

1) Fiche to be used for each step:

The step under review	Implementation of New financing methodology in secondary and VET education applied when preparing the national budget of 2027
Baseline	(2024) is 0
Deadline of the step	By December 2026
Actual results	<p>The Ministry of Education and Science initiated the development of a new formula for calculating block grants for secondary education in 2021, with the aim of aligning it with national policies and priorities focused on labour market needs, particularly through the introduction of the dual education model. The main objective was to determine a standard cost per student, complemented by additional adjustments through specific coefficients depending on the cost structure of the sector in which the student is enrolled.</p> <p>For that purpose, the Ministry of Education and Science initiated preparation of an analytical document “Improving the Formula for Financing Secondary Vocational Education” (Annex.1), proposing a new formula for the allocation of block grants. In parallel, formal Working group was established tasked to prepare the new financial model.</p> <p>During the preparation of the 2022 State Budget, calculations based on the new formula were reviewed; however, the budget was not fully prepared in accordance with the new formula at that time, as full implementation was not yet feasible, so Recommendations for adjusting the Proposal Formula for Financing Secondary Education in the Republic of North Macedonia were introduced (Annex.2)</p> <p>The financing model was developed and subsequently refined and harmonised over the following years by numerous experts engaged through projects and donor-supported initiatives, including the Education for Employment in North Macedonia project (E4E@mk).</p> <p>In the period 2023–2024, the Ministry of Education and Science, received technical assistance from the E4E@mk project. In cooperation with experts recommendations aimed for further refining the proposed formula, as well as calculations of its fiscal impact were developed.</p> <p>Considering the complexity of process for developing a new financing formula for primary and secondary education after more than 20 years, there was a clear need for both formulas to be aligned around a common cost-per-student methodology, while still allowing level-specific adjustments.</p> <p>MoES with a technical support provided by the E4E@mk project in cooperation with experts of UNICEF, engaged through Primary Education Improvement project (financed through a World Bank Loan), jointly reviewed, harmonised and further improved the financing formulas for both primary and secondary education. The objective of this process was to ensure that block grants for both education levels are calculated using a harmonised and consistent methodology, thereby strengthening coherence, transparency and equity across the education financing system.</p> <p>Subsequently, an Analysis for financing of the secondary education with focus on the vocational secondary education and introducing financing based on performance (Annex.3) and a detailed NEW methodology for implementing the new financing formula for secondary and vocational education was prepared. The improved formula for secondary education</p>

	<p>was structured around four key components: Base component, Variable component, Adjustment component and Development component. (Annex.5)</p> <p>Prior to adoption, Ministry of Education and Science led the process for the inclusion of Association of Local – self Government Units (ZELS), the Ministry of Finance, the Cabinet of the Prime Minister and the Committee for the Development of Municipal Funding.</p> <p>During May 2025, MoES worked on the revised formula and clarification on all aspects that should be contained in the new funding formula.</p> <p>On May 30, the revised funding formula was prepared, which was followed by consultative meetings with ZELS, the Ministry of Finance, the Prime Minister and the Committee for the Development of Municipal Funding.</p> <p>In July 2025, the new formula and the accompanying methodology were approved by the Minister of Education and Science and the Decree was prepared on the Methodology for Determining the Criteria for the Distribution of the Block Grant for Secondary Education .(Annex.7).At its Ninety-seventh session, held on July 29, The Government adopted a formal decision approving the new financing formula for secondary education. (Annex.8).</p> <p>The preparation of the 2026 State Budget was carried out in accordance with the newly adopted formula and methodology, which was harmonized with the Secretariat for Legislation and published in the Official Gazette No. 159 from 04.08.2025.</p> <p>6.988.350.000 denars (113.631.707€) have been provided in the 2026 Budget for the block grant for secondary education. (Annex.9)</p> <p>The Law on the Budget for 2026 and the Law on Budget Execution were published in the Official Gazette No. 253 of December 17, 2025, officially providing the funds for the new formula and the state assuming the obligation for its implementation. (Annex.10)</p>
<p>Evidence provided</p>	<ul style="list-style-type: none"> • Annex 1: document on Improving the formula for financing secondary vocational education • Annex 2: Recommendations for adjusting the Proposal Formula for Financing Secondary Education– 2022; • Annex 3: Analysis for financing of the secondary education with focus on the vocational secondary education and introducing a part related to financing based on performance • Annex 4: Guidelines for the usage of the tool (in Excel format) for financing the secondary education – distribution of block grants • Annex 5: Draft Decree on the Methodology for Determining the Criteria for Allocation of Block Grants for Secondary Education to the Municipalities and the City of Skopje for the Year 2026 • Annex 6: Template for Allocation of Block and Specific Grants per municipality • Attach 7: Calculation for BDS (Block grants in secondary education) July 2025 • Annex 8: Decree of the Government Methodology for Determining Criteria for the Distribution of Block Grants for Secondary Education (“Official Gazette” No. 159 from 04.08.2025) • Annex 8.1 Translation of the Decree of the Government

	<ul style="list-style-type: none"> Annex 9: Law on the Budget for 2026 and the Law on Budget Execution (“Official Gazette” No. 253, from 17.12.2025) https://portal.mdt.gov.mk/post-body-files/budzet-finansii-file-yGAh.pdf.
Checks performed in the verification of the step and related findings	<p>Given that the Decree on the new formula for 2026 has been adopted, and the Budget for 2026 has been published, the state is providing the funds for block grants and they will be released to the municipalities according to a determined schedule. Verification was conducted through a desk check and review of the supporting annexes, including analyses, recommendations, regulatory documents, calculation templates, and block grant calculations. The review assessed the coherence between the proposed financing formula improvements, performance-based elements, applicable regulations, and the Excel-based allocation tool. The findings confirm that the methodology, criteria, and calculations for the allocation of block grants in secondary education are consistent, properly documented, and aligned with the regulatory framework.</p>
Compliance with general principles and DNSH principle	<p>The implementation of the step is in compliance with the general principles outlined in Article 4 and 11(4) of Regulation (EU) 2024/1449 and Article 3 of the Facility Agreement. The implementation of the does not contravene with the Do No Significant Harm (DNSH) principle in accordance with Article 17 of Regulation (EU) 2020/852. It is of an analytical and policy-design nature and does not involve construction works, physical investments, or activities that could cause significant harm to any of the six environmental objectives. The measure therefore has no expected negative environmental impact.</p>
Double funding	<p>Technical assistance was provided in the period 2021-2024 to the Ministry of Education and Science and did not involve double financing. Support from the Swiss project <i>Education for Employment in North Macedonia (E4E@mk)</i> focused on initial analytical and methodological development. The Ministry coordinated all inputs to ensure clear separation of scope and avoid any overlap.</p>
Clear conclusion on the achievement of the step	Fully achieved