

Project Fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	Enhanced capacity for effective management and audit of EU funds
CRIS Decision number	2012/022-989
Project no.	11
MIPD Sector Code	9. Support and other activities
ELARG Statistical code	07-71
DAC Sector code	15111
Total cost	2012: EUR 3,100,000
EU contribution	2012: EUR 2,770,000
Management mode	Decentralised
<i>Decentralised mngmt:</i> Responsible Unit or National Authority/Implementing Agency	<p>The Central Financing and Contracting Department (CFCD) will be the implementing agency and will be responsible for all procedural aspects of the tendering process, contracting matters and financial management including payment of project activities. The Head of CFCD will act as the Programme Authorising Officer (PAO) of the project.</p> <p>Contact: Mrs. Radica Koceva (PAO) Central Finance and Contracts Department Ministry of Finance Tel: +389 2 3231 219 Fax: +389 2 3106 612</p>
Implementation management	<p>The key beneficiary institutions will be the National Authorising Officer (NAO) and National Fund (NF), Operating Structure for I – IV IPA Components (CFCD and Line Ministries/beneficiary institutions) and NIPAC Secretariat and the Audit Authority. The NIPAC Secretariat will act as a leading institution for coordination of this project.</p> <p>Marija Grubovic, Senior Programme Officer, Unit for Strategic planning, policy making and monitoring and technical implementation of EU projects e-mail: Marija.Grubovic@sep.gov.mk</p> <p>MoF - EU Harmonisation and International Finance Department Mr. Andrija Aleksoski, Assistant Head of the Department and Senior Programme Officer Tel:+389 2 3255 412 E-mail: andrija.aleksoski@finance.gov.mk</p> <p>Mrs. Leposava Apostolovski Velinov, General IPA Auditor Tel: + 389 2 3215 621 E-mail: lav@dzt.gov.mk</p>
Implementing modality	Stand-alone project
Project implementation type	1 Twinning contract, 2 twinning light contracts, 1 supply contract, flexible TA facility
Zone benefiting from the action(s)	Nationwide

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

The project is designed to provide continuous support in the process of establishment and functioning of the decentralised management with and without ex-ante controls by the EC, setting up of the structures for management of future EU Funds and the new perspectives of upcoming 2014-2020 Multi-annual Financial Framework, as well as addressing the short term priorities of the European integration process.

In particular, special attention will be put on strengthening the current administrative capacities responsible for the implementation of the EU funds tackling all phases of the Project/programme cycle management including communication and visibility actions and proper functioning of the management, control and audit system under different IPA Programmes. The focus will be also given on the adjustment of current and new IPA structure for the new perspectives of upcoming 2014-2020 Multiannual Financial Framework and future successful absorption of Structural and Cohesion Funds. Moreover, the administrative structure that is dealing with addressing the priorities deriving from the progress reports as well as with the challenges from the everyday implementation of the EU funds should be able to identify areas for support in terms of technical assistance, twinning light, twinning, etc. This approach should ensure sustainability, proactive and swift reaction and build capacity for programme and project management at the national level. The project will provide extended support for provision of technical equipment for work of the employees of the operating structure and data security equipment. Having in mind the fact that the number of projects, financed under all the four currently accredited IPA components reaching the implementation phase, is in constant growth, the number of on-the-spot controls to be performed by authorities increases as well.

Furthermore, in ensuring proper implementation of the EU/IPA programmes in the environment of decentralised management, the Audit Authority must verify the effective functioning of the management and control systems of the pre-accession funds of the country, and of the reliability of accounting transactions and information submitted by NAO to the European Commission. Thus, the focus will be put on further development and strengthening of AA's organisational, administrative and technical capacities, for the purpose of timely preparation for auditing the management and control systems in case of usage of European Structural Funds and the Cohesion Fund, as well as for efficient fulfilment of its responsibilities arising from the upcoming 2014-2020 Multiannual Financial Framework.

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

Link with National Strategies

The project refers to the national strategic priorities identified with the Government Decree for determining the strategic priorities of the Government for 2012 which recognises priorities for sustainable economic growth and competitiveness, higher rate of employment, improvement of living standard and quality of life, as well as integration into NATO and the EU.

Programme of the Government for the period 2011-2015

Becoming an EU member is one of the main political priorities for the country. The Government stands firmly to the commitments for the rule of law, independence of the judiciary, market economy and interethnic tolerance, which are common national and European values and continues to be focused on adopting the EU legislation and its implementation, which is needed not only as a criterion for membership of the country in EU,

but also for approximating the European standards and values in the direction of improving the lives of the citizens.

National Programme for Adoption of the Acquis for 2012

The objectives defined and established in the **National Programme for the Adoption of the Acquis** (NPAA) chapter 22 Regional Policy and Coordination of Structural Instruments and Chapter 3.32.2 – Protection of the EU financial interests for assuming the obligations from the EU membership where the importance of the establishment of transparent and accountable administrations is described. In the medium-term period, the Government aims to continue to build the institutional framework and to strengthen the administrative capacities as a preparation for the implementation of the Cohesion Policy of the European Union and to further develop and strengthen the organizational, administrative and technical capacities of the Audit Authority.

Link with MIPD 2011-2013

Having this in mind the indicators and priority objectives identified in the MIPD

- This project refers to the strategic objectives and choices for IPA assistance for supporting the institutional structures and administrative capacity in the areas of programming, project preparation, monitoring, evaluation and financial management and control, which need to be further improved.
- The project will contribute towards fulfilment of the MIPD indicator related to the completion of the process of conferral of management for DIS and improved contracting rates of IPA assistance;
- Enhance the capacities of the administration to implement EU pre-accession programmes;
- Accelerate the contracting rates of IPA assistance in comparison to the period 2009-2011.

The project is likewise linked with the following key strategies and action plans in the sector:

- Pre-Accession Economic Programme (2011-2013);
- Strategic Plan of the Ministry of Finance;
- Strategic Plan of the Secretariat for European Affairs;
- Development Strategy of the Audit Authority.

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

The project objective is harmonised with the national strategic documents, and in this context, addresses the priorities established in the Accession Partnership, National Programme for adoption of Acquis (NPAA) and Progress report from 2011. In particular, the project is in compliance with the:

The short term priorities from the **Accession Partnership** (Chapter 22) are referring that there is a need to reinforce the establishment of institutional structures and strengthen administrative capacity in the areas of programming, project preparation, monitoring, evaluation and financial management and control, particularly at the level of line ministries, to implement EU pre-accession programmes as a preparation for the implementation of the Community's cohesion policy. The medium term priority is to strengthen at central level and develop at regional and local level the administrative capacity and to ensure a clear distribution of responsibilities and strengthen capacity of coordination between designated implementing authorities/structures including local authorities.

The priorities listed in the Accession Partnership have been selected on the basis that it is realistic to expect that the country can complete them or take them substantially forward over the next few years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years. The priorities concern both legislation and its implementation.

The **Progress Report from 2011** states that in the context of pre-accession, the EU is in the process of transferring the management of IPA funds to the national authorities under the Decentralised Implementation System (DIS). Further attention is still needed to establish the necessary management and control systems to assume this responsibility as well as to strengthen and develop the capacities of the Audit Authority, as a body functionally independent from all the actors forming the management and control systems. Regarding the progress made in Chapter 3.22 Regional policy and coordination of structural instrument, it is noted that there has been no progress made regarding the legislative framework for the future implementation of EU Cohesion policy. Limited progress has been noted regarding the institutional framework, administrative capacities, programming and financial management and control. Questions are raised concerning available funds and the risk of de-commitment, inadequate expertise for preparation of projects and ownership of programme implementation.

What regards the Audit Authority, that as a separate legal entity was established in June 2011, the administrative capacities under DIS has improved in terms of necessary staff and training, but still remains insufficient.

The **Stabilisation and Association Agreement (SAA)** notes that the overall objectives of the EU assistance, in the form of institution-building and investment, shall contribute to the democratic, economic and institutional reforms, in line with the Stabilisation and Association process. In this respect, financial assistance may cover all areas of harmonisation of legislation and cooperation policies of the SAA, including Justice and Home Affairs.

Proposal for a Regulation of the European parliament and of the Council on the Instrument for Pre-accession Assistance (IPA II)

The new pre-accession instrument should continue to focus on delivering on the Enlargement Policy, which is one of the core priorities of EU External Action, thus helping to promote stability, security and prosperity in Europe. To that end, the new instrument should continue to pursue the general policy objective of supporting candidate countries and potential candidates in their preparations for EU membership and the progressive alignment of their institutions and economies with the standards and policies of the European Union, according to their specific needs and adapted to their individual enlargement agendas. In doing so, the coherence between the financial assistance and the overall progress made in the implementation of the pre-accession strategy should be strengthened.

In addition, future pre-accession assistance needs to be even more strategic, efficient and better targeted than has been the case so far, aiming for more sustainable results in improving the readiness of these countries for membership. The new instrument needs to operate more flexibly and to leverage more funds from other donors or the private sector by using innovative financing instruments, while pursuing simplification and reduction of the administrative burden linked to managing the financial assistance.

2.4 PROBLEM ANALYSIS

In the period July-December 2009, the national authorities received accreditation for decentralised implementation of IPA Components III, IV and V. In December 2010, the country received the conferral of management powers for decentralised implementation of Component I-Transition Assistance and Institution Building. Component V – Rural Development is the only IPA Component implemented in a decentralised manner without ex-ante controls. IPA Component II – CBC is the only component to be implemented in a centralised manner.

The established and accredited structures under DIS (NIPAC, NAO, NF, OSs for respective IPA components, AA) assumed specific responsibilities in line with the requirements of the IPA Implementing Regulation 718/2007. The main objective of the established system is to maximise the use of the available pre-accession funds through sound financial management, as well as prepare for the implementation of EU Structural and Cohesion funds upon EU accession. The currently operational processes have already demonstrated areas where further improvements are needed.

Experience with the preparatory works in the process of establishing the decentralised implementation system in the country (with and without ex-ante controls), as well as the ground work with Components I, III, IV and V in the past two years, show that timely planning and implementation capacities are of crucial importance. Having in mind that this is the sixth year of programming of IPA Component 1 – Transition assistance and institutional building (TAIB), one may say that the experience accumulated in the past programming years points out several problems to be tackled during the forthcoming period. Also with the introduction of the new sector wide approach (SWAP), the long term strategic planning is a pre-requisite for future assistance. Thus, better understanding of the new programming rules is needed in order to achieve operational implementation of the foreseen programmes, supported with specific strategic perspectives that require putting the focus on more in-depth analysis of the problems in specific sectors and mid-term planning and financial backing. This is also relevant especially with the introduction of the IPA II regulation that will have a similar approach. As for identifying operations and project preparation for Components III and IV, the development of a sustainable project pipeline has been identified as a problem and capacities need to be strengthened to deal with project development. Furthermore, the administrative capacity should be additionally strengthened in order to ensure effective and efficient project/programme implementation, monitoring, evaluation and audit in order to facilitate the decision making process. Finally, specific attention should be given to ensure transparent and visible actions to the general public and specific target groups.

Regarding procurement activities, delays have been noted mostly due to the lack of capacities of the Operating Structures to develop good quality tender documents. The multiple checking of the documents requires more time than is available and the rejection rate by the EU Delegation is an indicator to be followed. Limited availability of appropriate experts from the relevant beneficiary ministries, who should actually show ownership of these processes, is an issue that will be tackled by the institutions, and this project will ensure there continues training and support.

In line with the IPA I regulations, the Operating Structure has a final objective of establishment of a fully decentralised system whereby the Commission's ex-ante approval on project selection, tendering and contracting is waived. For this purpose, modifications to the existing legal and institutional framework are likely to be needed, when all conditions will be met. Also, inter-institutional relations and capacities will have to be strengthened to comply with some newly assumed responsibilities. The efficiency and effectiveness of the Operating

Structures to implement the programmes by themselves will have to be improved to waive the ex-ante controls.

