending the scope of audit to include the review of grants would be added in audit TORs before the procurement of the audit commences. The audited financial statements of the Project will be posted by the counterparts on the Ministry (or GOM) website, within 2 weeks upon the audit report is being issued by the auditors and accepted by the World Bank.

The audit firm shall be selected and contracted at an initial Project implementation stage to allow the establishment of an adequate financial management system (including the accounting and internal control procedures) and necessary adjustment on the basis of the audit.

Services of auditors shall be procured on the basis of the least-cost selection (LCS) method. The annual cost of the audit would be covered with project funds.

The PMU Financial manager is responsible for the timely procurement of the auditing firm. MoES will contract the auditors for all project components, including the innovation one.

The audit report accompanied with the auditors' opinion shall be sent to the WB not later than six months after the end of each such year.

The Bank financial staff will review the accounting system to be used for the Project and would conclude if the said system meets the WB minimum financial standards. The system consists of:

- accounting module designed for recording and analyzing accounting transactions and
- multi-functional built in date base for analysis and processing of information, including contract registers, procurement monitoring and budgeting information.

8.17 Supervision

During project implementation, the Bank will supervise the project's financial management arrangements in two main ways:

- review the project's interim un-audited financial reports for each calendar quarter, as well as the project's annual audited financial statements and auditor's management letter; and
- perform on-site supervisions, review the project's financial management and disbursement arrangements to ensure compliance with the Bank's minimum requirements.

Supervisions will be performed by the Bank accredited Financial Management Specialist.

Attachment 1. Interim un-audited Financial Reports (IFR) Format

Attachment 2. Draft Terms of Reference for Financial Audit(as attached to the minutes of negotiations; the TORs will be extended and finalized with the details regarding the review of the grants before the procurement of the audit commences).

Attachment 1. Interim un-audited Financial Reports (IFR) Format

Interim un-audited Financial Reports (IFR)

Skills Development and Innovation Support Project (IBRD Loan No. xxxx-MK)

Project Sources & Uses of Funds

For the period ending xx/xx/20xx

	In EUR								
	Actual			Budget			Variance		
	Current period	Year To	Cumulative to Date	Current period	Year To	Cumulative to Date	Current period	Year To	Cumulative to Date
Sources of Funds									
Counterpart Funds									
World Bank									
Interests Earned									
Total									
Foreign Exchange Difference									
Exchange gains									
Exchange losses									
Total sources of funds									
Less:									
Uses of Funds									
Financed by WB									
Component 1 Improving Transparency of Higher Education									
Component 2 Modernization of Secondary Technical Vocational Education and Training									
Component 3 Improving the innovative capacity of enterprises and collaboration with research organizations									
Component 4 Project Management and Monitoring and Evaluation									
Sub-total financed by the WB									
Financed by the Counterpart									
Component 1 Improving Transparency of Higher Education									
Component 2 Modernization of Secondary Technical Vocational Education and Training									
Component 3 Improving the innovative capacity of enterprises and collaboration with research organizations									
Component 4 Project Management and Monitoring and Evaluation									
Sub-total financed by the Counterpart									
Total uses of funds									
Net increase/(Decrease) in cash flow									
Bank Balances beginning of period									
Bank Balances end of period									

Interim un-audited Financial Reports (IFR)

Skills Development and Innovation Support Project (IBRD Loan No. xxxx-MK)

Uses of Funds by Project Activity

For the period ending xx/xx/20xx

	In EUR								
	Actual			Planned			Variance		
	Current period	Year To	Cumulative to Date	Current period	Year To	Cumulative to Date	Current period	Year To	Cumulative to Date
Component 1 Improving Transparency of Higher Education									
Contract 1									
Contract 2									
Contract 3									
contract 4									
contract 5									
Payments without contract									
Sub-total									
Component 2 Modernization of Secondary Technical Vocational Education & Training									
Contract 1									
Contract 2									
Contract 3									
contract 4									
contract 5									
Payments without contract									
Sub-total									
Component 3 Improving the innovative capacity of enterprises and collaboration with research organizations									
Contract 1									
Contract 2									
Contract 3									
contract 4									
contract 5									
Payments without contract									
Component 4 Project Management and Monitoring and Evaluation									
Contract 1									
Contract 2									
Contract 3									
contract 4									
contract 5									
Payments without contract									
Sub-total									
Total Project Expenditures									

Interim un-audited Financial Reports (IFR)									
		Skills Development and Innovation Support Project (IBRD Loan No. xxxx-MK) Designated Account Statement For the period ending xx/xx/20xx In EUR							
Opening Balance on DA									
Plus: Replenishment during the period									
Interest earned and retained on account									
									0
Less: Amount of eligible expenditures paid during the period									
Refund from DA									
									0
Closing Balance as of the end of period									0
Balance per Designated Account Bank Statement Euro									
<i>Discrepancy in closing balance</i>									0
<i>Explanation</i>									

Interim un-audited Financial Reports (IFR)									
		Skills Development and Innovation Support Project (IBRD Loan No. xxxx-MK) For the quarter ending xx/xx/20xx In EUR							
Activities from the Project Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	B	C	D	E	F	G	H	I	J
Component 1 Improving the Transparency of Higher Education and Skills									
Contract 1									
Contract 2									
Contract 3									
Contract 4									
Contract 5									
Total Component 1									
Component 2 Modernization of Secondary Technical Vocational Education and Training									
Contract 1									
Contract 2									
Contract 3									
Contract 4									
Contract 5									
Total Component 2									
Component 3 Improving the innovative capacity of enterprises and collaboration with research organizations									
Contract 1									
Contract 2									
Contract 3									
Contract 4									
Contract 5									
Total Component 3									
Component 4 Project Management and Monitoring and Evaluation									
Contract 1									
Contract 2									
Contract 3									
Contract 4									
Contract 5									
Total Component 4									
FRONT-END FEE									
Total Project									

Interim un-audited Financial Reports (IFR)									
		Skills Development and Innovation Support Project For the period ending xx/xx/20xx							
Narrative description of the factors influencing the financial and physical progress during the period.									

[This TOR is applicable to implementing agencies' Project Financial Statements prepared under either the pure Cash-basis or another basis]

**TERMS OF REFERENCE (TOR)
FOR THE AUDIT OF THE [NAME OF PROJECT] FOR THE YEAR (PERIOD) ENDED
[MONTH DATE, YEAR]**

Background [OPTIONAL]

The TOR should provide appropriate background information of the project, including:

- (a) a brief description of the project including information on project sources of funding;***
- (b) a general description of implementation arrangements, including the organizational structure of all implementing entities (if more than one);***
- (c) list the source and total amount of funds for the period subject to audit under this TOR (Bank's loan/credit, trust funds, counterpart funds, etc).***

Objective

The objective of the audit of the project financial statements (PFS) is to enable the auditor to express a professional opinion on the project's financial position as at the end of [AUDIT REFERENCE DATE] and of the income and expenditure for the accounting period ending on that date. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project.

