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ANNEX II

of the Commission Implementing Decision on the IPA III Annual action plan in favour of the Republic of North Macedonia for 2022

Action Document for EU for Modern Public Administration

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23 of NDICI - Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

Title	EU for Modern Public Administration Annual action plan in favour of North Macedonia for 2022			
OPSYS	ACT-60915			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in North Macedonia			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 2: Good governance, <i>acquis</i> alignment, good neighbourly relations and strategic communication Thematic priority 1. Good governance			
Sustainable Development Goals (SDGs)	Main SDG 16: Peace, justice and strong institutions Other significant SDG 8: Decent work and economic growth			
DAC code(s)	15110 Public sector policy and administrative management (86%) 24020 Monetary institutions (7%) 16062 Statistical capacity building (7%)			
Main Delivery Channel	12000 - Recipient Government			
Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, newborn and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Digitalisation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020101.01 Total estimated cost: EUR 18 000 000 Total amount of EU budget contribution EUR 18 000 000, of which EUR 14 000 000 for budget support EUR 1 500 000 for complementary support EUR 2 500 000 for project modality			
MANAGEMENT AND IMPLEMENTATION				
Implementation modalities (type of financing and management mode)	Project Modality and Budget Support Direct management through: - Budget Support: Sector Reform Performance Contract - Twinning grant - Procurement			
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans	Priorities: "Governance, Rule of Law, PAR" Flagship "VIII Digital Infrastructure"			

Final Date for conclusion of Financing Agreement	At the latest by 31 December 2023
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The Action will support the reform of the public administration and the economic governance, which are part of the ‘fundamentals’ of the EU enlargement policy. The overall objective is to improve the effectiveness and efficiency of the public administration of North Macedonia in line with the reform priorities of the Public Administration Reform Strategy 2018-2022 and the new PAR Strategy¹ for the period 2023-2030. The EU will support North Macedonia to reorganise, modernise and digitalise its public administration and enhance the use of statistical and financial data in crafting policy reforms and ensuring the economic stability.

The Action will be implemented through a Sector Reform Performance Contract (SRPC) and Project approach.

The Sector Reform Performance Contract, supported by technical assistance, is expected to:

- Reorganise and optimise the state institutional framework;
- Put in place a fair, transparent and competitive remuneration system;
- Enhance the digital transformation and enlarge the scope and use of e-services.

The Project approach will strengthen the capacity of North Macedonia to:

- Produce and disseminate high quality environmental and health statistics in line with the EU/EUROSTAT standards;
- Improve the external statistics produced by the National Bank of North Macedonia;
- Modernise the payments infrastructure and move to the global messaging standard, allowing for higher data quality, security and operational efficiency.

¹ To be adopted by end 2022

2. RATIONALE

2.1. Context

The first Intergovernmental Conference on the accession negotiations with North Macedonia took place on 19 July 2022, following the approval by the Council of the Negotiating Framework. The Commission started immediately the screening exercise, which is the first step in the negotiating process. The Public Administration Reform (PAR) is part of the ‘fundamentals’ of the EU accession and its importance has been reinforced with the revised enlargement methodology, which is reflected in the Negotiating Framework with North Macedonia. The 2021 Communication on the EU Enlargement Policy acknowledges that North Macedonia is moderately prepared and recommends the country to pursue the state reorganisation of state administrative bodies, to improve the lines of accountability, ensure full implementation of the Law on General Administrative Procedures, and complete the revision of the legislative package² aimed at strengthening the merit-based principle in recruitments, promotions and dismissals, and improving the management of human resources across the administration.

In North Macedonia, the public administration reform is defined by the adopted PAR Strategy 2018-2022. The strategic objectives and measures to improve the management of public finance is subject to a separate strategy. The new PFM Strategy 2022-2025 is ready and is under consultations.

The PAR strategy, in line with SIGMA principles for good governance, comprises 4 priority areas:

- Policy making and coordination,
- Public service and human resource management,
- Responsibility, accountability, and transparency, and
- Service delivery and ICT support to the administration.

The implementation of the planned measures is reported yearly. Reports are of good quality and available online.

The political oversight on implementation of the PAR Strategy is ensured by the high-level Public Administration Reform Council chaired by the President of the Government, and technically supported by the PAR Secretariat. The mechanism for inclusive and multilateral policy dialogue on the PAR is centred in the PAR Sector Working Group (SWG) that brings together the relevant national institutions, donors, and civil society actors. The SWG-PAR has operated effectively since 2015 and is a good channel for the EU to pass solid and streamlined messages and guide the sector policy dialogue. It has a large mandate from identifying priorities to coordination to reviewing sector reform progress. The SWG is chaired by the Minister of Information Society and Administration and is institutionally supported by the NIPAC office. In the EU Delegation, the donors and foreign partners participate and support the SWG through advice, sharing of knowledge and information. This is the platform that also embeds donor coordination. Since spring 2020, this SWG is also in charge of the multilateral policy dialogue on digital transformation.