The structure responsible for implementation of the selected CBC Programmes under DIS is not still accredited on national level. According to the received EC recommendations, there is a pressing need for activities in relation to conducting a gap assessments, analysis of the workload in CFCD (as Implementing Agency) and MoLSG (HOS and CBC Body), development of Internal Manual of Procedures, defining reporting and communication lines, development of legal basis for establishment of the IPA CBC Structure before obtaining conferral of management for this component.

Additionally, the established management and control system with the Management Information System Application (MIS) is fully operational and functional. Due to the developments in the established workflows and procedures there would be a need for further upgrade of the system. Scalability of the MIS is an important aspect of the system in order for the system to adapt to the growing requirements of the implementation without ex-ante controls. Apart from the MIS, a necessary improvement in the IT and other equipment for the established structures has been identified. It has been a burden for the national authorities to respond to the heavy requirements concerning IPA implementation in terms of adequate IT support and other equipment, in addition to the limited national resources used for upgrade and maintenance of the system.

In the light of the new IPA II regulation under the upcoming 2014-2020 Multi-annual Financial Framework, it is considered prudent to have the appropriate support that will cover activities referring to the necessary assessment of the draft regulations, assessment of its impact on the absorption capacity, as well as on the institution-programme set up and implementation.

The Audit Authority, according to the competences stipulated in the Law on audit on IPA and in the Framework Agreement, and for the purpose of protecting EU's financial interests, performs verification of the effective functioning of the management and control systems of the pre-accession funds of the European Union in the country, as well as of the reliability of accounting transactions and information submitted by NAO to the European Commission, in case of DIS of IPA. For the purpose of protecting EU's financial interests and ensuring sound and financial management of EU funds, the project is focused on the necessities of the Audit Authority for further development and strengthening of its organizational, administrative and technical capacities.

Difficulties have been noted concerning the identification, design and finalisation of documentation, development of mature, accession oriented and well communicated programmes and projects submitted for EU financing causing delays in the contracting and disbursement of IPA programmes. Complex investment and institution building projects require detailed and reliable data and background documentation to identify the best approach for achieving the expected objective(s), for defining the purpose and results. In-depth feasibility studies, systems design, EIA and other project preparatory activities are critical for a successful implementation of projects financed both through pre-accession assistance of the EU and other IFIs. Background studies provide, apart from the project identification, also an analysis of the current status of the relevant sector/area, an identification of possible alternative solutions including a testing of their financial, technical and administrative feasibility and recommendations for the economically most advantageous solutions.

Furthermore, there is a necessity to provide a response to emerging acquis and operational tasks, in a more flexible way, in light of the negotiation process. Complex investment and institution building projects require specific knowledge and skills in preparation of in-depth feasibility studies, systems design, environment and social impact assessments and other project preparatory activities that are critical for a successful project implementation of projects. Additional funds for Result Oriented Monitoring and Interim Evaluations have to be foreseen. Hence the assistance is needed to equally tackle the above mentioned needs as well as the short term assistance in addressing the priorities deriving from the progress reports.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

The country has received EU support for the development of Decentralised system for management of the IPA Components I, II, III and IV (DIS), supported through CARDS 2006 project: Capacity building support for decentralised management of EU funds in the former Yugoslav Republic of Macedonia finalised in December, 2009 and Capacity building to the Audit Authority operating under IPA Implementation Regulation finalised in March, 2009.

In the frame of National Programme 2007 for Transition Assistance and Institution Building (TAIB) the country received EU support through the Project Fiche 1.3 Capacity building for management of EU funds and in particular through the following contracts:

- Twinning light project for capacity building for the management of EU Funds and IPA within the Central Financing and Contracting Department (CFCD) and the National Fund (NF). This project was successfully completed at the end of 2010;
- Technical assistance for supporting DIS institutions. The project was successfully completed at the end of 2011;
- Supply contract: Establishment of a Management Information System (MIS). All the phases according to the Project Plan were finalised. The provisional acceptance of the MIS was done in January 2011 The final acceptance is done as well;
- IPA 2008 TA for support to the operating structures for implementing the operational programmes;
- 2007 IPA (TAIB) TA for the creation of IPA Training and Support Facility - The purpose of the project is to establish a body within SEA, specialised in trainings regarding EU Regulations, EU Policy Principles in general, and, more specifically, in the IPA Regulation and in Structural and Cohesion Funds. The project was successfully completed in June 2012;
- 2009 Country Programme interim evaluation of EU pre-accession assistance to the former Yugoslav Republic of Macedonia - The primary objective of this CPiE is to assist the stakeholders at the IPA TAIB Sectoral Monitoring Committee/CARDS JMC (next meeting scheduled for the end of 2010) for decision making with a view to improving the implementation of current programmes and the design of future assistance in order to enhance the relevance, efficiency, effectiveness, impact and sustainability of assistance;
- IPA Regional CBIB II phase - the current CBIB II project (November 2008 – May 2010) continued to support both national authorities in the preparation and launching of Calls for Proposals and potential applicants in building up their capacity for successful project preparation and implementation.

- Different Framework Contracts under IPA 2008/2009 assisting the authorities in drafting project and tender dossiers¹.

In the frame of Operational programme for Regional Development – Priority axis 4, Technical assistance, the Operating Structure received support through the following contracts:

- Technical assistance projects for Support in identification, assessment and selection of eligible projects for IPA Regional development component – part transport and Support in identification, assessment and selection of eligible projects for IPA Regional development component – part environment;
- Technical assistance for supporting the Operating Structure in implementation of the Operational programme for Regional Development (OPRD) – preparation, organisation and carrying out trainings. The project is ongoing and is planned to be finalised in March 2012.

In the frame of Operational programme for Human Resources Development – Priority axis 4, Technical assistance, the Operating Structure received support through the following contract:

- Twinning project for EU support on the preparation of the country to manage the European Social Fund through implementation of the Human Resources Development Component of IPA. The project is to be finalized in March 2012.

A project funded by the French Government was initiated in late 2011 aiming to draft an umbrella IPA communication strategy, embracing the whole IPA components communication activities, in order to respect the two European requirements regarding EU support:

- To assure transparency on the EU support opportunities;
- To raise the general audience awareness about EU support in the country.

This strategy will have to be implemented by the NIPAC Office, within the Secretariat for European Affairs (SEA). At the beginning of the June 2012, the project successfully finalised the first part of the project drafting the Strategy, Guidelines and the Communication Action Plan.

2.6 Lessons learned

Drawing on the so-far experience with the implementation of the EU financed projects, the main mistakes to be avoided and suggestions for improvements are related to: a/ providing the appropriate working conditions for the consultants, especially placement of the consultants in the premises of the beneficiary, b/ allocation of dedicated administrative staff employed on permanent basis to work on the project, which will improve staff capacity and provide a sustainability of the project activities; c/ involvement of the beneficiary from the very beginning in the evaluation of the background and the experience of the experts to be engaged, so that they will be able to provide adequate expertise and ensure delivery of high quality results. In some cases the Contractors did not have sufficient background and lacked practical experiences to provide adequate expertise; d/ involvement and commitment of high-level strategic decision making structures from the beginning of the project is important and essential for success and sustainability of the project results. In addition, clear co-operation, coordination and communication will have to be established with other related institutions (stakeholders), especially in the training activities.

¹ Please refer to annex VI

From the previous experiences in the implementation of projects aimed at strengthening the capacities for management of EU funds, the participation and involvement of respective staff in the realisation and achieving of all project activities and results is considered as very important and necessary in terms of effectiveness and sustainability of the project. Thus, availability, daily cooperation and active participation of the staff during execution of the project activities has shown as important contribution in achievement of the project results. Therefore, twinning arrangement is considered as most appropriate for the realisation of this type of projects, especially having in mind the high value added results and multiply effects from twinning arrangement.

The importance of further increasing of effective functioning of management and control system of EU funds and systematic approach for monitoring of the system, integrating the processes and making a single monitoring/control system consisting of Risk Management, Monitoring Indicators for Effective Functioning of the Management and Control System, preparation of Statement of Assurance, Internal Control Weaknesses, enhanced financial control and reporting are the conditions that have to be followed and respected by the beneficiary administration for the whole period of implementation of the IPA funds.

Strong involvement of the top management of the key bodies of the beneficiary administration as well as active communication with the EUD and the EC is inevitable for the effective functioning of the current system, as well as in seeking sound and efficient management of EU Structural Funds and Cohesion Fund, and also in view of the new EU Regulation for the upcoming 2014-2020 Multi-annual Financial Framework.

Maintaining informal communication and exchange of information with the experts and Twinning Partners in the course of the regular every day activities is additional lesson learned from the previous projects.

Specific attention by NIPAC/NIPAC Office is to be given in addressing the interim evaluation recommendations especially the ones referring to:

- The programming authorities should introduce independent *ex ante* assessment of the Multi-Annual Indicative Programmes and Annual National Programmes to improve the quality of programming, including the improvement in definition of indicators and determination of baseline data.
- In line with the ongoing efforts to introduce a more sector based approach to the programming of external assistance, the NIPAC office should focus assistance in each Annual National Programme on a few key areas, based on effective analysis to identify priorities.
- With the aim of improving the quality of programming by strengthening the Senior Programme Officer structure, the Secretariat for European Affairs should concentrate programming capacity in smaller numbers of units covering multiple sectors as necessary and target them with training to improve understanding of the programming process and thus the quality of project proposals.
- The Secretariat for European Affairs should introduce more transparent project selection by strengthening scoring on the Project Identification Sheet.
- Where multi-annual financing is proposed, there should be a gap of one financing year with no funding between inputs to give time for results to be achieved and institutional change to embed in beneficiaries.
- The Secretariat for European Affairs/NIPAC office needs to update and implement the existing programme of training for Senior Programme Officers to improve the quality of project proposals, implementation and monitoring generally.

The unallocated envelope and the project preparation facility have proved as good tool for supporting project development under IPA Component I and other IPA components (in 2007-2011). The experience shows that many of the unforeseen actions that require EU assistance can emerge towards the end of an implementation period. Therefore, efficient management of these funds is required. Also, the latest experience has shown that the support projects should increase the threshold of maximum amount per project (more than 200.000 EUR).

Problems can appear when projects are characterised by a long start-up, often preliminary analysis are not conducted in order to check whether circumstances have changed since design phase, which, in turn, could call for an adjustment of ToR prior to embarking into the implementation phase. Better linkages between projects belonging to the same sector should also be ensured (at both design and implementation levels) and external coordination with other international donors has to be also ensured.

Special attention needs to be focused on the definition of results and indicators which qualitatively influences the monitoring and evaluation activities that have to produce valid recommendations for the programming cycles.

In general is it important to strengthen public administration capacities at all levels in order to ensure sustainability of the activities and enhance full ownership on behalf of the beneficiary institutions through stronger participation along the project cycle. Strong commitment from senior management and various final beneficiaries remains crucial for the overall implementation of the project activities.

So far the Audit Authority has been beneficiary of only one Technical Assistance project financed by EU, under CARDS 2006 - Capacity building to the Audit Authority operating under IPA Implementing Regulation. The project was implemented in the period from April 2008 until March 2009, while the Audit Authority according to the State Audit Law was an integral part of the State Audit Office. It resulted in positive achievements regarding the fulfilment of the fundamental requirements for functioning of the Audit Authority, i.e. the following documents were prepared: Audit Strategy, Annual Audit Work Plan, IPA Audit Manuals (Common and Special Editions), Workload Analysis and the internal acts were reviewed.

Based on performed missions by respective DGs, in March 2011 DG Agri, submitted Observations and recommendations with regard to the Audit Authority. The observations are related to the organisational and procedural arrangements of the Audit Authority and require attention in the forthcoming period.

The organisational arrangements observations refer to:

- review of the legal framework relevant to the Audit Authority and further strengthening of the functional and operational independence of the Audit Authority (review of the Law on Audit on IPA and of AA internal acts and provision of service vehicle and equipment for execution of on-the-spot controls);
- strengthening of technical vocation and human resource policies (human resource strategy, proper proficiency and due professional care of auditors).

What regards the procedural arrangements, the observations mainly refer to the:

- improvement of the procedures for performance of the different types of audits, reporting and monitoring;
- usage of Information and Communication Technologies tools during the audit work.