Responsibility for preparation of financial statements

The responsibility for the preparation of financial statements including adequate disclosure is that of the project's management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the project. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

Scope

The audit will be conducted in accordance with International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC) [OR REFER TO RELEVANT NATIONAL STANDARDS OR PRACTICES]. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
- b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements.
- c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance.
- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.
- e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level as required by International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks.
- f) In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization.
- g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by International Standard on Auditing 580: Written Representations.

In evidencing compliance with agreed project financing arrangements the auditor is expected to carry out tests to confirm that:

- a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are [CITE RELEVANT GENERAL CONDITIONS AND FINANCING AGREEMENTS];
- b) *Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements, and only for the purposes for which they were provided;***

- c) ***Goods and services financed have been procured in accordance with the relevant general conditions and relevant financing agreements²⁰, including specific provisions of the World Bank Procurement Guidelines²¹;***
- d) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary Report or Statements of Expenditures (SOEs) (or Interim Un-audited Financial Reports (IFRs)) if used as the basis of disbursement), or Designated Accounts (DAs). The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e) ***Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions and relevant financing agreements;***
- f) Review the compliance on each of the financial covenants in the [STATE SPECIFIC SECTION OF LOAN/FINANCING AGREEMENT and list, as necessary].

Project Financial Statements prepared under the Cash-basis

The Project Financial Statements should include as a minimum the information required by the IPSAS "Financial Reporting Under The Cash Basis of Accounting". These would include

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures paid in cash, shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- c) Accounting policies and explanatory notes (including additional accounting policies and disclosures), covering
 - a Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
 - a Statement of Designated Account in the notes, as appropriate;
 - a Statement of Financial Position showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any; and
- d) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

Project Financial Statements based on other than Cash-basis IPSASs

The Project Financial Statements should include

²⁰ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of [International Standard on Auditing 620: Using the Work of an Expert](#). Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

²¹ See [Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011](#) and [Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011](#).

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- c) A Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications;
- d) A Statement of Designated Accounts; and
- e) A Balance Sheet showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any.
- f) Notes, comprising a summary of significant accounting policies and other explanatory notes.

OR

The auditor should verify that the financial statements have been prepared in accordance with International Public Sector Accounting Standards [OR REFER TO RELEVANT NATIONAL STANDARDS OR PRACTICES]. The financial statements should include:

- a) A statement of financial position;
- b) A statement of financial performance;
- c) A statement of changes in net assets/equity;
- d) A cash flow statement;
- e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and
- f) Notes, comprising a summary of significant accounting policies and other explanatory notes.

[The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project's Designated Account.]

Summary Reports or Statement of Expenditures (or IFRs if used as the basis of disbursement)

The auditor is required to audit all Summary Reports or SOEs and IFRs submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s).

Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be separately reported.

The Project Financial Statements should include a schedule listing of individual Summary Reports or SOEs (or IFRs used as the basis of disbursement) withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

- a) ***the Summary Reports or SOEs (or IFRs) have been prepared in accordance with the provisions of the relevant financing agreement.***
- b) ***expenditures have been made wholly and necessarily for the realization of project objectives.***

- c) **information and explanation necessary for the purpose of the audit have been obtained;**
- d) **supporting records and documents necessary for the purpose of the audit have been retained, and**
- e) **the Summary Reports or SOEs (or IFRS) can be relied upon to support the related withdrawal applications.**

Designated Accounts

During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned and reconciliation of period-end balances.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year [OR PERIOD] and the adequacy of internal controls for this type of disbursement mechanism.

Audit Reports

The auditors will issue an audit opinion on the Project Financial Statements.

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

- a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- c) report on instances of non-compliance with the terms of the financial agreement(s);
- d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the World Bank;
- e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;
- f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
- g) include management's comments in the final management letter.

If none of the above applies, and a management letter is therefore not prepared, the auditor will issue a letter stating that during the audit nothing has come to their attention that the auditor considers pertinent to be brought to the attention of the borrower. The financial statements, including the audit opinion, and management letter should be received by the Project implementing agency, no later than six months after the end of the audited fiscal year. The Project's implementing agency should then promptly forward two copies of these to the World Bank.

Public Disclosure

In accordance with "The World Bank (the Bank) Policy on Access to Information" dated July 1, 2010 for Bank-financed operations for which the invitation to negotiate is issued on or after July 1, 2010, the Bank requires that the borrower makes the audited financial statements publically available in a timely fashion and manner acceptable to the Bank. **In addition,** following the Bank's formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be a part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree—i.e., when the audited financial statements contain proprietary or commercially sensitive information—that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements, but is still required to disclose an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the [PROJECT IMPLEMENTING AGENCY]. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information.

The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.

The auditor is encouraged to meet and discuss audit related matters including input to the audit plan with the World Bank project task team.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- Disbursement Handbook for World Bank Clients, dated May 2006 (available on Client Connection web site);
- Disbursement Guidelines for Projects, dated May 2006 (available on Client Connection web site).
- Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011.
- Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011.

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.

9 RESULTS FRAMEWORK AND MONITORING

9.1 Results Framework

Project Development Objective: The PDO is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocational education, and support innovation capacity in Macedonia.

PDO Results Indicators	Level	Base-line	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
			YR 1	YR 2	YR 3	YR 4	YR 5				
1. % of public universities receiving financing based on new, transparent funding model.	Core	0	0	0	0	40%	80 %	Annual	Project progress reports	MOES' Department for Higher Education	There are 5 public universities in Macedonia Formula and data underpinning funding model made publicly available and accessible
2. % of public universities accredited, utilizing new quality assurance and accreditation measures developed in accordance with Bologna-defined EU norms and practices.	<input type="checkbox"/>	0 No existing mechanism	0	0	20 % institutions accredited	60% institutions accredited	80 % institutions accredited	Semi-annual monitoring report	Project progress reports	MOES' Department for Higher Education	There are 5 public universities in Macedonia
3. % increase in number of secondary	<input type="checkbox"/>	To be provi			10 %	20%	30%	Annual	School admin		The reference