North Macedonia progressed well with the implementation of the PAR Strategy, which is undergoing an assessment to establish the extent to which the objectives and targets were met and to inform the development of the new PAR Strategy 2023-2030.

In parallel, the development of a new PAR Strategy 2023-2030 was launched and progresses along the same priority areas, and with the support of SIGMA. The new PAR Strategy is expected to be adopted by the end of 2022.

² comprising the laws on administrative servants, on public service employees and on top management service

2.2. Problem Analysis

SECTOR BUDGET SUPPORT MODALITY

Area of support #1: Efficiency of Public Administration

The organisation of the **state administration** remains a key challenge for North Macedonia. The fragmentation of the legislative framework that regulates administrative structures and responsibilities results in duplication of functions, weak accountability, and reduced effectiveness in implementing procedures and control mechanisms. Most executive bodies are created by *lex specialis* (82³). In many cases, there is no clear separation of policy planning, implementation and oversight. There is a need for streamlining and optimising the institutional framework, eliminating overlapping and unclear competencies, and ensuring effective and rational lines of accountability. Ongoing EU assistance⁴ has supported the country in developing a concept for state reorganisation streamlining the institutional set-up. The reorganisation will be launched with a pilot exercise covering three Ministerial systems in 2022-2023. This action will support North Macedonia in rolling out the full state reorganisation using the methodology and experience gained through the pilot. The objective is to achieve the full reorganisation covering the 16 ministerial clusters by 2026.

The **public service and human resource management**⁵ face persistent deficiencies, especially in senior civil service, training, and disciplinary procedures. Extensive regulations outside of the regular civil service legislation allow higher salaries in certain executive bodies, and create gaps in the implementation of the merit principle. While the number of eligible candidates in recruitment procedures increased to an average of five per vacancy in 2020, the recruitment is still insufficiently competitive across the whole administration, and particularly in the executive bodies. The discretionary appointment and dismissal of senior managers remains the weakest area. The percentage of disciplinary sanctions confirmed by the courts is low, which indicates procedural weaknesses or unfair disciplinary sanctions. According to the 2021 Balkan Barometer survey⁶, bribery in the public sector remains widespread compared to other countries in the region. The professional development of civil servants remains a challenge and there are no permanent mechanisms for entry and refresh training on integrity and ethics. Retention of well performing, professional and skilful senior managers remains a huge challenge. The low and imbalanced salaries, the lack of merit-based career opportunities and increasing workload related to the ambitious structural reforms hamper the country in retaining expertise and attracting talents in the public sector. Particularly acute is the problem with attracting and retaining people with IT and engineer background, highly demanded by the private sector.

A key tool for mitigating these deficiencies is the **remuneration system** for public employees, which needs to become fair, competitive and transparent, and ensure "equal pay for equal work" principle in the public sector while providing a wide range of possibilities for the remuneration of high-performance employees. Introducing a single salary framework for all public sector employees, complemented by collective agreements or special laws for different groups of employees, will require analysis of the current legal framework and the proposal of a new one accompanied by an evaluation of fiscal impact and simulations on the implementation of the solutions considering the important budgetary restrictions, as well as a large communication exercise to ensure that the reform is well understood and well accepted.

Area of support #2: E-services

³ Includes public enterprises that perform executive functions

⁴ *Support to State Organisation in North Macedonia* (EuropeAid/139876/DH/SER/MK)

⁵ SIGMA. <https://www.sigmaxweb.org/publications/Monitoring-Report-2021-Republic-of-North-Macedonia.pdf>

⁶ <https://www.rcc.int/download/docs/2021-06-BB2021-Business.pdf/439939a7489554684db46d2c266bfdbc.pdf>

In line with the PAR strategy, full implementation of the e-citizens gateway is a tool to improve, accelerate and simplify the administrative procedures, to fight corruption and to increase citizens' satisfaction and trust in government effectiveness. Despite the efforts so far, the number of fully automated services provided to the public (citizens and businesses) through the e-government portal has remained modest. The first 47 e-services were deployed in 2021. The significant EU support of EUR 6 million allocated under IPA 2017 is expected to result in another 135 services in place by end 2023. Of these, the first 36 have been deployed in midst of 2022, bringing the total available e-services to 83 in October 2022. While the interoperability framework is largely operational, the communication among the various software applications needs to be reinforced. The lack of know-how for further development of the concept of a single point of contact in cost-effective and functional terms delays the development of e-services. The Action will bring additional expertise and financial support to continue this process.