These findings are part of the activities foreseen under this project.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

The overall objective is to increase know-how, effectiveness and impact of the national administrations involved in the management and audit of EU funds and to increase efficiency during implementation including the swift response to emerging priorities.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

Specific objectives of the project are:

- To strengthen the capacities of NAO, NF, CFCD, Operating Structures, NIPAC office and AA for sound and efficient management and audit of EU Funds, as well as in view of the new EU Regulation for the upcoming 2014-2020 Financial Perspective;
- To accelerate the EU integration process of the country through a swift follow up of emerging priorities identified by the upcoming Enlargement Progress Reports and Enlargement Strategy.

3.3 RESULTS

Measure 1: Strengthening the capacities of NAO, NF, CFCD, Operating Structures, NIPAC office and AA for sound and efficient management and audit of EU Funds, as well as in view of the new EU Regulation for the upcoming 2014-2020 Financial Perspective

Operation 1.1: Support provided to the relevant national authorities during ongoing implementation and improvement of the functioning of the administrative structures for decentralised/indirect management of EU funds without ex-ante controls by the EC.

Results:

- Improved efficiency and effectiveness of the Operating Structures to implement the EU funded projects without ex-ante control;
- Efficient and effective functioning of the management and control system for decentralised/indirect management without ex-ante controls, as well as over the legality and regularity of the financial transactions;
- Improved reporting and communication lines between the different stakeholders under decentralised/indirect implementation of EU funds;
- Enhanced capacities of NAO to perform its supervisory role under decentralised/indirect implementation;
- Support to the NF/NAO and CFCD, on the implementation of the audit recommendations given by the relevant DGs from the EC and the Audit Authority.

Measurable indicators:

- Decreased number of findings compared with the previous period issued by the relevant DGs from the EC and the Audit Authority;
- Number of new tools and mechanism introduced in NAO/NF and the Operating Structures to improve the efficiency and effectiveness of implementation of the EU funded projects;
- New Proposal for distribution of tasks and controls regarding the quality check between the bodies constituting the Operating Structure developed;

- Identified bottle necks within the process of procurement and implementation of IPA;
- Introduced Methodology for improvement of the communication lines between the different stakeholders under decentralized/indirect implementation;
- Number of staff trained in Operating structure;
- Number of Procedures modified.

Operation 1.2: Ensuring coherence and coordination of the EU funded programmes and development of the national institutions responsible for management of EU Funds under the new EU Regulation and Financial Framework for the 2014-2020

Results:

- Established structures for management of EU funds for relevant programme to be implemented under indirect management adjusted in line with the requirements of the new EU regulations for 2014-2020;
- Developed management structure capacities for indirect management of the relevant programme;
- Structures for indirect management of Cross-border cooperation programmes under IPA II established and functional;
- Improved capacities of the national institutions to successfully implement the EU funded projects under the new financial period 2014-2020.

Measurable indicators

- Institutional framework developed for indirect implementation of the relevant programmes under the EU regulations for 2014-2020;
- Assessment Reports regarding Management structure and the relevant operating structure(s) and the Request for being entrusted with budget implementation tasks for the programmes under IPA II completed;
- Number of executed training sessions regarding IPA 2 rules;
- Recommendation for successful implementation of the EU funded projects under the new financial period 2014-2020.

Operation 1.3: Further development and strengthening of the organizational, administrative and technical capacities of the Audit Authority

Results:

- New/ amendments of the Law for the competences of the Audit Authority, that will include its responsibilities arising from the IPA II and Structural and Cohesion Funds;
- Upgraded internal acts of the Audit Authority;
- Improved audit manuals;
- Revised Audit Authority strategies (for human resources, audit quality assurance, audit strategy, IT and communication strategy);
- Trained staff in relation to the fulfilment of the Audit Authority current and upcoming competences;
- Greater understanding and follow up of EC recommendations;
- Improved capacities for audit sampling;
- Improved Annual Activity Plan;
- The audit processes and procedures are streamlined with the best EU practices and lessons learnt from the EU member states and EU candidate countries.

Measurable indicators:

- Revised Law on auditing the Instrument for Pre-accession Assistance;
- Reviewed and enforced legal acts regulating the EU assistance provided to candidate countries and member states;
- Number of strategies relating to the functioning of the Audit Authority with a view to its competences;
- Number of internal acts developed reflecting the new competences and responsibilities of the Audit Authority;
- Number of procedures developed in the audit manuals with a view to the Audit Authority competences and responsibilities;
- Number of policies developed for motivation and retention of the audit staff;
- Number of trainings provided to the auditors;
- Number of study visits to the institutions in the member state as a twinning partner;
- Reviewed and enforced the best EU practices;
- Reviewed and enforced the lessons learnt from the EU member states and EU candidate countries;
- Reviewed and implemented the recommendations from the relevant DGs.

Operation 1.4: Further support of the development and strengthening of the capacity of the EU/IPA Training Centre of SEA

Results:

- Improved organisational capacity of the EU/IPA Training Centre of SEA and its outreach towards other stakeholders.
- EU/IPA Training Centre of SEA strengthened;
- Improved capacity of the EU/IPA Trainers in implementing capacity building activities.
- Improved capacities of the national institutions to successfully implement the EU funded projects under the new financial period 2014-2020;
- Improved processes and procedures on sector level (programming, monitoring, evaluation, risk and audit) by integrating best EU practices;

Measurable indicators

- Improved capacity of the Training centre for planning, delivery and evaluation of trainings, developed cooperation and other related activities
- Plan developed
- Number of executed training sessions in accordance with the developed plan;
- Increase of % of the number of trainings organised in the EU/IPA Training Centre
- Increased number of retrained EU trainers in specific areas and policies (SAA/NPAA/HLAD/Progress Report)
- Increased number of further trained trainers for pre-accession assistance
- Number of staff trained in national institutions to successfully implement the EU funded projects;
- Number of capacity building cooperation established and implemented
- Number of procedures on sector level (for programming, monitoring and evaluation) drafted in line with the best EU practices and lessons learned from the EU Member states;

Operation 1.5: Supply of equipment and equipment for on-the-spot control

Results:

- Improved IT system of the AA through unification of the hardware and software platform, that will ensure better communication and interoperability, data security and centralised back up, thus with a newly implemented technology will be achieved the ecology standards for increased energy efficiency;
- Improved technical capacity of Audit Authority for execution on-the-spot control and analysing the data from audit activities/ reports/ follow-up.
- Provided equipment and terrain vehicle for execution on-the-spot control for the AA;
- Provided software for analysing the data from audit activities/ reports/ follow-up (consolidated database for the audit trail).
- Improved technical capacity of the NF and CFCD for performing MIS functions, conducting verification visits and evaluations in operating structures;
- Improved technical capacity of SEA for conducting monitoring and evaluations;
- Improved technical capacity of the SEA Training Center for support of the training and capacity building activities (improvement of software and supply of necessary equipment and software for the operation of the Centre)

Measurable indicators:

- DMS for AA provided;
- Existing MIS Software updated
- Audit software developed and functional;
- Number of servers provided and operational;
- Necessary technical specifications for supply of specialised equipment drafted;
- Equipment purchased and provided to the final beneficiaries (laptops, printers, copiers, multifunctional machines etc);
- Number of vehicles purchased for the Audit Authority;
- Specialised equipment installed and functional
- Existing software of the SEA Training Centre upgraded,
- Equipment for the needs of the SEA Training Centre supplied
- new software for the needs of the SEA Training Centre

Measure 2: Unallocated Technical Assistance Facility Envelope aimed at addressing specific needs identified in the course of the implementation of IPA 2011-2013

Results:

- Concrete administrative structures and management systems in place which satisfy the requirements of the Acquis Communautaire for a number of areas;
- An improved absorption of programmed EU funds in the framework of IPA Component I, combined with an increased efficiency during implementation;
- Result oriented monitoring (RoM) and interim evaluations planned and conducted;
- Communication and visibility actions implemented;

Measurable indicators:

- Increased quality of project proposals prepared;
- % of project proposals accepted/rejected by the EUD compared with the previous year;
- At least 80% of project Terms of Reference/Technical Specifications/Twinning Fiches formulated on the date of signature of the 2012-2013 Financing Agreements;
- Number of ToRs prepared for conducting ROM; reports timely drafted and distributed;
- Number of ToRs for interim evaluation prepared (IE); and number of contracts signed;
- Number of press releases issues, conferences and seminars organised;
- Number of expert working days utilised;

3.4 MAIN ACTIVITIES

The activities could be divided under different components, which will be described further on during the process of preparation of the respective PIF.

Measure 1: Strengthening the capacities of NAO, NF, CFCD, Operating Structures, NIPAC office and AA for sound and efficient management and audit of EU Funds, as well as in view of the new EU Regulation for the upcoming 2014-2020 Financial Perspective

Operation 1.1: Support in establishment and the functioning of the administrative structures for decentralised management of EU funds without ex-ante controls by the EC

- Defining communication and reporting lines and upgrading rules and procedures for different structures responsible for decentralised/indirect management EU Funds;
- Activities (training, on-the job support, advising, coaching) for improving efficiency and effectiveness of the Operating Structures to implement the EU funded projects without ex-ante control;
- Development of tools for supervision by NAO (through developed principles, analysis, risk assessments and strategies) as mechanism for overview over the efficient and effective functioning of the management and control system for decentralised management without ex-ante controls, as well as over the legality and regularity of the financial transactions;
- On the job support in implementation of the audit recommendations given by the relevant DGs from the EC and the Audit Authority.

Operation 1.2: Ensuring coherence and coordination of the EU funded programmes and development of the national institutions responsible for management of EU Funds under the new EU Regulation and Financial Framework for the financial period 2014-2020;

- Activities (analysis and drafting of acts, guidelines, manuals of procedures etc.) for establishing structures for management of EU funds for relevant programme to be implemented under indirect management in line with the requirements of the new EU regulations for 2014-2020;
- Training, on-the job support, advising, coaching for enhancing management structure capacities for indirect management of the relevant programme;
- Assessment, analysis and drafting of manuals of procedures for establishment of the structures for indirect management of Cross-border cooperation programmes under IPA II;
- Training, on-the job support, advising, coaching of the national institutions to successfully implement the EU funded projects under the new financial period 2014-2020;
- Sharing of experience (lessons learnt) from the implementation of EU funded projects.

Operation 1.3: Further development and strengthening of the organizational, administrative and technical capacities of the Audit Authority

- Further strengthening and developing of the Audit Authority's legal framework and the operational and functional independence of the management and control systems;

- Improving the organizational, administrative and technical capacities of the Audit Authority;
- Establishing of the data security software system;

Operation 1.4: Further support of the development and strengthening of the capacity of the EU/IPA Training Centre of SEA

- Further support to the EU/IPA Training Centre, through organisation of programming and identification and planning of priority areas for capacity building,
- Further strengthening of the networking and organisation of the SEA Training Centre,
- Increased number of retrained EU trainers in specific areas and policies (SAA/NPAA/HLAD/Progress Report), through a number of training events
- Increased number of further trained trainers for pre-accession assistance, through a number of training events
- Activities for establishing and implementing capacity building cooperation
- Developing a number of new, diversified activities of the SEA Training Centre.
- Development of new tools and training of staff of the SEA training Centre for usage of the same regarding planning, delivery and evaluation of trainings, developed cooperation and other related activities
- Activities for improving the visibility thorough development of new visibility plan for the SEA Training Centre
- Conducting activities for improving networking and teambuilding of the pool of trainers, and improved networking with respective institutions in the country
- Conducting activities for training and retraining of EU pool of trainers and for the pre-accession assistance trainers,
- Conducting activities for diversification of the operation of the SEA Training Centre and of the pool of trainers, including activities for introduction of innovative and new models and tools of training.
- Activities (training, on-the job support, advising, coaching) for strengthening the capacities of the national institutions to implement the EU funded projects under the new financial period 2014-2020;
- Aligning the processes and procedures on sector level (programming, monitoring and evaluation) with the best EU practices and lessons learned from the EU Member states.