TVET students benefiting from practical training in SME and large sized firms.		ded by TVE T schools in YR 1							istrative data	TVET schools and VET Center	population is all 2nd, 3rd and 4th grade secondary TVET students Increase is measured as a % from baseline
4. Share of private funding mobilized as a percentage of FITD investments in innovation activities.		0	0	5%	15%	20%	25%	Semi-annual monitoring report	Progress reports of FITD	FITD	financing mobilized by participants in FITD grants programs as a % of total FITD investment
5. % of beneficiaries that sign collaborative agreements between firms and academia.	<input type="checkbox"/>	0	0	5%	10%	15%	20%	Semi-annual	Project progress reports	FITD	Beneficiaries are participants in all 4 type of grant programs
Intermediate Results											
Component 1 – Higher Education Finance Reforms and Implementation of Quality Assurance Norms											
Intermediate Results Indicators	Core	Base line	Cumulative Target Values					Frequency	Data Source/	Response	Description
			YR 1	YR 2	YR 3	YR 4	YR 5				

								cy	Metho dology	sibi lity for Da ta Co llec tion	
1. Implementatio n of new higher education funding model.	<input type="checkbox"/>	The new fundi ng mod el is not deve lope d	Fundi ng model , formul a and imple menta tion plan devel oped	Perf orma nce indic ators and resul ts fram ewor k for moni torin g and eval uatio n defin ed	Ne w fun din g mo del app rov ed by the GO M			Se mi- an nu al	Consul tant's report and Project progre ss reports	P M U	
2. Number of public universities that have completed an external evaluation utilizing new quality assurance measures developed in accordance with Bologna- defined EU norms and practices.		0	0 Legal frame work adopt ed institut ions evalu ated	2 institut ions eval uated	3 institut ions eval uated	5 institut ions eval uated		Se mi- an nu al	Consul tant's report and Project progre ss reports	P M U an d M O E S	
3. Board of Quality Assurance and Accreditation achieves membership in ENQA (the	<input type="checkbox"/>	Boar d of Qual ity Assu ranc e	Requi remen ts for ENQA memb ership identifi	Strat egy for meet ing ENQ A	Strat egy for achi eving	Strat egy for achi eving mem	Board of Qualit y Assur ance and	Se mi- an nu al	Board of Quality Assura nce and Accred	P M U	

European Association for Quality Assurance in Higher Education)		and Accreditation NOT a member of ENQA	ed and strategy for meeting those requirements developed	membership requirements approved by MOES	memberships implemented	membership implemented	Accreditation achieves full member status in ENQA		itation report		
4. National Technology Transfer Office (NTTO) established and operational		Not in existence	NTTO blueprint prepared after a landscape analysis	NTTO established and begins operations	NTTO operational	NTTO operational	NTTO operational	Annual	NTTO internal reports	NTTO	
5. IP related cases handled for industry as measured by number of patent landscape analysis (PA), patents filed (P) and technology in-licensing (importation of technology)			0	5(pa) 2 (p)	10(pa) 2(p)) 10(l)	20(pa) 10(p) 15(l)	30(pa) 15(p) 25(l)	Annual	NTTO internal reports	NTTO	
6. Domestic inventions by RTIs commercialized as measured by number of patents filed(P), licenses(L), and contract research (C)			0	0(p) 0(l) 5(c)	2(p) 0(l) 10(c)	3(p) 1(l) 15(c)	15(p) 2(l) 25(c)	Annual	NTTO internal reports	NTTO	
Component 2 – TVET quality and relevance											
1. The TVET action plan		Not in	The mod	/	/	/	/	Se mi-	Project	VE T	The action

that promotes general and broader technical education and competence-based learning adopted		existence	el is adopted by the Minister of Education and Science					annual	progress reports	Center and PMU	plan will specify: a) main milestones in process of delayed tracking of the students b) consolidation of the existing occupations; c) social partnership between educators, employers and relevant government agencies.
2. % of TVET occupational standards developed by professional fields		0		50%	100%	100%	100%	Semi-annual	Project progress reports	VE T Center and PMU	There are 14 professional fields In definition of standards social partners will have a key role in articulating the 'competencies' expected in any professional field.
3. % of updated TVET		0	/	/	30%	70%	100%	Semi-	Report	VE T	Report will check

curricula in line with occupational standards							annual	from expert consultant working with VET Center	Center and PMU	the alignment of each updated curriculum against the competences covered under the new occupational standards	
4. % Increase in number of companies providing practical training to secondary TVET students.		To be determined in YR 1			10%	20%	30%	Semi-annual	School administrative data	VET Center and PMU	Increase is measured as a % from baseline
5. Share of updated TVET secondary school programs targeting key sectors of the local economy.		No information available; To be undertaken in YR 1	/ Review of the schools network	/ Proposal for optimization and operational plan approved	30%	50%	70%	Semi-annual	Project progress reports and report from expert consultant working with TVE T	VET Center and PMU	Key sectors of the local economy are those which have high employment level (top 3-5 employers covering 80% of all employment) and/or high employment growth (top quintile) and/or high productivity (top

											quintile in the last 5 years)
6. Manual and training materials for quality delivery of new curricula adopted		Not in existence	/	/	Manual and training material developed	Manual and training materials piloted	Manual and training materials adopted	Semi-annual	Project progress reports	VE T Center and PMU	

Component 3 - Improving the innovative capacity of enterprises and collaboration with research organizations

Intermediate Results Indicators	Core	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
			YR 1	YR 2	YR3	YR 4	YR 5				
1. Share of resources dedicated to Fund for Innovation and Technology Development (FITD) instruments disbursed		0	5%	20%	50%	80%	100%	Semi-annual monitoring report	Progress reports of FITD	FITD	
2. Number of companies 'accelerated' via the FITD Accelerator program	<input type="checkbox"/>	0	0	5	10	15	/	Semi-annual monitoring report	Project Progress reports	FITD	Accelerator which supports firm creation will have a 3 year life
3. # of beneficiary firms to introduce new/improved products		0	0	5	15	25	30	Semi-annual monitoring report	Progress reports of	FITD	Beneficiaries of accelerators, mini

									FIT D		and matching grants .
4. # of beneficiary firms to introduce new processes		0	0	0	2	4	6	Semi-annual monitoring report	Progress reports of FIT D	FITD	Beneficiaries of tech extension programs that achieve standardization/certification
5. % of beneficiaries receiving training and mentoring		0	20%	40%	50%	60%	70%	Semi-annual monitoring report	Progress reports of FIT D	FITD	Firms (mostly in accelerator) would receive guidance etc in advance of funding

Component 4 - Project Management and monitoring and evaluation

Intermediate Results Indicators	Core	Baseline	Cumulative Target Values					Frequency	Data Source / Methodology	Responsibility for Data Collection	Description
			YR1	YR2	YR3	YR4	YR5				
1. Evaluations for Innovation grants designed,		Not in existence	Design completed;			Follow-up data collected and	Evaluation reports compl	Annual	Reports of Evaluation design	PMU and FITD	

conducted and reported		e	Baseline data collected			analyzed	eted and results disseminated		and those of results		
2.Skills Observatory established, providing information about TVET and HE performance to the public		Skills Observatory is not in existence	Skills observed established and fully staffed	EMIS completed with a module for performance of the formal TVET and HE systems	Mechanisms for data collection agreed and tracer studies conducted	Website platform available for public to access information on performance of TVET and HE	The information platform being updated at least twice per year	Annual	Project progress reports	PMU and MOES	

9.2 Arrangements for Results Monitoring

The PDO and intermediate outcome indicators will be monitored using the following sources: (i) TVET center administrative data , (ii) Project/FITD progress reports (iii) information generated by the impact evaluation surveys, process evaluations, and internal audits supported by the project (iv) Board of Quality Assurance and Accreditation reports (v) NTTO internal reports. The Policy Unit in the MoES will be the focal point to collect all the data, including data from the PMU, and communicate with the WB according to the frequency of reports described in the monitoring arrangement matrix following this section.