Operation 1.5: Supply of equipment and vehicles for on-the-spot control

- Supply of the data management system (DMS) for AA;
- Identification of needs and supply of equipment for conducting on-the-spot controls (laptops, multifunctional machines, copy machines, servers, vehicles, etc.);
- Preparation of technical specification for supply of specialized equipment;
- Training of the staff to use and maintain the equipment;
- Purchase and/or design of software for analysing the data from audit activities/ reports/ follow-up (consolidated database for the audit trail);
- Update of the MIS;
- Purchase of equipment for the needs of the SEA Training Center;
- Further development of the existing software for the training database and the learning platform;
- Supply of new software for support of the training activities of the SEA Training Centre, aimed at capacity building.

Measure 2: Unallocated Technical Assistance Facility Envelope

- Putting in place concrete administrative structures and management which satisfy the requirements of the Acquis Communautaire for a number of areas;
- Improving the absorption of programmed EU funds in the framework of IPA Component I, combined with an increased efficiency during implementation;
- Planning and conducting the result oriented monitoring (RoM) and interim evaluations;
- Implementation of the communication and visibility actions;

3.4 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT

The impact of the project will be in terms of strengthened national organisational, institutional and administrative capacities structures as a result of the transfer of knowledge and experience, as well as in terms of accelerated attainment of EU standards, heightened quality of legislation and implementation track record.

The catalytic effect of the project will manifest itself in further utilisation of Structural and Cohesion Funds. Namely, the enhanced national capacities resulting, inter alia, from the project's activities will contribute towards firstly total utilisation of IPA funds and after that starting with usage of the Structural and Cohesion Funds

The sustainability of the project's results with is fully committed by the DIS structure for ensuring long term impact of the project.

Staff benefiting from trainings/study visit shall transfer knowledge through subsequent training to their new colleagues.

The project's cross-border effect, although not a direct one, will still additionally contribute towards the creation of a more positive regional climate, as it can further the regional cooperation and provide the external impetus and opportunity for exchange of valuable experiences needed for the euro-integration processes of some of the remaining counties in the region.

3.5 SUSTAINABILITY

The current DIS structure is fully committed to ensuring long term impact of the project. The partners shall transfer the know-how necessary to achieve the mandatory results to the Beneficiary administration. During the project, the partners should develop documents/hand-outs, guidelines that will be easily accessible for later use by the beneficiary administration. Based on the job training of the beneficiary administration by the Twinning partners, jointly will be developed notes and guides and other recommendations that will improve the system already functioning. Staff benefiting from trainings/study visit shall transfer knowledge through subsequent training to their new colleagues. The benefits and project results impact over the beneficiary administration shall be multiplied to the newly recruited employees through developed documents/hand-outs, guidelines and recommendations as part of the induction package that is delivered to the new recruited staff as stipulated in the Internal Manual of Procedures.

Providing continuous support to the administrative structures for implementation of EU funds established in the former Yugoslav Republic of Macedonia, through different types and approaches of coaching, trainings, on-the-job trainings, workshops, participation on regional, bilateral and multilateral meetings between EU Member state's representatives, potential and candidate county representatives for sharing and exchanging of information and lessons learned, cooperation with consultants and experts will contribute to enhancing and strengthening of the capacity of the staff, in terms of increased effectiveness and efficiency.

Facility for Project Preparation and Support Facility (PPF) should be able to prepare adequate programmes and projects for upcoming IPA funding in order to strengthen the institutions and administrative capacity for the full application of the *acquis communautaire* and will therefore improve the effectiveness of the country preparations for EU accession. It will also help in strengthening the capacity of institutions responsible for management of current and future pre-accession assistance as well as in increasing their capacity for the management of EU Structural funds. And finally, it will facilitate the monitoring and evaluation process through strengthening the capacities of the respective national institutions.

3.6 ASSUMPTIONS AND PRE-CONDITIONS²

Assumptions:

- Continued commitment to the EU Accession process;
- Commitment from national authorities in the process;
- Availability and motivation of appropriate staff for cooperation and involvement;
- Sufficient level of implementation of IPA Programmes;
- Appropriate expertise is available;
- Beneficiary institutions can make (qualified) staff available.

Preconditions:

- The main precondition for the successful implementation of the project is continuous commitment to EU accession and provision of sufficient resources to support management of EU programmes/projects.
- The beneficiary institutions are bound to provide the project partner with adequate staff and other resources to operate effectively.
- Projects to be implemented through twinning or twinning light require the full commitment and participation of the senior management of the beneficiary institutions. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results;
- The trainings under the individual activities will be carried out in the national training premises (for ex. EU/IPA Training and Support Facility);
- In areas where there is evident expertise with the final beneficiary, the trainings will be delivered by the civil servants, as part of their job description, without any compensation and/or with the assistance of key/short term experts.

4 IMPLEMENTATION ISSUES

The project will be implemented in a decentralised manner. The lead beneficiary institution will be the NIPAC office. The primary beneficiaries of the contracts will be: Ministry of Finance (National Fund, CFCD) the Operating Structures and the Audit Authority. The projects will be implemented through Steering Committees which will be set for all of the contracts except for the supply contract for Operation 1.4 under the Measure 1.

² Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

The coordination of the project will fall under the responsibilities of the two SPOs, one in the Ministry of Finance and the other in the Secretariat for European Affairs. The implementation of the contracts will be followed by the two SPOs and in those institutions where such structure does not exist, the implementation will be followed through an appointed IPA Coordinator.

The Contracting authority for all of the projects will be the Central Financing and Contracting Department (CFCD).

4.1 INDICATIVE BUDGET

The estimated total cost of this project is EUR 3,100,000, out of which EUR 2,770,000 will be financed from IPA, while EUR 330,000 will be national contribution.

- EUR 250,000 - Twinning light Contract, out of which EUR 237,500 IPA Contribution and EUR 12,500 national co-financing;
- EUR 250,000 - Twinning light Contract, out of which EUR 237,500 IPA Contribution and EUR 12,500 national co-financing;
- EUR 600,000 - Twinning Contract, out of which EUR 570,000 IPA Contribution and EUR 30,000 national co-financing;
- EUR 500,000 – Supply contract, out of which EUR 375,000 IPA Contribution and EUR 125,000 national contribution;

Unallocated technical assistance facility envelope

The projects/contracts proposed to be financed under the unallocated technical assistance facility will be subject to prior approval of NIPAC following the latest PPF absorption guidelines, in the form of Twinning, TA, Framework Contracts, etc. In case the TAF funds are used for conducting FWC for supervision of works contracts, the co-financing will be 15% on the side of the beneficiary, following the IPA Implementing Regulation and Programming Guide for Components I and II. This facility will be used only if there are enough concrete applications fulfilling the criteria identified. The total allocation is EUR 1,500,000 – various types of service contracts, out of which EUR 1,350,000 IPA contribution and EUR 150,000 national co-financing.

Indicative Project budget 2012 (amounts in EUR)

PROJECT TITLE			SOURCES OF FUNDING										
			TOTAL EXPENDITURE	TOTAL PUBLIC EXPENDITURE	IPA CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Measure 1													
Operation 1.1 and 1.2	x	-	250,000	250,000	237,500	95	12,500	5	12,500				-
Twinning light Contract													
Operation 1.4	x	-	250,000	250,000	237,500	95	12,500	5	12,500				
Twinning light contract													
Operation 1.3	x	-	600,000	600,000	570,000	95	30,000	5	30,000				-
Twinning Contract													
Operation 1.5	-	x	500,000	500,000	375,000	75	125,000	25	125,000				
Supply contract													
Measure 2													
various type of contracts	x	-	1,500,000	1,500,000	1,350,000	90	150,000	10	150,000				
TOTAL IB			2,600,000	2,600,000	2,395,000	92	205,000	8	205,000				
TOTAL INV			500,000	500,000	375,000	75	125,000	25	125,000				
TOTAL PROJECT			3,100,000	3,100,000	2,770,000	89	330,000	11	330,000				

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Dates indicated in the schedule cannot go beyond the contracting and execution deadlines in the financing proposal

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Measure 1: Operation 1.1 and 1.2 Twinning light Contract	Q4 2015	Q2 2016	Q1 2017
Measure 1: Operation 1.4 Twinning light Contract	Q4 2015	Q2 2016	Q1 2017
Measure 1: Operation 1.3 Twinning Contract	Q1 2014	Q4 2015	Q3 2017
Measure 1: Operation 1.5 Supply contract	Q4 2015	Q2 2016	Q1 2017
Measure 2 Various type of contracts	2014-2015- 2016	Various dates due to nature of activities	4 years after the signature of the FA

4.3 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non-discrimination*

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the service contract for tender support supervision and training may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted.

The mainstreaming of the cross cutting issues is regarded on two different levels: (a) Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below and (b) ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

4.3.2 *Environment and climate change*

The European Community has a longstanding commitment to address environmental concerns in its assistance programmes (as part as a wider commitment to sustainable development). Key references include art. 6 of the Treaty and the Cardiff process which foresees the systematic consideration of environmental aspects into EC development cooperation and in other policies

(hence very important for the *acquis*). The support will include activities for the beneficiary to improve its internal performance vis-à-vis environmental aspects.

4.3.3 Minorities and vulnerable groups

Where the main reference in the country in relation to minority groups is the Ohrid Framework Agreement, in an EU context, reference is made to the “Race directive” of 2000 (2000/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the *acquis*. The beneficiary will be assisted to improve its internal performance vis-à-vis minorities or other vulnerable groups.

4.3.4 Civil Society/Stakeholders involvement

The consultation and communication processes will constitute important aspects of the experience and knowledge exchange established with the EU MS as a result of the project. Hence, the generated experience will further the inclusiveness of the national consultation platform, and will improve the transparency and clarity of the national communication strategy with regards to the negotiation process (both with regards to the participating institutions and structures and the general public). The project can therefore further the overall societal dialogue on the highly important issue – the negotiation process.

ANNEX 1: Logical framework matrix in standard format

LOG FRAME PLANNING MATRIX FOR Sector Fiche		Sector support name and number		Enhanced capacity for effective management and audit of EU funds
		Contracting period expires two years after the signature of Financing Agreement		Execution period expires two years after contracting of the
		Total budget	EUR 3,100,000	
		IPA budget:	EUR 2,770,000	
National sector or sub sector objective	Objectively verifiable indicators (OVI)	Sources of verification		What is the percentage proportion or expected quantitative or qualitative contribution of the sector support funded by IPA to this OVI?
The overall objective is to increase know-how, effectiveness and impact of the national administrations involved in the management and audit of EU funds and to increase efficiency during implementation including the swift response to emerging priorities.	Delivery of mature projects.	<ul style="list-style-type: none"> - EC regular reports; - Project's Final Report; - Monthly monitoring progress report from SPO to CFCD. 		
Sector support objective within the MIPD sector	Objectively verifiable indicators (OVI)	Sources of Verification		Assumptions

<p>1. To strengthen the capacities of NAO, NF, CFCD, Operating Structures, NIPAC office and AA for sound and efficient management and audit of EU Funds, as well as in view of the new EU Regulation for the upcoming 2014-2020 Financial Perspective;</p> <p>2. To accelerate the EU integration process of the country through a swift follow up of emerging priorities identified by the upcoming Enlargement Progress Reports and Enlargement Strategy.</p> <p>3.</p>	<ul style="list-style-type: none"> - Decrease of rejection rate of documents; - Contracting rate; - Disbursement rate. 	<ul style="list-style-type: none"> - Final Report from the Contractor; - Steering Committee meetings Reports; - Lessons learned reports; - Final acceptances. 	<ul style="list-style-type: none"> - Continued commitment to the EU Accession process; - Commitment from national authorities in the process; - Availability and motivation of appropriate staff for cooperation and involvement; - Sufficient level of implementation of IPA Programmes; - Appropriate expertise is available; - Beneficiary institutions can make (qualified) staff available.
<p>Results of the sector support</p>	<p>Objectively verifiable indicators (OVI)</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p><u>Measure 1: Strengthening the capacities of NAO, NF, CFCD, Operating Structures, NIPAC office and AA for sound and efficient management and audit of EU Funds, as well as in view of the new EU Regulation for the upcoming 2014-2020 Financial Perspective</u></p> <p><u>Operation 1.1:</u> Support provided to the relevant national authorities during ongoing implementation and improvement of the functioning of the administrative structures for decentralised/indirect management of EU funds without ex-ante controls by the EC.</p> <p><u>Results:</u></p> <ul style="list-style-type: none"> - Improved efficiency and effectiveness of the Operating Structures to implement the EU funded projects without ex-ante control; - Efficient and effective functioning of the management and control system for decentralised/indirect management without ex-ante controls, as well as 	<p><u>Measurable indicators:</u></p> <ul style="list-style-type: none"> - Decreased number of findings compared with the previous period issued by the relevant DGs from the EC and the Audit Authority; - Number of new tools and mechanism introduced in NAO/NF and the Operating Structures to improve the efficiency and effectiveness of implementation of the EU 	<ul style="list-style-type: none"> - Final Report from the Contractor; - Steering Committee meetings Reports; - Lessons learned reports; - Final acceptances. 	<ul style="list-style-type: none"> - Continued commitment to the EU Accession process; - Commitment from national authorities in the process; - Availability and motivation of appropriate staff for cooperation and involvement; - Sufficient level of implementation of IPA Programmes; - Appropriate expertise is available; - Beneficiary institutions can make (qualified) staff available.

<p>over the legality and regularity of the financial transactions;</p> <ul style="list-style-type: none"> - Improved reporting and communication lines between the different stakeholders under decentralised/indirect implementation of EU funds; - Enhanced capacities of NAO to perform its supervisory role under decentralised/indirect implementation; - Support to the NF/NAO and CFCD, on the implementation of the audit recommendations given by the relevant DGs from the EC and the Audit Authority. <p><u>Operation 1.2:</u> Ensuring coherence and coordination of the EU funded programmes and development of the national institutions responsible for management of EU Funds under the new EU Regulation and Financial Framework for the 2014-2020</p> <p><u>Results:</u></p> <ul style="list-style-type: none"> - Established structures for management of EU funds for relevant programme to be implemented under indirect management adjusted in line with the requirements of the new EU regulations for 2014-2020; - Developed management structure capacities for indirect management of the relevant programme; - Structures for indirect management of 	<p>funded projects;</p> <ul style="list-style-type: none"> - New Proposal for distribution of tasks and controls regarding the quality check between the bodies constituting the Operating Structure developed; - Identified bottle necks within the process of procurement and implementation of IPA; - Introduced Methodology for improvement of the communication lines between the different stakeholders under decentralized/indirect implementation; - Number of staff trained in Operating structure; - Number of Procedures modified. <p><u>Measurable indicators</u></p> <ul style="list-style-type: none"> - Institutional framework developed for indirect implementation of the relevant programmes under the EU regulations for 2014-2020; - Assessment Reports regarding Management structure and the relevant operating structure(s) and the 		
---	--	--	--

<p>Cross-border cooperation programmes under IPA II established and functional;</p> <ul style="list-style-type: none"> - Improved capacities of the national institutions to successfully implement the EU funded projects under the new financial period 2014-2020. <p><u>Operation 1.3:</u> Further development and strengthening of the organizational, administrative and technical capacities of the Audit Authority</p> <p><u>Results:</u></p> <ul style="list-style-type: none"> - New/ amendments of the Law for the competences of the Audit Authority, that will include its responsibilities arising from the IPA II and Structural and Cohesion Funds; - Upgraded internal acts of the Audit Authority; - Improved audit manuals; - Revised Audit Authority strategies (for human resources, audit quality assurance, audit strategy, IT and communication strategy); - Trained staff in relation to the fulfilment of the Audit Authority current and upcoming competences; - Greater understanding and follow up of EC recommendations; - Improved capacities for audit sampling; - Improved Annual Activity Plan; 	<p>Request for being entrusted with budget implementation tasks for the programmes under IPA II completed;</p> <ul style="list-style-type: none"> - Number of executed training sessions regarding IPA 2 rules; - Recommendation for successful implementation of the EU funded projects under the new financial period 2014-2020. <p><u>Measurable indicators:</u></p> <ul style="list-style-type: none"> - Revised Law on auditing the Instrument for Pre-accession Assistance; - Reviewed and enforced legal acts regulating the EU assistance provided to candidate countries and member states; - Number of strategies relating to the functioning of the Audit Authority with a view to its competences; - Number of internal acts developed reflecting the new competences and responsibilities of the Audit Authority; - Number of procedures developed in the audit manuals with a view to the Audit Authority competences and responsibilities; - Number of policies 		
---	--	--	--

<ul style="list-style-type: none"> - The audit processes and procedures are streamlined with the best EU practices and lessons learnt from the EU member states and EU candidate countries. 	<ul style="list-style-type: none"> - developed for motivation and retention of the audit staff; - Number of trainings provided to the auditors; - Number of study visits to the institutions in the member state as a twinning partner; - Reviewed and enforced the best EU practices; - Reviewed and enforced the lessons learnt from the EU member states and EU candidate countries; - Reviewed and implemented the recommendations from the relevant DGs. 		
<p>Operation 1.4</p> <ul style="list-style-type: none"> - EU/IPA Training Centre of SEA strengthened; - Improved organisational capacity of the EU/IPA Training Centre of SEA and its outreach towards other stakeholders. - Improved capacity of the EU/IPA Trainers in implementing capacity building activities. 	<p><u>Measurable indicators:</u></p> <ul style="list-style-type: none"> - Improved capacity of the Training centre for planning, delivery and evaluation of trainings, developed cooperation and other related activities - Plan developed - Number of executed training sessions in accordance with the developed plan; - Increase of % of the number of trainings organised in the EU/IPA Training Centre - Increased number of retrained EU trainers in specific areas and policies (SAA/NPAA/HLAD/Progress Report) - Increased number of further trained trainers for pre- 		

<p><u>Operation 1.5</u> – Supply of equipment and equipment for on-the-spot control</p> <p><u>Results:</u></p> <ul style="list-style-type: none"> - Improved IT system of the AA through unification of the hardware and software platform, that will ensure better communication and interoperability, data security and centralised back up, thus with a newly implemented technology will be achieved the ecology standards for increased energy efficiency; - Improved technical capacity of the NF and CFCD for performing MIS functions, conducting verification visits and evaluations in operating structures; - Improved technical capacity of SEA for conducting monitoring and evaluations; - Improved technical capacity of Audit Authority for execution on-the-spot control and analysing the data from audit activities/ reports/ follow-up. - Provided equipment and terrain vehicle for execution on-the-spot control for the AA; - Provided software for analysing the data from audit activities/ reports/ 	<p>accession assistance</p> <ul style="list-style-type: none"> - Number of staff trained in national institutions to successfully implement the EU funded projects; - Number of capacity building cooperation established and implemented <p><u>Measurable indicators:</u></p> <ul style="list-style-type: none"> - DMS for AA provided; - Existing MIS Software updated - Audit software developed and functional; - Number of servers provided and operational; - Necessary technical specifications for supply of specialised equipment drafted; - Equipment purchased and provided to the final beneficiaries (laptops, printers, copiers, multifunctional machines etc); - Number of vehicles purchased for the Audit Authority; - Specialised equipment installed and functional. - Existing software of the SEA Training Centre upgraded - Equipment purchased, installed and in use 		
---	---	--	--

<p>follow-up (consolidated database for the audit trail).</p> <ul style="list-style-type: none"> - Upgrading and improving of the existing software of the SEA Training Centre, - Supply of the equipment for the needs of the SEA Training Centre - Supply of new software for the needs of the SEA Training Centre 	<ul style="list-style-type: none"> - new software for the needs of the SEA Training Centre supplied and installed 		
<p>Measure 2: Unallocated Technical Assistance Facility Envelope aimed at addressing specific needs identified in the course of the implementation of IPA 2011-2013</p> <p><u>Results:</u></p> <ul style="list-style-type: none"> - Concrete administrative structures and management systems in place which satisfy the requirements of the Acquis Communautaire for a number of areas; - An improved absorption of programmed EU funds in the framework of IPA Component I, combined with an increased efficiency during implementation; - Result oriented monitoring (RoM) and interim evaluations planned and conducted; - Communication and visibility actions implemented. 	<p><u>Measurable indicators:</u></p> <ul style="list-style-type: none"> - Increased quality of project proposals prepared; - % of project proposals accepted/rejected by the EUD compared with the previous year; - At least 80% of project Terms of Reference/Technical Specifications/Twinning Fiches formulated on the date of signature of the 2012-2013 Financing Agreements; - Number of ToRs prepared for conducting ROM; reports timely drafted and distributed; - Number of ToRs for interim evaluation prepared (IE); and number of contracts signed; - Number of press releases issues, conferences and seminars organised; - Number of expert working days utilised. 	<ul style="list-style-type: none"> - Final Report from the Contractor; - Steering Committee meetings Reports; - Lessons learned reports; - Final acceptances. 	<ul style="list-style-type: none"> - Continued commitment to the EU Accession process; - Commitment from national authorities in the process; - Availability and motivation of appropriate staff for cooperation and involvement; - Sufficient level of implementation of IPA Programmes; - Appropriate expertise is available; - Beneficiary institutions can make (qualified) staff available.
<p>Measures to achieve results</p>	<p>Means / operations</p>	<p>Costs</p>	<p>Assumptions</p>
<p>Measure 1: Strengthening the capacities of NAO, NF, CFCD, Operating Structures, NIPAC office and AA for sound and efficient management and audit of EU Funds, as well as in view of the new</p>	<p>Measure 1: Operation 1.1 and 1.2: Twinning light contract</p>	<p>Measure 1: Operation 1.1 and 1.2 Twinning light contract Total: EUR 250,000</p>	<ul style="list-style-type: none"> - Continued commitment to the EU Accession process; - Commitment from national authorities in the process; - Availability and motivation of appropriate staff for

<p><u>EU Regulation for the upcoming 2014-2020 Financial Perspective</u></p> <p><u>Operation 1.1:</u> Support provided to the relevant national authorities during ongoing implementation and improvement of the functioning of the administrative structures for decentralised/indirect management of EU funds without ex-ante controls by the EC.</p> <ul style="list-style-type: none"> - Defining communication and reporting lines and upgrading rules and procedures for different structures responsible for decentralised/indirect management EU Funds; - Activities (training, on-the job support, advising, coaching) for improving efficiency and effectiveness of the Operating Structures to implement the EU funded projects without ex-ante control; - Development of tools for supervision by NAO (through developed principles, analysis, risk assessments and strategies) as mechanism for overview over the efficient and effective functioning of the management and control system for decentralised management without ex-ante controls, as well as over the legality and regularity of the financial transactions; - On the job support in implementation of the audit recommendations given by the relevant DGs from the EC and the Audit Authority. <p><u>Operation 1.2:</u> Ensuring coherence and coordination of the EU funded programmes and</p>	<p>Operation 1.4: Twinning Light contract</p> <p>Operation 1.3: Twinning contract</p> <p>Operation 1.5: Supply contract</p>	<p>IPA: EUR 237,500 National co-financing: EUR 12,500</p> <p>Operation 1.4: Twinning light contract Total: EUR 250,000 IPA: EUR 237,500 National co-financing: EUR 12,500</p> <p>Operation 1.3: Twinning contract Total: EUR 600,000 IPA: EUR 570,000 National co-financing: EUR 30,000</p> <p>Operation 1.5: Supply contract Total: EUR 500,000 IPA: EUR 375,000 National co-financing: EUR 125,000</p>	<p>cooperation and involvement;</p> <ul style="list-style-type: none"> - Sufficient level of implementation of IPA Programmes; - Appropriate expertise is available; - Beneficiary institutions can make (qualified) staff available.
---	--	---	--