Impact evaluation. The impact evaluations supported by this Project will provide further information to evaluate impact of policy interventions financed by the Project.

M&E are crucial elements of program design as they provide important feedback mechanisms for policy, effectiveness, and credibility of the programs.

The Project shall support the design and implementation of (i) tools to monitor the results framework for the Project;(ii) M&E studies/surveys to establish a baseline for project results indicators as well as their measures during project implementation and upon project; (iii) impact evaluation for selected innovation programs; and (iv) skills observatory. World Bank financing would be provided for technical assistance; services and training of the Ministry of Education and Science staff engaged in monitoring; and the design, implementation, and analysis of evaluation surveys.

Process evaluations and audits. Operations and performance audits will serve as process evaluations, arranged by the PMU to assess Project implementation against its design and to propose corrective measures for any bottlenecks identified early on.

All this information will be used to improve management of SKILLS and, where relevant, accessible to key stakeholders for transparency and accountability.

Annex I. Sample of School Grant agreement

Grant agreement for the school-business collaboration

Agreement number _____

The agreement is signed on _____ in Skopje, between:

1. The Ministry of Education and Science in a role of grant provider (hereinafter grantprovider)

and

2. Technical Vocational Education and Training School..... (Hereinafter grant recipient)

The purpose of the funds of this Grant is to facilitate the procurement of the following items :
_____, following the approval of Grant application number____, for the needs of the Secondary Vocational education and training school _____, in accordance with the articles of this agreement , within the timeperiodrequired for theexecution andimplementationofthisagreement whichis bound to befrom__to__orany otherperiod agreed bybothpartiesin writing.

The agreement parties agreewiththe following:

ARTICLE 1

The Grant provider is responsible for:

1. Providing a grant for school-business collaboration (hereinafter GSBC) to the grant recipient, and on the base of proposal for school-business collaboration (hereafter PSBC) prepared by the recipient of the grant and approved by the Grant Approval Committee established under the project (hereafter GAC)
2. Transferring the GSBC to the account of the recipient which shall be open after signing of this agreement and shall be submitted to the Project management unit. The GSBC shall be paid from separate account in National bank of RM directly to the individual accounts of the schools which are part of the single treasury account.
3. Providing a Manual for school-business collaboration (hereafter SBC Manual), Manual for procurement of grants for school-business collaboration (hereafter Procurement Manual), Manual for financial and accounting guide of the grants (hereafter Financial Manual) to the grant recipient for implementation of GSBC in hard copy as well as electronic form before the recipient starts with the implementation of GSBC.

4. Providing a training to the grant recipient for the SBC Manual, Procurement Manual, Financial Manual, listed in the first paragraph of this article before the recipient to start with the implementation of GSBC²².
5. Providing technical assistance to the grant recipient in each implementation phase through additional trainings, counseling, preparation of procurement documentation or financial documentation.
6. Review of the requests for audit of procurement plans including amendments to utilize some savings that can arise during the implementation of the school grants and approved if necessary²³

ARTICLE 2

The grant recipient is responsible for:

1. Opening a separate grant account for the funds of the GSBC, which will be submitted to the PMU after the signing of this agreement .
2. Ensuring that the GSBC is being administrated and implemented in accordance with the terms of this agreement as well as the provisions of the Procurement Manual and the Financial Manual
3. Ensuring that the items purchased from the GSBC funds are used in complete accordance with the approved application for GSBC .
4. Ensuing that the procurement of goods and constrictive works are carried out strictly in accordance with the principles of economy and efficiency .
5. Safeguarding the goods provided by the grant funds (The grant recipient MUST NOT sell, give away or in any way dispose of the goods which were provided by the grant)
6. Require written approval from the grant provider for any changes in the procurement plan before purchasing the goods or spending the funds
7. Preparation and keeping the complete and detailed documentation for the grant account for all the spending of the GSBC in accordance with the requirements of the grant provider
8. Preparation of reports as defined in the SBC Manual, Procurement Manual, Financial Manual using the forms provided in these manuals

²²The grant provider reserves the right to make changes or amendments to the SBC Manual, Procurement Manual, Financial Manual and the grant recipient is responsible for implementation of GSBC in accordance with the latest version of the SBC Manual, Procurement Manual, Financial Manual

²³Unused funds from the GSBC or any savings incurred after completion of all contracts in accordance with the approved procurement plan will be returned to the account of the grant provider unless agreed in writing as amendments to this agreement

9. Ensure adequate safeguard policies during the installation and subsequent usage of goods and works procured through the funds of the grant
10. Implementing the GSBC within the agreed period
11. Providing a free access to all documents, reports and accounts related to the implementation of GSBC for any auditor, supervisor or other experts who are authorized by the grant provider to oversee the implementation of the GSBC and verify the use of the funds

ARTICLE 3

Any dispute which may arise during or after the implementation of this agreement will be amicably resolved . If it is not possible to resolve the dispute by consensus, the dispute will be forwarded to the Primary Court 2 Skopje that will have the jurisdiction over dispute.

ARTICLE 4

Authorized representatives

For the grant provider, authorized representative is:

Minister of Education and Science

For the grant recipient, authorized representative is:

Director of the VET Secondary school

ARTICLE 5

Other

The agreement is signed in 2 (two) original samples (one for each agreed side). Copies of the signed agreements shall be submitted to the _____ in the World Bank

For Grant provider

For Grant recipient

Minister for education and science

Director of the VET Secondary school

Annex II. Sample of FITD and MoES Implementation Agreement

Implementation Agreement

Agreement number _____

The agreement is signed on _____ in Skopje, between:

The Ministry of Education and Science (hereinafter MOES)

and

The Macedonian fund for innovations and technical development (Hereinafter FITD)

The purpose of this agreement is to outline the roles and the responsibilities of the MOES and the FITD with respect to the implementation of component 3 of the Skills development and innovation support project (SDISP).

The agreement parties agree with the following:

ARTICLE 1

The MoES is responsible to carry out sub-component 3.1 of the SDISP and finance activities required to build up institutional competence of the FITD, in particular, providing support for:

- (i) planning and designing the programs, strategy, operations and procedures;
- (ii) training of FITD staff;
- (iii) selection of the Investment Committee and peer reviewers;
- (iv) mentoring and training for FITD beneficiary enterprises;
- (v) marketing and communications strategy.