<p>development of the national institutions responsible for management of EU Funds under the new EU Regulation and Financial Framework for the 2014-2020 financial period;</p> <ul style="list-style-type: none"> - Activities (analysis and drafting of acts, guidelines, manuals of procedures etc.) for establishing structures for management of EU funds for relevant programme to be implemented under indirect management in line with the requirements of the new EU regulations for 2014-2020; - Training, on-the job support, advising, coaching for enhancing management structure capacities for indirect management of the relevant programme; - Assessment, analysis and drafting of manuals of procedures for establishment of the structures for indirect management of Cross-border cooperation programmes under IPA II; - Training, on-the job support, advising, coaching of the national institutions to successfully implement the EU funded projects under the new financial period 2014-2020; - Sharing of experience (lessons learnt) from the implementation of EU funded projects. <p><u>Operation 1.3:</u> Further development and strengthening of the organizational, administrative and technical capacities of the Audit Authority</p> <ul style="list-style-type: none"> - Further strengthening and developing of the Audit Authority's legal framework and the operational and functional independence of the management and control systems; 			
---	--	--	--

<ul style="list-style-type: none"> - Improving the organizational, administrative and technical capacities of the Audit Authority; - Establishing of the data security software system; 			
<p><u>Operation 1.4</u> Further support of the development and strengthening of the capacity of the EU/IPA Training Centre of SEA</p> <ul style="list-style-type: none"> - Further support to the EU/IPA Training Centre, through organisation of programming and identification and planning of priority areas for capacity building, - Further strengthening of the networking and organisation of the SEA Training Centre, - Increased number of retrained EU trainers in specific areas and policies (SAA/NPAA/HLAD/Progress Report), through a number of training events - Increased number of further trained trainers for pre-accession assistance, through a number of training events - Activities for establishing and implementing capacity building cooperation - Developing a number of new, diversified activities of the SEA Training Centre. - Development of new tools and training of staff of the SEA training Centre for usage of the same regarding planning, delivery and evaluation of trainings, developed cooperation and other related activities - Activities for improving the visibility thorough development of new visibility plan for the SEA Training Centre - Conducting activities for improving networking and teambuilding of the pool of trainers, and improved networking with respective institutions in the country 			

<ul style="list-style-type: none"> - Conducting activities for training and retraining of EU pool of trainers and for the pre-accession assistance trainers, - Conducting activities for diversification of the operation of the SEA Training Centre and of the pool of trainers, including activities for introduction of innovative and new models and tools of training. <p><u>Operation 1.5 - Supply of equipment and vehicles for on-the-spot control</u></p> <ul style="list-style-type: none"> - Supply of the data management system (DMS) for AA; - Identification of needs and supply of equipment for conducting on-the-spot controls (laptops, multifunctional machines, copy machines, servers, vehicles, etc.); - Preparation of technical specification for supply of specialized equipment - Training of the staff to use and maintain the equipment; - Purchase and/or design of software for analysing the data from audit activities/ reports/ follow-up (consolidated database for the audit trail); - Update of the MIS. - Purchase of equipment for the needs of the SEA Training Centre; - Further development of the existing software for the training database and the learning platform - Supply of new software for support of the training activities of the SEA Training Center, aimed at capacity building 			
--	--	--	--

<p>Measure 2: Unallocated Technical Assistance Facility Envelope</p> <ul style="list-style-type: none"> - Putting in place concrete administrative structures and management which satisfy the requirements of the Acquis Communautaire for a number of areas; - Improving the absorption of programmed EU funds in the framework of IPA Component I, combined with an increased efficiency during implementation; - Planning and conducting the result oriented monitoring (RoM) and interim evaluations; - Implementation of the communication and visibility actions; 	<p>Measure 2: Service contract</p>	<p>Measure 2: Service contract Total: EUR 1,500,000 IPA: EUR 1,350,000 National co-financing: EUR 150,000</p>	<ul style="list-style-type: none"> - Continued commitment to the EU Accession process; - Commitment from national authorities in the process; - Availability and motivation of appropriate staff for cooperation and involvement; - Sufficient level of implementation of IPA Programmes; - Appropriate expertise is available; - Beneficiary institutions can make (qualified) staff available.
---	---	---	--

ANNEX II - Description of Institutional Framework

The Secretariat for European Affairs (SEA) was established as a separate expert service of the Government of the former Yugoslav Republic of Macedonia, governed by the Deputy Prime Minister of the Government in charge of the European Affairs having rights and obligations of a function holder responsible for a state administrative authority in 2005 through transformation of the previous Sector for European Integration within the General Secretariat of the Government. The SEA operation is regulated by the Law on the Government. The Secretariat establishment was a response to the increased needs arising from the intensified integration process in EU, for the purpose of the strategic objective for EU membership.

The SEA mission is to provide professional support and coordination in the work of state administration authorities and of other bodies and institutions in the light of preparing the country for EU membership.

SEA has a horizontal coordinative function relating to the issues associated with the preparation process of the country for EU membership, accomplishes intensive cooperation with the state administrative authorities as well as with other bodies and institutions, accomplishes obligation monitoring function, thus the Secretariat does not hold an administrative function.

The Secretariat for European Affairs specific activities are as follows:

- Coordination and conformance of the work of the state administration authorities and of other bodies and institutions relating to preparation for European Union membership;
- Monitoring of implementation of the Stabilisation and Association Agreement concluded between the former Yugoslav Republic of Macedonia and the European Communities and their Member States and of other Agreements concluded between the former Yugoslav Republic of Macedonia and the European Union;
- Participation and monitoring of the working bodies established within the Stabilisation and Association Agreement and other Agreements with the European Union;
- Coordination and monitoring of the realisation of the European Partnership;
- Coordination and monitoring of the realisation of the National Programme for adoption of the *acquis communautaire*;
- Preparation of the national version of the *acquis communautaire* and translation of national legislation;
- Strengthening the institutional capacity for conducting the European integration process;
- Preparation for negotiations of the former Yugoslav Republic of Macedonia for European Union membership and taking part in formulation further negotiation positions;
- Coordination of the foreign assistance provided by the European Union and its Member States and of other foreign assistance intended for the reforms complementary to the integration process of the former Yugoslav Republic of Macedonia in the European Union;
- Public communication and information dissemination for the activities associated with the European integration process and European affairs;
- Operation conformance of the state administration authorities of the former Yugoslav Republic of Macedonia as a European Union Member State.

SEA support and some persons engaged through an agency for temporary employments (based on service contracts).

Several project units support the SEA work:

- (UNDP) United Nations Development Programme;
- Sustainable EU learning and training system – start: October 2010;

- IPA training and support facility project;
- IPA 2008 project - Technical Assistance for Strengthening the Capacity of the Institutions to manage and implement the Operational Programmes
- 1 consultant through the French Embassy.

National Authorising Officer is body of decentralised management, managing the operations of National Fund, which is entrusted the overall responsibility for financial management of EU funds.

NAO is responsible for legality and regularity of the transactions executed within the decentralised management, and for effective functioning of the management and control systems in line with IPA.

NAO upon prior consent by CAO and NIPAC, propose the person (or persons) to perform the function of Programme Authorising Officer.

National Fund is central treasury body within Ministry of Finance through which the pre-accession funds from the European Communities are transferred to the former Yugoslav Republic of Macedonia.

Functions and responsibilities related to National Fund are carried out through respective organisational units within the Ministry of Finance -Financial Management Unit of EU-IPA funds and Financial and System Control Unit of EU-IPA funds.

Within the Decentralised Implementation System, Operating Structures per IPA Component are established. The Operating Structures comprise of Central Financing and Contracting Department (CFCD) as lead body and IPA Units/ Working groups established in the relevant institutions beneficiaries of IPA projects.

Central Financing and Contracting Department is a department within the Ministry of Finance, acting as main body in the Operating Structure for the IPA Component I-IV in charge of the functions and responsibilities, as described in Article 28 of IPA IR and Point 6 of Annex A of the Framework Agreement between EC and RM (OJ 18/2008).

CFCD is headed by the Programme Authorising Officer (PAO) for TAIB and Head of Operating Structure (HOS) for RD and HRD IPA Components, solely responsible for carrying out tendering procedures, contracting, and execution of payments to contractors/grant beneficiaries, as well as the accounting of projects financed under IPA. In addition to the functions and responsibilities as described in Article 28 IPA IR, PAO/ HOS shall perform overall supervision over the functioning of the Operating Structures and shall supervise the IPA Structures in the beneficiary institutions in carrying out the tasks delegated under the signed Operational Agreement. These Operational Agreements are signed between PAO/HOS and the designated Senior Programme Officers (for TAIB) and IPA Coordinators (for RD and HRD) heading the IPA Structures in the beneficiary institutions.

CFCD is comprised of 4 Units: General Affairs and Control Unit, EU Procurement and Contracting Unit, Programme Monitoring Unit, and Finance Unit. In addition, a Project Implementation Unit financed through OPHRD is established in the Ministry of Finance to work solely on implementation of OPHRD within the scope of work of CFCD.

AUDIT AUTHORITY

In July 2007 the AA was established as an integral part of the State Audit Office, functionally independent from all actors of the management and control systems, thus performing its competences in accordance with the State Audit Law provisions. As a separate legal entity, the Audit Authority was established in June 2011, in accordance with the Law on auditing IPA (Official Gazette of the RM, No 66 from 13 May 2010).

Audit Authority has a mandate only to audit under decentralized management (where the Commission confers the management of certain actions of the beneficiary country) with and

without ex-ante control by the European Commission (EC). It is responsible for the verification of the effective and sound functioning of the management and control systems.

Under the responsibility of the General IPA Auditor, the AA shall in particular fulfil the following functions and assume the following responsibilities:

- During the course of each year, establishing and fulfilling an Annual Audit Work Plan (AAWP) which encompasses audits aimed at verifying:
 - the effective functioning of the management and control systems;
 - the reliability of accounting information provided to the Commission.

The AAWP shall be submitted to the NAO and the EC before the start of the year in question (i.e. on 30 September of the year at the latest, and should cover the following 12-month period, ending on 30 September of the following year).

- submitting reports and opinions as follows:

- an **annual audit activity report (AAAR)** following the model in **ANNEX C** to the Framework Agreement (FwA) (Official Gazette of the RM, No. 18 from 05 February 2008) and setting out the resources used by the AA, and a summary of any weaknesses found in the management and control system or in transaction findings from the audits carried out in accordance with the AAWP during the previous 12 month period, ending on 30 September of the year concerned. The AAAR shall be addressed to the EC, the CAO and copy³ to the NAO by 31 December each year.
 - an **annual audit opinion (AAO)** following the model set out in **ANNEX D** to the FwA as to whether the management and control systems function effectively and conform to the requirements of this Framework Agreement and the IPA Implementing Regulation and/or any other agreements between the EC and the RM. This opinion shall be addressed to the EC, CAO and copy to the NAO. It shall cover the same period and have the same deadline as the AAAR.
 - An annual audit opinion on the accounts and statement of expenditure, submitted by the NAO to the EC for IPARD Programme, accompanied by a report supporting this opinion. It shall be sent to the EC and CAO.
 - an **opinion on any final statement of expenditure** submitted to the EC by the NAO, for the closure of any programme or of any part thereof. Where appropriate, the final statement of expenditure may include payment applications in the form of accounts submitted annually. This opinion shall address the validity of the final payment application, the accuracy of the financial information, and, where appropriate, be supported by a final audit activity report. It shall follow the model provided in **ANNEX E** to the FwA. It shall be sent to the EC and to the CAO at the same time as the relevant final statement of expenditure submitted by the NAO, or at least within three months of the submission of that final statement of expenditure.
- Further specific requirements for the AAWP and/or the reports and opinions mentioned under the previous bullet point may be set out in the SA or FA.

With regard to the methodology for the audit work, reports and audit opinions, the AA must comply with internationally accepted audit standards in particular as regards the areas of risk assessment, audit materiality and sampling. That methodology may be complemented by any further guidance and definitions from the EC, notably in relation to an appropriate general approach to sampling, confidence levels and materiality.

ANNEX III - Reference list of relevant laws and regulations only where relevant

- National Programme for Adoption of the Acquis Communautaire (with annual revisions);
- IPA 2 regulation;
- Decree for Determining Mutual Relations between Bodies and Structures of Decentralised Management of the First Four Components under EU Instrument for Pre – Accession Assistance (IPA)

ANNEX IV - Details per EU funded contract (*) where applicable:

The estimated total cost of this project is EUR 3,100,000, out of which EUR 2,770,000 will be financed from IPA, while EUR 330,000 will be national contribution.