ARTICLE 2

The FITD is responsible to implement sub-component 3.2 of the SDISP including, but not limiting to the following:

- (A) assist MoES to comply with its obligations set forth in Section II of this Schedule 2 to the Loan Agreement;
- (B) work, asses, evaluate and decide in accordance with the rules and procedures laid out in the IGOM and approved from the WB.
- (C) maintain a financial management system acceptable to the MOES and the WB

- (D) ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines;
- (E) ensure that the items purchased from the Projects funds are used in complete accordance with the approved sub-projects application
- (F) ensure that the procurement of goods and services are carried out strictly in accordance with the principles of economy and efficiency
- (G) prepare and keep the complete and detailed documentation for the designated account for all disbursement in accordance with the requirements of the MOES and the WB.
- (H) ensure adequate safeguard policies during the installation and subsequent usage of goods and works procured through the funds of the SDIS Project.
- (I) Provide free access to all documents, reports and accounts related to the implementation of all sub-projects are for any auditor, supervisor or other experts who are authorized by the MOES to oversee the implementation of the all sub-projects are and verify the use of the funds
- (J) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the FITD Implementation Agreement or any provision thereof, unless previously agreed with the MOES

ARTICLE 3

The MOES has the right to take remedial actions against FITD in case FITD shall have failed to comply with any of its obligations under the FITD Implementation Agreement, all as previously agreed with the Bank

ARTICLE 4

Any dispute which may arise during or after the implementation of this agreement will be amicably resolved. If it is not possible to resolve the dispute by consensus, the dispute will be forwarded to the Primary Court 2 Skopje that will have the jurisdiction over dispute.

ARTICLE 5

Authorized representatives

For the MOES, authorized representative is:

Minister of Education and Science

For the FITD, authorized representative is:

Director of the FITD

ARTICLE 6

Other
The agreement is signed in 2 (two) original samples (one for each party). Copies of the signed agreement shall be submitted to the _____ in the World Bank

For the MOES

For the FITD

Minister for education and science

Director of the FITD

Annex III. Environmental screening procedure

Environmental Screening Procedure under the Project

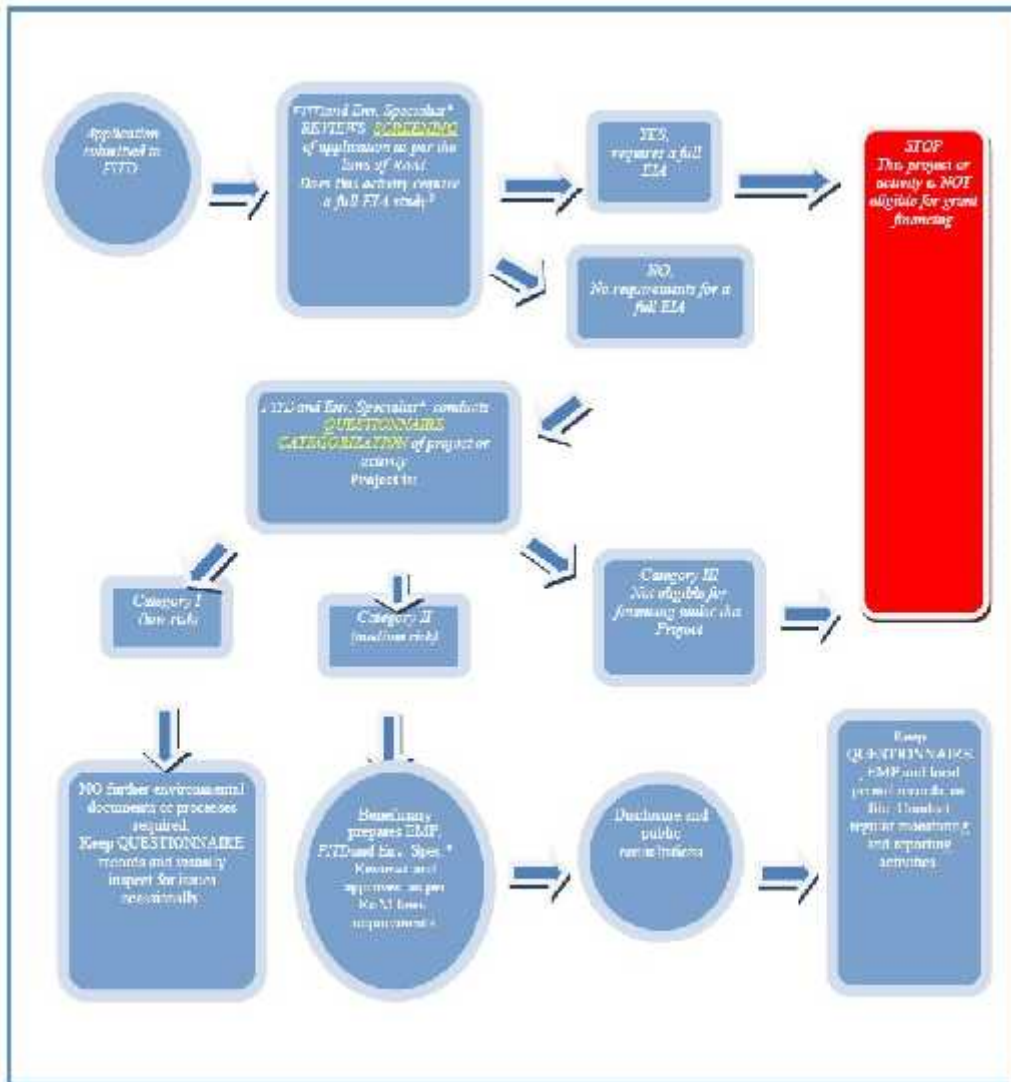


Figure 2: Environmental Screening Procedure under the Project

Annex IV – TORs for the PMU key personnel

A. PROJECT DIRECTOR MACEDONIA SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT (SDISP)

1. Background

The Skills Development and Innovation Support Project (SDISP) project's development objective (PDO) is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocational education, and support innovation capacity in FYR Macedonia.

The Project would support the Government of FYR Macedonia's (GOM) initiatives geared to:

- increase graduates' competitiveness on a regional and international level;
- increase labor market relevance of graduates' skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The Project would support the objective of the *Country Partnership Strategy* (CPS) for FY11 – FY 14, to provide selective and targeted financing and knowledge advisory services in support of faster, more inclusive and greener economic growth. The proposed operation contributes to the first CPS outcome of ensuring faster growth by stepping-up investments in education and skills.

The Project would support interventions which foster education and skills relevant to the job market, and enhance the innovation capacity and activity of firms in FYR Macedonia. It will also address key missing elements of the Macedonian innovation system and ailing aspects of the research sector that are likely to be vital for improving the competitiveness of the enterprise sector and FYR Macedonia's longer term economic growth prospects. It will also help improve absorption of EU funds earmarked for innovation activities.

The Project's direct beneficiaries include around students, teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement capacity; students and staff of universities, research institutions and enterprises will benefit from: (i) the implementation of quality assurance mechanisms and financing reform in higher education (HE);(ii) grants promoting R&D and innovation; and (iii) technology commercialization, global know-how absorption, and industry-university collaboration fostered by the National Technology Transfer Office (NTTO).

2. Objectives

The Project Director will be responsible for the overall management and coordination of the PMU work in implementation of SDISP. S/he would be responsible for the quality of technical, operational, organizational and administrative activities needed for efficient project implementation.

3. Scope of services

The Consultant is responsible for:

- Managing the PMU on a day-to-day basis, including coordination of the duties among PMU staff;
- Overall planning, coordination and implementation and supervision of the Project activities in a timely, efficient and transparent manner;

- Ensuring that all activities are carried out according to the provisions of the SDISP agreement and Macedonian legislation and regulations and according to the agreed project procedures, including and not limited to financial management, project budgeting, procurement, contract negotiations and management, and related activities;
 - Managing development of an annual Work program for the project;
 - Managing development of the annual project budget and procurement plan in cooperation with the Procurement Manager;
 - Managing and coordinating preparation of internal project documents, TORs and bidding documentation, evaluation committees and reports, contracts and agreements;
 - Ensuring accurate financial, procurement and accounting records and maintain financial and procurement discipline;
 - Ensuring that payments are made in a proper and timely manner and that all sources of funding are available for the Project;
 - Developing and establish an appropriate communication and information system to facilitate project preparation and coordination arrangements between the PMU, MoES, and stakeholders;
 - Ensuring proper stakeholder consultations on all issues related to project preparation;
 - Liaising with the World Bank, donors and other governmental and international financial institutions;
 - Liaising with other projects;
 - Providing assistance and support to the project beneficiaries in all areas related to the Project implementation;
 - Reporting toward MoES, Ministry of Finance and the World Bank, as well as other institutions involved as required;
 - Monitoring of performance of each project component
- Any other activities in correlation with the implementation of the SDISP project;

4. Reporting obligations

The Consultant shall report to the Minister of Education and Science.

Upon request by the Minister of Education and Science, the Consultant shall produce and submit progress reports for the implementation of the Project activities. The Consultant shall submit progress reports to the World Bank on annual basis or as otherwise required by the World Bank.

5. Consultant qualifications:

- University degree. Master degree would be considered an advantage;
- At least 5 years work experience in the public sector. Experience in the human development area is an advantage.
- At least 5 years work experience in coordination and/or management of projects funded by international organizations. Relevant experience on World Bank projects would be considered an advantage;
- Knowledge of World Bank tendering, financing and contracting procedures.
- Proven teamwork skills;
- Excellent verbal and writing communication skills in English;
- Computer Literate (MS Word, MS Excel, MS Project, Power Point, e-mail, Internet)
- Ability to work under pressure and meet deadlines

6. Duration of the assignment:

The Consultant shall provide full time services for the period ending May 31, 2019. Expected start of services is March 2014.

7. Facilities to be provided by the Client

The Consultant will be provided with suitable office space, local phone service, appropriate equipment such as PC, printer as well as business mobile phone number.

Selection method and contract: The selection method is Individual Consultant and the contract shall be Time based according to the Guidelines Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011

B. PROCUREMENT MANAGER MACEDONIA SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT (SDISP)

1. Background

The Skills Development and Innovation Support Project (SDISP) project's development objective (PDO) is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocational education, and support innovation capacity in FYR Macedonia.

The Project would support the Government of FYR Macedonia's (GOM) initiatives geared to:

- increase graduates' competitiveness on a regional and international level;
- increase labor market relevance of graduates' skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The Project would support the objective of the *Country Partnership Strategy (CPS)* for FY11 – FY 14, to provide selective and targeted financing and knowledge advisory services in support of faster, more inclusive and greener economic growth. The proposed operation contributes to the first CPS outcome of ensuring faster growth by stepping-up investments in education and skills.

The Project would support interventions which foster education and skills relevant to the job market, and enhance the innovation capacity and activity of firms in FYR Macedonia. It will also address key missing elements of the Macedonian innovation system and ailing aspects of the research sector that are likely to be vital for improving the competitiveness of the enterprise sector and FYR Macedonia's longer term economic growth prospects. It will also help improve absorption of EU funds earmarked for innovation activities.

The Project's direct beneficiaries include around students, teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement capacity; students and staff of universities, research institutions and enterprises will benefit from: (i) the implementation of quality assurance mechanisms and financing reform in higher education (HE);(ii) grants promoting R&D and innovation; and (iii) technology commercialization, global know-how absorption, and industry-university collaboration fostered by the National Technology Transfer Office (NTTO).

2.Objectives

The Procurement Manager shall have the ultimate responsibility for the coordination and management of all day-to-day procurement activities needed for project implementation, and providing on-the-job procurement training to PMU's staff and public entities awarded under sub-financing category of the loan. S/he will be part of the PMU team working on implementation of SDISP.

3. Scope of services

The Consultant is responsible for:

- ; Coordinating and managing of day to day procurement activities carried out under the project, as well as for procurement on Project level and shared activities, and ensuring that procurement is carried out in compliance with the procedures agreed with the World Bank.
- Based on the work plan preparing in collaboration with the relevant staff in the Ministry, an annual procurement plan, including its updates and an annual training plan;
- Coordinating the procurement process for each contract by guiding preparation of bidding/proposal documents, submitting for review and no-objections from the WB where necessary, sending invitations of bids/proposals and clarifications to bidders/consultants;
- Arranging for advertisement of procurement notices in the UN Development Business and other media for the procurement of goods and consultant services
- Organizing and coordinating with relevant staff from the implementing agency involved in the process procurement evaluations including evaluation criteria, , contract award/rejection notices and all other documentation associated with the evaluation process;
- Providing guidance in bid evaluation to nominated committees;
- Maintaining a watching brief and keep updated on local taxation, banking and other pertinent regulations affecting the procurement activities of the Project;
- Coordinating development of the project procurement tracking system and its updating;
- Providing assistance to the PMU, evaluation committees, beneficiaries involved in the project, during the project implementation activities in respect to the procurement issues.
- Liaising with the World Bank procurement staff;
- Interacting with other PMU members in order to support overall project activities
- Monitoring the procurement activities against the procurement plan and for coordination of procurement activities and for the follow up of contracts' execution;
- Providing input on procurement to required progress reports;
- Providing input during preparation and subsequent updates of the procurement arrangements section of the Project Operational Manual for the SDISP
- Coordinating the review and approval of operating costs for the PMU and *[add any other beneficiaries as per the LA]*
- Assisting project beneficiaries in their procurement activities **Error! Bookmark not defined.** and help them in developing reports in agreed format;
- Assisting and advising project beneficiaries and their awarded sub-projects from the public entities in carrying out procurement in compliance with the procedures agreed with the World Bank;
- Providing assistance and supervising procurement plans of awarded public entities under sub-financing category of the loan
- Working closely with institutions involved in the project implementation.
- Any other activities in correlation with the implementation of the SDISP project;

4. Reporting obligations

The Consultant will be a member of the PMU and shall report to the Project Director and/or Project Manager. The Consultant shall produce Annual Working Program for each year; Procurement packages

for procurement of each activity; any other report upon request with respect to the procurement activities under the Project as well as maintain records of all correspondence (Archive) in respect to the procurement issues of SDISP project overall.

In addition, the Consultant shall regularly debrief the Project Director and/or Project manager on the progress in respect to the procurement issues under the Projects and assist in the preparation of the annual progress reports for reporting to the World Bank.