Measure 1:

Operation 1.1 and 1.2: Twinning light Contract in total amount of EUR 250,000 out of which EUR 237,500 IPA Contribution and EUR 12,500 national co-financing

Operation 1.3: Twinning Contract in total amount of EUR 600,000 out of which EUR 570,000 IPA Contribution and EUR 30,000 national co-financing

Operation 1.4: Twinning light Contract in total amount of EUR 250,000 out of which EUR 237,500 IPA Contribution and EUR 12,500 national co-financing

Operation 1.5: Supply contract in total EUR 500,000, out of which EUR 352,000 IPA Contribution and EUR 125,000 national co-financing

Measure2: Service Contract in total amount of EUR 1,500,000 out of which EUR 1,350,000 IPA Contribution and EUR 150,000 national co-financing

Indicative list of supplies needed to perform the duties of the relevant institution linked to IPA funds

No.	Type of supply	Quantity	Unit price in €*	Total in €	Lider institution
1	Terrain vehicles for on the spot control (4x4)	4	25,000	100,000	Audit Authority and 1 NF
2	GPS	5	500	2,500	Audit Authority
3	Laser meter	10	800	8,000	Audit Authority
4	Schubler	15	20	300	10 Audit Authority, 3 OS and 2 NF
5	Camera	6	200	1,200	5 Audit Authority and 1 NF
6	Video recorder	5	400	2,000	Audit Authority
7	Mail server	1	4,000	4,000	Audit Authority
8	Web server	1	4,000	4,000	Audit Authority
9	Data back up server	5	7,000	35,000	1 Audit Authority and 3 OP and 1 NF
10	Laptop	50	900	45,000	35 Audit Authority and 15 OP
11	Personal computer	42	1,000	42,000	10 Audit Authority and 20 OP and 12 NF

12	Scanner	10	150	1,500	Audit Authority
13	Multifunctional network machine	26	500	13,000	10 Audit Authority and 15 OP and 1 NF
14	Printers	13	150	1,950	5 Audit Authority and 8 OP
15	Copy machine A3 format	8	3,000	24,000	3 Audit Authority and 5 OP
16	Audit software including all modules	1	20,000	20,000	Audit Authority
17	Data Management System (DMS)	1	500	500	Audit Authority
18	Shredder	2	200	400	Audit Authority
19	LCD projector	12	600	7,200	3 Audit Authority and 8 OP and 1 NF
20	GPS	2	500	1,000	NF
21	Laser meter	2	800	1,600	NF
22	Laptop	4	600	2,400	NF
23	Scanner	1	1,000	1,000	NF
24	Office desks	15	200	3,000	NF
25	Safe Metal Cabinets	10	200	2,000	NF
26	Dictaphone	1	150	150	NF
27	Office Chairs	15	100	1500	NF
28	Laptop (for 6 TC offices + attic office and trainers)	20	650	13,000	SEA
29	Licences (20 windows + 20 MS office)	20	650	13,000	SEA
30	Switch (5*24port))	5	500	2,500	SEA
31	Switch (5*5port)	5	50	250	SEA
32	Routers	5	100	500	SEA
33	Projectors (2 ceiling mounted)	2	700	1,400	SEA
34	Projectors (2 normal)	2	600	1,200	SEA
35	Other unexpected expenditure for the IT equipment	1	2,000	2,000	SEA

36	Vehicle for on the spot control and communication and visibility	1	20,000	20,000	SEA
37	Car for on the spot	1	12,000	12,000	SEA
38	Server	1	7,000	7,000	SEA
39	Storage	1	10,000	10,000	SEA
40	Rack	1	2,000	2,000	SEA
41	Personal computer	22	1,000	22,000	SEA
42	Multifunctional network device	1	6,500	6,500	SEA
43	Portable printers	10	200	2,000	SEA
44	Palms	10	500	5,000	SEA
45	DSLR cameras	2	2,000	4,000	SEA
46	Dictaphone	3	150	450	SEA
47	Simultaneous interpretation systems	2	20,000	40,000	SEA
48	Other equipment	x	x	10,000	
GRAND TOTAL:				500,000	

*Current market prices

Beneficiaries are Secretariat for European Affairs, Ministry of Finance - National Authorizing Officer/National Fund and Central Financing and Contracting Department, institutions beneficiaries of EU funds being part of the accredited Operating Structures and Audit Authority.

Indication on how detailed technical specifications will be prepared - The technical specification regarding the abovementioned supply items will be developed by the beneficiary in collaboration with the IT Departments within the relevant institution. Thus, the support of the institution in purchasing the IT equipment will be appreciated.

Justification

Supply contract – items for Audit Authority

Considering that the Audit Authority is relatively new institution (it has been one year since its establishment as a separate legal entity), it necessitates further strengthening of its administrative and technical capacities with special emphasis to IT technology related to provision of technical equipment for work of its employees and data security equipment. Having in mind the fact that the number of projects, financed under all the four currently accredited IPA components reaching the implementation

phase, is in constant growth, the number of on-the-spot controls to be performed by the Audit Authority increases as well. The scope of work of the Audit Authority is expected to increase further with the accreditation of the IPA component 2 and other measures under IPA component 5, implementation of the new EU Regulation for the upcoming 2014-2020 Financial Perspective as well as with the preparation of the Audit Authority to audit other EU funded projects under the Structural and Cohesion funds. One of the main preconditions to perform more efficient and effective on-the-spot controls is the usage of modern equipment. Thus, having relevant equipment for on-the-spot control is of outmost importance for the Audit Authority.

Besides these, the relevant DGs have submitted observations and recommendations regarding the Audit Authority. The most recent observations are related to the organisational and procedural arrangements of the Audit Authority, more precisely, to the provision of service vehicles and equipment for execution of on-the-spot controls, strengthening of technical vocation and human resource policies and usage of Information and Communication Technologies tools during the audit work. In order to address such observations and recommendation, the Audit Authority needs financial support under this project.

Supply contract – items for National Fund

In order to be assured continuous support in the process of establishment and functioning of the management and control systems, monitoring of the functioning of the structures for management of EU funds and preparing for the new perspectives of upcoming 2014-2020 Multi-annual Financial Framework, special attention is put on strengthening the current administrative capacities responsible for the implementation of the EU funds under different IPA Programmes.

Based on the observations and recommendations given by different DGs to the national authorities in regard to the respecting the accreditation criteria for effective functioning of management and control systems, additional strengthening of the NAO/NF effective supervision role over the management and control system of the Operating Structures for different IPA Components and respecting sound financial management principles is needed.

In this manner, verification visits to the Operating Structures and on-the-spot visits on the project/beneficiary level as tools in view of proper reporting on the Statement of Assurance (SoA) to the EC services should be strengthened. Therefore, funds will be needed for additional equipment in order to be properly followed and performed the verification visit/on-the-spot control.

In addition, it should be mentioned that in order to be properly used and functional the established management and information system (MIS) for the I-IV IPA components and document management system (DMS), additional supply is need in a manner of proper IT equipment that will support the functioning of MIS and DMS.

Audit Authority findings related to the risk of not existing a copy and proper back-up of the documents related to the tasks and duties NAO/NF, risk of losing or damaging of the documents and in this context their recommendations for undertaking some activities in order to be assured proper and safely established archiving system in National Fund, respecting the principle for regular back-up of the documents is base on which additional funds are needed for purchase of equipment that will allow

respecting the archiving principles, existing of copy and regular back-up of the NAO/NF related documents.

Supply contract – items for Operating Structures

Considering the IPA IR requirement for waiving ex-ante controls, the Government submitted proposals for Roadmaps for waiving ex-ante controls for IPA components III and IV. In accordance with the roadmaps, the DIS system should undergo certain changes, most notably in the Operating Structures. The restructuring of the Operating Structures should be proposed in due time and changes should take place by the time the proposed supply project is implemented. The three Operating Structures for IPA Components I, III and IV will be more decentralised and the number of staff employed will increase. The Operating Structures will also adapt to the requirements of Regulation IPA II and also to the Regulations for management of Cohesion and Structural funds.

So far the major deficiencies identified concerning the Operating Structures relate to the lack of staff and administrative capacity. In addition, due to high costs of the equipment, there is a constant lack of sufficient supplies. Focusing the State Budget allocations to the recruitment of staff and building of capacity of already employed staff, it is regarded as crucial to obtain support for purchasing technical equipment. This would improve the functioning of the structures resulting in better use of EU funds.

Supply contract – items for NIPAC office

The supplied envisaged under this sub-component is intended to support the day to day functioning of the NIPAC office in performing the duties in the field of programming, monitoring, evaluation and communication and visibility activities. Also it is envisaged to support the IT system as to ensure proper back up of the relevant documentation that could be jeopardize as the current situation is deteriorating.

In turn, some of the supplies should assist in quality organization of the IPA and Sectoral Monitoring committees having in mind that the current conditions are not suitable for organization of these events. The rest of the equipment enlisted should enable proper functioning of the monitoring, evaluation and communication responsibilities especially when the scope and these activities will only get bigger and heavier. Thus far the bulk of these activities were done in sub-standards and use personal equipment of the NIPAC office staff in most of the occasions and events. With the supply of this equipment we expect to increase the quality level of functioning and increase the quality of the outputs.

Supply contract – items for Training Centre – SEA

Operation 1.4. Further supports of the development and strengthening of the capacity of the EU/IPA Training Centre of SEA; and Operation 1.5 – Supply of equipment and equipment - Strengthening of the central unit of SEA with high performance server, back-up storage and rack is of imminent importance. At the moment, SEA, the NIPAC Office included, is not able to perform regular and systematic data back-up. The requested equipment shall enable SEA to reorganize and consolidate its central unit which shall bring us to increased performances of the entire system, as well a reliable connection with the Training centre infrastructure in one overall environment.

The activities under this project related to the operation and capacity building of the SEA Training Centre and its training structure (pool of trainers), necessitate and imply also improvement of the technical capacity of the SEA Training Centre. An objective of the SEA Training Centre is raising the level of capacity of the TC and of the pool of trainers, which as activities should be followed hand in hand with adequate equipping of the rest of the premises of the Training Centre.

Currently, only two of the training rooms are networked and they are not supplied with projectors (the Training Centre does not dispose with any projectors). The equipment requested is related to the needs of the staff of the Centre as well as for the operation of the trainers and full operation of the training rooms. Thus, it is of paramount importance to improve of software already in use and supply of the needed equipment, laptops, licenses, projectors, as well as routers and switches for putting. This will definitely enable us to put in operation the rest of the training rooms and facilities of the Training Centre, thus we perceived it as an imminent activity, complementary and in harmony with the foreseen capacity building activities.

Other tentative expenditure for the IT equipment

The edifice in which the Training Centre is placed is still being upgraded and reconstructed and it shall be accordingly digitally networked. The roof of the building is due to be reconstructed and extended. These works shall take place in 2012 and 2013. All of these construction activities shall necessitate upgrading, rewiring and in different segments placing of totally new internal network that will enable access to the existing and new IT resources, including access to internet throughout the whole building. At this hour it shall be difficult to state how much wires and cables of different types and switches and plugs shall be required for this activity, thus the related costs that are due to incur equipment wise from the upgrading of the building are defined as other unexpected expenditures.

ADDITIONAL EXPLANATIONS ON PURCHASE OF VEHICLES

Information regarding the plans of the Audit Authority to purchase vehicles

With a view to the fact that in the forthcoming period the scope of work of the Audit Authority will constantly increase, the intention of the Audit Authority is to purchase 3 terrain vehicles through this project. The vehicles will be used by the auditors for the purpose of conducting the audits and on-the-spot controls – one per IPA components 3 and 5, and third one for the IPA components 1, 2 and 4. As the former Yugoslav Republic of Macedonia is mainly a mountainous country, full of highlands, the terrain vehicles will be needed for the auditors to reach such places when fulfilling the AA functions.

For the purpose of protecting EU's financial interests, this project will be focused on the further development and strengthening of its organizational, administrative and technical capacities of the Audit Authority. The purchase of terrain vehicles will significantly enhance the administrative and technical capacities of the Audit Authority.