5. Consultant qualifications:

1. University-level degree
2. Minimum three years of practical professional experience in procurement. Experience in procurement on World Bank funded projects will be considered an advantage ;
3. Experience of project or contract work with international financial organizations
4. Proven teamwork skills
5. Full computer literacy (MS Office)
6. Excellent verbal and writing skills in Macedonian and English
7. Ability to work under pressure and meet deadlines

6. Duration of the assignment:

The Consultant shall provide full time services for the period ending May 31, 2019. Expected start of services is March 2014.

7. FACILITIES TO BE PROVIDED BY THE CLIENT

The Consultant will be provided with suitable office space, local phone service, appropriate equipment such as PC, printer as well as business mobile phone number.

Selection method and contract: The selection method is Individual Consultant and the contract shall be Time Based according to the Guidelines Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers” January 2011

C. FINANCIAL MANAGER MACEDONIA SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT (SDISP)

I. Background

The Skills Development and Innovation Support Project (SDISP) project’s development objective (PDO) is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocational education, and support innovation capacity in Macedonia.

The Project would support the Government of Macedonia’s (GOM) initiatives geared to:

- increase graduates’ competitiveness on a regional and international level;
- increase labor market relevance of graduates’ skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The Project would support the objective of the *Country Partnership Strategy*(CPS) for FY11 – FY 14, to provide selective and targeted financing and knowledge advisory services in support of faster, more

inclusive and greener economic growth. The proposed operation contributes to the first CPS outcome of ensuring faster growth by stepping-up investments in education and skills.

The Project would support interventions which foster education and skills relevant to the job market, and enhance the innovation capacity and activity of firms in Macedonia. It will also address key missing elements of the Macedonian innovation system and ailing aspects of the research sector that are likely to be vital for improving the competitiveness of the enterprise sector and Macedonia's longer term economic growth prospects. It will also help improve absorption of EU funds earmarked for innovation activities.

The Project's direct beneficiaries include around students, teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement capacity; students and staff of universities, research institutions and enterprises will benefit from: (i) the implementation of quality assurance mechanisms and financing reform in higher education (HE);(ii) grants promoting R&D and innovation; and (iii) technology commercialization, global know-how absorption, and industry-university collaboration fostered by the National Technology Transfer Office (NTTO).

II. Objectives

The Financial Manager shall have the ultimate responsibility for the coordination and management of all day-to-day financial management and disbursement activities required for project implementation, and for delivery of on-the-job training to PMU's staff and entities involved in the implementation of the project. S/he will be part of the PMU team working on implementation of SDISP.

III. Scope of services

The Consultant is responsible for:

- Coordinating and managing the day-to-day financial management functions of the project, including financial reporting, disbursement, consolidation, budgeting, planning, accounting and auditing aspects of the project as per the procedures agreed with the World Bank and the duties and procedures outlined in the Project Operational Manual;
- Contributing to the preparation of the design, customization and implementation of a proper financial and accounting system for project transactions to accommodate the World Bank and local authorities relevant requirements;
- Ensuring that all project transactions are properly recorded in the consolidated project's financial statements, to meet the World Bank, the Ministry of Finance and the Ministry of Education and Science financial requirements;
- Establishing and maintaining close links with the World Bank, National Bank of Republic of Macedonia, Ministry of Finance, and the Ministry of Education and Science and ensuring that adequate sources of financing are available for the project;
- Preparing and submitting for approval to the Project Director and/or Project Manager, MoES and MoF the financial statements, budgets, financial projections, cash flow forecasts and all other Project reports as requested by the World Bank and the Macedonian Government;
- Preparing and submitting to World Bank as per the agreed frequency withdrawal applications in the prescribed format to document and disburse the funds for project activities;
- Cooperating closely with the PMU Procurement Manager to ensure that all accounting, procurement and disbursement aspects are properly linked and monitored;
- In cooperation with the Procurement Manager, leading the annual work plan and budget formulation process with selected PMU staff and the loan end-users staff, and prepare final plans for approval by the Project Director and the Minister of Education and Science;

- Ensuring that payments are made and accounted for in a proper and timely manner as per the procedures agreed under the project, that all sources of financing are available for the Project and that an appropriate contract payments' monitoring system is operational, working in close cooperation with the Procurement Manager;
 - Ensuring that payments for school grants are made and accounted for in a proper and timely manner and in accordance with the Project Operational Manual, respectively Grants Operational Manual, and ensuring adequate monitoring and control over grants disbursements and payments;
 - Ensuring proper communication with the auditors of the project, providing information, allowing access and preparing the documents required for the audit of the annual project accounts;
 - Controlling incoming invoices and other relevant documentation for reality of expenditures, adequacy and consistency versus signed contracts and preparing supporting documents for payments;
 - Operating the Designated and the associated mirror account, and performing and documenting the monthly account reconciliation, with any differences properly explained and/or followed up;
 - Keeping and updating on a timely basis comprehensive analytical accounting records, used as basis for the generation of the quarterly Interim Financial Reports (IFRs);
 - Working closely with the Fund for Innovation and Technology Development on the preparation of consolidated quarterly IFRs and submission to the World Bank in 45 days after each quarter end, respectively preparation of the annual consolidated project financial statements;
 - Interacting with other PMU members and other structures, i.e. Grants Approval Committee, if needed in order to support the overall project activities;
 - Assisting the project beneficiaries with their financial management activities;
 - Working closely with the institutions and beneficiaries involved in the project implementation;
 - Providing input during preparation and subsequent updates of the financial management section of the Project Operational Manual;
- Performing any other activities in correlation with the implementation of the project.

IV. Reporting obligations

The Consultant will be a member of the PMU and shall report to the Project Director and/or Project Manager. Upon request by the Project Director, Minister of Education and Science and World Bank authorities the Consultant shall produce and submit financial and disbursement information to the progress reports for the implementation of the Project activities.

V. Consultants Qualification

- University-level degree in economics, finance, or accounting
- Minimum three years of practical experience as a financial specialist
- Experience of work with the International Accounting Standards, cash-based accounting and Macedonian tax and banking regulations
- Proven teamwork skills
- Computer literacy (MS Office)
- Excellent verbal and writing communication skills in Macedonian and English
- Ability to design and implement the project accounting system in line with World Bank and Government of Macedonia requirements
- Experience with World Bank financial management and accounting principles will be considered an advantage;
- Ability to work under pressure and meet deadlines.

VI. Duration of the assignment:

The Consultant shall provide full time services for the period ending May 31st 2019. Expected start of services is March 2014.

VII. FACILITIES TO BE PROVIDED BY THE CLIENT

The Consultant will be provided with suitable office space, local phone service, appropriate equipment such as PC, printer as well as business mobile number.

Selection method and contract: The selection method is Individual Consultant and the contract shall be Time based according to the Guidelines Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011

D. COORDINATOR FOR BUSINESS AND INNOVATIONS

MACEDONIA SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT (SDISP)

I. Background

The Skills Development and Innovation Support Project (**SDISP**) project's development objective (PDO) is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocational education, and support innovation capacity in Macedonia.