The Audit Authority already possesses two vehicles, both purchased through the budget of the institution, which are used by the auditors when conducting the current

audit activities. However, for the purpose of meeting the increasing scope of work, the Audit Authority would need financial assistance under this project to purchase the three additional vehicles.

Information regarding the plans of the SEA to purchase vehicles

The vehicles will be originally used for monitoring visits of NIPAC/NIPAC office and performing of the envisaged communication and visibility actions for all IPA components.

In the past period when we performed some ad hoc monitoring visit we used the vehicles from the Service for General and Common Affairs within the Government since SEA does not have its own vehicles. The arranging for the services went very difficult. In addition the cars that they have are used by all ministries and other Governmental institutions which in turn hampered the use when we need them and beside that the vehicles are in poor state of maintenance and it happen that on several occasions they fail. Having own vehicle employees from NIPAC office will prepare and implement plan for ad hoc monitoring visits swiftly and without delays. NIPAC office request two vehicles, one car and one terrain because very often our monitoring visit and/or visibility event will require NIPAC office team to be included in its realisation.

Since, the Government set anti-crisis measures, purchasing of all kind of supply is forbidden we cannot purchase vehicles through the budget of the institution.

Information regarding the plans of the MF to purchase vehicles

Having in mind that the scope of work of the NAO/NF will constantly increase, based on recommendations by different General Directorates for the I, III, IV and V IPA Components for strengthening the on-the-spot controls, it is created a need for procurement of terrain vehicle by which NF employees who are responsible to perform on-the-spot controls and verification visits, will be able to continuously perform these controls/visits. In addition, it should be mentioned that the Ministry of Finance is unable to provide NF with purchasing terrain vehicle having in mind the existing anti-crisis measures adopted on the Government al session. The anti-crisis package of measures is aimed at creating conditions for adaptive national economy in order to mitigate the negative consequences of global economic and financial crisis. With these anti-crisis measures the government adopted a "ban on procurement of furniture, equipment, vehicles and other unproductive expenditures for all budgetary users" and this ban is still in force. In addition, it should be mentioned that the purchase of terrain vehicles will significantly enhance the administrative and technical capacities of the National Fund in performing the effective functioning of management and control systems as a monitoring tool of NAO.

Maintenance

For the first year the purchased equipment will be maintained by the supplier within the guaranty period. Furthermore the supplier will be obliged to train staff from the final beneficiaries who will be responsible for the first level maintenance of the system after the expiry of the guaranty period. Furthermore where necessary a **Service-level agreement (SLA) with external providers will be contracted.** All costs for maintenance after the guaranty period will be borne by the relevant

institutions. The budget for the maintenance will be secured from the budget of the institution.

ANNEX V - Project visibility activities

All requirements to ensure the visibility of EU financing will be fulfilled in accordance with the Commission Regulation (EC) No. 718/2007 of 12 June 2007 Implementing the Council Regulation (EC) No 1085/2006 Establishing an Instrument for Pre-accession Assistance (IPA IR) and the National IPA Communication Strategy **and** IPA Communication Practical Guidelines drafted by NIPAC relevant under DIS.

During the implementation of the Project the necessary measures will be taken to ensure the visibility of the EU financing or co-financing. Such measures must be in accordance with the applicable rules on the visibility of external action laid down and published by the Commission. The Project must observe the latest Communication and Visibility Manual for EU External Actions concerning acknowledgement of EU financing of the project (http://ec.europa.eu/europeaid/work/visibility/index_en.htm). Particular attention should be given to ensuring the sustainability and dissemination of project results. The visibility issues must be addressed in all types of communications, written correspondence and preparation of deliverables (brochures, posters, new letters pamphlets and other type of promotion material). All the deliverables to be published / issued will respect and comply with visibility guidelines.

ANNEX VI – PPF projects – past assistance

Project Preparation and Support Facility – 2007					
246227	Development of ToR for establishment of Management Information System for DIS implementation of IPA Comp I-IV (add1 to 212200)	INTERNATIONAL BUSINESS MACHINES OFBELGIUM SA	14/12/2010	15/01/2011	€ 4,375
221235	Drafting Terms of Reference for TA for Directorate for Data Protection	ATOS BELGIUM NV	28/11/2009		€ 36,606.74
221457	Drafting of ToR for TA to implementation of the Roma Strategy	AGRICONSULTING EUROPE SA	01/12/2009	31/03/2010	€ 32,463.35
253396	Financial audit of sixteen CARDS CBC grant contracts	ERNST AND YOUNG BEDRIJFSREVISOREN CVBA	18/11/2010	17/05/2012	€ 142,105
235988	Drafting ToRs for Technical Assistance for Enhancing the Administrative Capacities of Telecom and Media Authorities for Efficient Regulation of New Digital and Multiple Play Services	ATOS BELGIUM NV	10/05/2010	07/09/2010	€ 43,200
236184	Support to the Operating Structure for Decentralised Implementation of IPA 2009 Component I TAIB	EUROPEAN CONSULTANTS ORGANISATION SPRL	06/05/2010	10/09/2010	€ 98,754.17
236572	Preparation of control and eradication of Rabies	AGRICONSULTING EUROPE SA	14/05/2010	07/01/2011	€ 184,180
243004	Assessment of rehabilitation and upgrading needs of the Railway Station-Skopje	STTE CONSORTIUM SOCIETE MOMENTANEE	10/06/2010	19/09/2010	€ 79,990
239135	Preparation of technical specifications for equipment for air monitoring and information system for data management	AGRECO GEIE	07/06/2010	15/12/2011	€ 96,700
239137	Preparation of technical specifications for equipment for pilot waste management data collection and reporting system	PARTICIP GMBH CONSULTANTS FUR ENTWICKLUNG UND UMWELT	09/06/2010	14/12/2011	€ 99,790
252831	Support for the drafting of the follow-up strategic documents and corresponding action plans for the prevention and repression of corruption and conflict of interest	BUSINESS AND STRATEGIES IN EUROPE SA	18/11/2010	18/06/2011	€ 165,968
251278	Study of the Regulatory Authorities in Telecommunications and Media	ASTECC GLOBAL CONSULTANCY LIMITED	19/11/2010	05/04/2011	€ 34,825
251218	Capacity building support to the State Appeals Commission (SAC)	DFC SA	22/11/2010	05/03/2012	€ 154,435
260047	Technical assistance for the evaluation of the tender for supply of rabies vaccines	JAKAVA-VILJANEN	28/01/2011	30/03/2011	€ 5,000
260636	Training on Risk based Insurance Supervision	AIDE A LA DECISION ECONOMIQUE SA	08/02/2011	07/03/2011	€ 10,000
259725	Support to the transition of the Civil Servants Agency into the Agency of Administration	PARTICIP GMBH CONSULTANTS FUR ENTWICKLUNG UND UMWELT	21/02/2011	09/12/2011	€ 133,570
259608	Support to drafting of strategic documents and corresponding action plans, including media awareness research, for improved implementation of the personal data protection right	IBF INTERNATIONAL CONSULTING SA	21/02/2011	09/12/2011	€ 164,015
260495	Financial Audit Concerning the 8 IPA Contracts	MOORE STEPHENS LLP	23/02/2011	19/09/2012	€ 127,567
261846	Support in the area of public administration reform – Analysis of workflow and development of performance measurement system	BUSINESS AND STRATEGIES IN EUROPE SA	23/02/2011	02/11/2011	€ 188,065
261866	Building the local capacities for better use of the funds of the Competitiveness and Innovation Programme (CIP)	ECORYS NEDERLAND BV	23/02/2011	03/12/2011	€ 158,914.66
260026	Drafting ToR for the service contract "Capacity building to institutions involved in implementation of the Industrial policy"	DFC SA	23/02/2011	05/07/2011	€ 65,420
260594	IT Audit of the Management Information System (MIS) for EU IPA Components I IV and IT support to the CFCD	DANISH MANAGEMENT AS	04/03/2011	31/08/2011	€ 37,165
Project Preparation Facility, Audit and Evaluation - 2008					
156816	TA for preparation of the ToR for IPA Training Facility in the former Yugoslav Republic of Macedonia	AGRICONSULTING EUROPE SA	06/06/2008	01/08/2008	€ 61,133.74

157594	Technical assistance to the development of local infrastructure through an open call for municipal infrastructure proposals	EPRD- BIURO POLITYKI GOSPODARCZEJ IROZWOJU REGIONALNEGO SP(ZOO)	10/06/2008	30/04/2009	€ 164,232.54
158297	Technical Assistance for drawing up Terms of Reference and a Twinning project fiche for support to the Energy Regulatory Commission	ATOS BELGIUM NV	14/07/2008	22/09/2008	€ 60,648.45
58870	Technical Assistance for drawing up Terms of Reference for the Civil Servants Agency	ATOS BELGIUM NV	02/07/2008	25/10/2008	€ 27,802.25
161325	TA for drawing up ToR and Twinning Light Fiche for support to the Secretariat General as well as one ToR for support to the Secretariat for the Implementation of the Ohrid Framework Agreement	AGRICONSULTING EUROPE SA	11/08/2008	11/11/2008	€ 72,176.13
160038	Technical Assistance for drawing up Terms of Reference for State Statistical Office	AGRICONSULTING EUROPE SA	25/06/2008	15/09/2008	€ 54,617.20
160089	Technical Assistance for drawing up Terms of references for the national Public Revenue Office	EPRD- BIURO POLITYKI GOSPODARCZEJ IROZWOJU REGIONALNEGO SP(ZOO)	20/06/2008	12/09/2008	€ 63,938.52
169378	Provision of Engineering Services for the preparation of the structural/architectural design and the works tender dossiers for the renovation of Police Stations	HYDROPLAN INGENIEURS GMBH	15/12/2008	01/10/2010	€ 126,787
218927	Technical Assistance for Preparation of Investment Project for Wastewater Collection and Treatment in Prilep	EPTISA SERVICIOS DE INGENIERIA SL	27/10/2009	19/12/2010	€ 798,875
219031	Drafting of Terms of Reference for the Technical Assistance to the Parliament	BERENSCHOT GROEP BV	30/10/2009	16/03/2010	€ 34,002.37
215043	Drafting ToRs for Technical assistance for capacity building of the Bureau of Metrology	ECA ENTIDAD COLABORADORA DE LA ADMINISTRACION SA	28/09/2009	02/12/2009	€ 33,748
214595	Drafting ToRs for technical assistance for capacity building of the Institute for Accreditation	IBF INTERNATIONAL CONSULTING SA	11/09/2009	23/12/2009	€ 38,099
214977	Drafting ToRs for Technical assistance project for capacity building of the Institute of standardisation	ECA ENTIDAD COLABORADORA DE LA ADMINISTRACION SA	13/10/2009	06/02/2010	€ 38 831,00
212200	Development of ToR for establishment of Management Information System for DIS implementation of IPA Comp I-IV	INTERNATIONAL BUSINESS MACHINES OFBELGIUM SA	30/07/2009	02/01/2010	€ 54,438.85
210604	Public Announcements (short procurement notices) for Local Open Tenders under IPA 2007 and 2008	IMIKA DOO UVOZ-IZVOZ SKOPJE	08/06/2009	08/06/2010	€ 3,500
216317	TETRA PHASE 1 PROVISIONAL ACCEPTANCE, in the former Yugoslav Republic of Macedonia	S & T SERVICES POLSKA SPOLKA ZOO	04/08/2009	04/10/2009	€ 48,920
216332	Observer in the evaluation committee of cross-border programmes	ITALTREND SPA	16/09/2009	28/09/2011	€ 74,435.67
219301	Preparation of Tender Dossier	BAR ENGINEERING CONSULTING ENVIRONMENT DOOEL	26/10/2009	26/01/2010	€ 4,000
219876	Assessment of the implementation of the strategy for the reform of the judicial system	SOGES SPA	30/10/2009	07/05/2010	€ 129,423.02
218881	Supervision of works contract for the renovation of 8 police stations and for the renovation of the police station in Tetovo	SAFEGE SA	30/10/2009	16/01/2012	€ 159,947