The Project would support the Government of Macedonia's (GOM) initiatives geared to:

- increase graduates' competitiveness on a regional and international level;
- increase labor market relevance of graduates' skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The Project would support interventions which foster education and skills relevant to the job market, and enhance the innovation capacity and activity of firms in Macedonia. It will also address key missing elements of the Macedonian innovation system and ailing aspects of the research sector that are likely to be vital for improving the competitiveness of the enterprise sector and Macedonia's longer term economic growth prospects. It will also help improve absorption of EU funds earmarked for innovation activities.

The Project's direct beneficiaries include around students, teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement capacity; students and staff of universities, research institutions and enterprises will benefit from: (i) the implementation of quality assurance mechanisms and financing reform in higher education (HE);(ii) grants promoting R&D and innovation; and (iii) technology commercialization, global know-how absorption, and industry-university collaboration fostered by the National Technology Transfer Office (NTTO).

II. Scope of services

The Consultant is responsible for:

- Provide administrative and logistical assistance to the Ministry of Education and Science and the Fund for Innovation and Technology Development, for issues related to the implementation of the Fund's program and evaluation of applications as well as to the consultants in carrying out project implementation activities.

- Provide assistance in coordination and communication among the stakeholders, in order to ensure a consistent approach to project implementation;
- Provide assistance to the Ministry of Education and Science, the Fund and all relevant stakeholders in the preparation of Terms of Reference and other project related documents.
- Provide assistance to the International and Local Consultants and assist the Ministry of Education and Science, SDISP Project Director and FITD Director in coordination of their activities;
- Monitoring of the project activities related to the implementation of Fund's support instruments;
- Provide assistance to the Project Director, FITD and Macedonian authorities in preparation of Project related documents;
- Any other activities in correlation with the implementation of the project;

III. Reporting obligations

The Consultant shall report to the Project Director . Upon request by the Project Director and/or the Minister of Education and Science the Consultant shall produce and submit progress reports for the implementation of the Project activities.

IV. Consultants Qualification

- University and preferably advanced degree in business administration, economics, finance and/or engineering;
- At least **5** years of professional experience in business management consulting, private sector development, innovation support, finance and investment;
- Professional experience in project management and development working with international organizations
- Excellent knowledge of the business regulatory environment and SME sector in Macedonia and the region;
- Strong teamwork, leadership, communication, interpersonal, cross cultural skills and computer skills;
- Excellent verbal and writing proficiency in English;
- Ability to work under pressure in a fast past work setting.

V. Duration of the assignment:

The Consultant shall provide full time services for the period ending May 31st 2019. Expected start of services is March 2014.

VI. FACILITIES TO BE PROVIDED BY THE CLIENT

The Consultant will be provided with suitable office space, local phone service, appropriate equipment such as PC, printer as well as business mobile phone number.

Selection method and contract: The selection method is Individual Consultant and the contract shall be Time based according to the Guidelines Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by the World Bank Borrowers" January 2011

E. Environmental Specialist

MACEDONIA SKILLS DEVELOPMENT AND INNOVATION SUPPORT PROJECT (SDISP)

I. Background

The Skills Development and Innovation Support Project (**SDISP**) project's development objective (PDO) is to improve transparency of resource allocation and promote accountability in higher education, enhance the relevance of secondary technical vocational education, and support innovation capacity in Macedonia.

The Project would support the Government of Macedonia's (GOM) initiatives geared to:

- increase graduates' competitiveness on a regional and international level;
- increase labor market relevance of graduates' skills;
- make innovation a source of productivity improvement, competitiveness, increased exportability of goods, and sustained economic growth; and
- increase universities and private enterprises engagement in, and their benefit from, R&D efforts and technology adoption opportunities.

The Project would support interventions which foster education and skills relevant to the job market, and enhance the innovation capacity and activity of firms in Macedonia. It will also address key missing elements of the Macedonian innovation system and ailing aspects of the research sector that are likely to be vital for improving the competitiveness of the enterprise sector and Macedonia's longer term economic growth prospects. It will also help improve absorption of EU funds earmarked for innovation activities.

The Project's direct beneficiaries include around students, teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement capacity; students and staff of universities, research institutions and enterprises will benefit from: (i) the implementation of quality assurance mechanisms and financing reform in higher education (HE);(ii) grants promoting R&D and innovation; and (iii) technology commercialization, global know-how absorption, and industry-university collaboration fostered by the National Technology Transfer Office (NTTO).

II. Scope of services

The Consultant is responsible to:

- (i)ensure that grant proposals are correctly screened, (ii) review environmental management documentation of proposed grants/sub-projects, (iii) participate in the evaluation of the proposals, and (iv) deliver series of trainings to potential applicants and PMU, in order to improve the capacity of both to deal with environmental risks associated with the sub-project implementation. The Environmental Specialist will also advise grant applicants 'as needed' basis at all stages of grant/sub-project preparation and implementation.
- conduct monitoring of sub-projects and will report to the PMU accordingly. For the sub-projects associated with higher risks and/or sensitivities, the monitoring will be conducted as frequently as needed by the project nature. Individual monitoring schedules should be identified by the Environmental Specialist at the stage of grant applications review and agreed with PMU M&E Officer. The report should specify the status of implementation of mitigation measures outlined in sub-project specific EMPs. In case of any issues the report should specify recommendations/follow up actions by PMU and a grant beneficiary, with indicative timeframe;
- The Environmental Specialist shall coordinate with the PMU M&E Officer and provide inputs for regular quarterly and annual progress reporting of the PMU to the Bank. The Environmental

Specialist, together with M&E Officer, will prepare annual report on the status of safeguard implementation under the project. Such reports shall be furnished by the PMU to the Bank.

III. Reporting obligations

The Consultant shall report to the Project Director . Upon request by the Project Director and/or the Minister of Education and Science the Consultant shall produce and submit progress reports for the implementation of the Project activities.

IV. Consultants Qualification

- University degree in environmental sciences; engineering; natural sciences, and other related fields.
- Min. 3 years experience in environmental aspects of demand-driven development projects;
- experience in preparation of Environmental Assessments / Management Plans and environmental training programs for governmental organizations, NGOs and other audience for different types of the project,
- Strong experience in environmental problems prioritization, tools and methodology development, project management at local and regional experience
- Exposure to development work with international organizations is an advantage;
- Excellent interpersonal and communications skills;
- Demonstrated ability to work in a team;
- Computer literacy, in particular experience with WinWord and Excel programs (MS Office).

VII. Duration of the assignment:

The Consultant shall provide full time services for the period ending May 31st 2019. Expected start of services is March 2014.

VIII. FACILITIES TO BE PROVIDED BY THE CLIENT

The Consultant will be provided with suitable office space, local phone service, appropriate equipment such as PC, printer as well as business mobile phone number.

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