For the areas of support 1 to 2, the Action will involve the following stakeholders:

- The **Ministry of Information Society and Administration (MISA)** is the policy-making body in the PAR area and ensures the compliance of the PAR with the Government's work programme. MISA will play the lead role in the Action.
- The **Ministry of Finance (MoF)** is responsible for the sound and transparent management of public finances across the whole administration and ensures the link between the annual and multi-annual budgeting process and all structural reforms.
- The **Ministry of Labour and Social Policy (MoLSP)** will contribute to accomplishing the salary system reform of the public sector.
- The **Secretariat for European Affairs (SEA)** is responsible for the overall monitoring and evaluation process and ensuring that EU and other donor funds are used to foster the Government's accession aspirations and facilitate the implementation of the National Programme for the Adoption of the *Acquis*.

PROJECT MODALITY

Area of support #3: Statistical and financial data

The public administration reform as well as all structural reforms require quality statistics and sufficient administrative data to inform and guide policy-making and accession process. As regards **statistics**, North Macedonia is moderately prepared but the statistical capacity is gradually improving. The country's statistical system is aligned with the EU requirements through the *Law on Statistics*, the Five-Year Programme of Statistical Surveys 2018-2022, and the Strategic Plan of the State Statistical Office, which reflects the strategic priorities of the European Statistical System, the recommendations of the European Commission's Peer Review on the implementation of the European Statistics Code of Practice, and the requirements of the Statistical Office of the European Union (Eurostat). The EU (including also EU Member states) provides financial assistance and maintains an intensive policy dialogue with the objective to enhance the alignment of the national statistics with the EU standards. Good progress was achieved as regards the national accounts business statistics and some sector statistics. The census operation, the first since 2002, was successfully completed in September 2021. However more efforts are needed to strengthen the capacities for producing reliable and timely statistics, adjusting the methodological framework and digitalisation of the data collection and processing.

The country's response to the COVID-19 pandemic and other health challenges, and the commitment to the Green Agenda for the Western Balkans raise the importance of the health and environmental statistics, which support the policy-making in the area of health, climate change, circular economy, sustainable development, biodiversity and natural capital. North Macedonia needs to further improve 1). the environmental statistics with focus on waste, water and air emissions, and 2). the environmental accounts, linking the environmental and economic statistics. Concerning health, there

is currently no statistical data collected by the State Statistical Office, even though the EU Regulation on public health and safety at work requires statistical data in five domains: (i) Health status and health determinants; (ii) Health care expenditure and financing; (iii) Causes of death; (iv) Accident at work; and (v) Occupational diseases and other work-related health problems and illnesses.

The *National Bank* is a key part of the national statistical system. In line with the international and European standards, the National Bank is responsible for compiling, processing, and disseminating data on monetary, external and financial accounts statistics to external users, including the European Central Bank (ECB) and Eurostat. In the last years, the National Bank has managed to address with success the EU recommendations on compilation and dissemination of the external statistics. External statistics is transmitted to Eurostat following the relevant regulations and the Eurostat *Vademecum*. In this sense, to meet the requirements of statistical reporting and timeliness, the National Bank needs to improve the organisation of the data system and transform it according to the unified Data Structure Definition (DSD). This is not the case since the Statistical Department within the National Bank uses more than ten databases with different data structures, periodicity, level of details and frequency. There is a pressing need to organise the data in one custom-made data warehouse and classify them according to the DSD. Automating the data reporting production process will decrease production time, allowing data to be transmitted within the EU deadline requirements to ensure timeliness.

The National Bank collects data on payment statistics from payment service providers in the country, through the interbank payment system (MIPS) of North Macedonia, which is a real-time gross settlement (RTGS) system operated since 2001 and based on SWIFT's MT messages standard. The information on transactions in MIPS is used for compiling payment statistics. The most significant part of the value of transactions is executed through MIPS, while the remaining payments are achieved through KIBS, which is owned by the banks and settle small value payments. The National Bank performs oversight of the payment system operators and analysis of the data and information provided by operators. The systems need to be upgraded and aligned to EU standards.

The National Bank of North Macedonia is in charge of maintaining the price stability in the country. As of November 2022, the European SWIFT payment infrastructure will migrate to ISO 20022/MX payment messaging standard for cross-border and cash reporting. The existing standard will be completely withdrawn in November 2025. North Macedonia aims at improving the data quality and transiting to fully digital MX payments messaging, which will cover the full payment supply chain and will increase the efficiency of the payment processing. The richer, better structured and standardised data will enable interoperability, make the monitoring more efficient and establish the grounds for new quality services, such as pre-validation of essential data, sanctions screening, fraud detection, data analytics and transaction tracking.

For the area of support #3, the Action will involve the following stakeholders:

- The **State Statistical Office (SSO)** is at the heart of the national statistical system, coordinating the participating institutions, defining and controlling the statistical methodologies and standards, and protecting the data collected from individual persons and legal entities. The Law on State Statistics defines the role and responsibility of the SSO and the other statistical providers.
- The **Ministry of Environment and Physical Planning (MoEPP)**. The Ministry is responsible for implementing the national policy and supervision of performance over main environmental issues – air protection, water protection and management, waste management, soil protection and nature protection. It is the lead institution in terms of approximation of the environmental *acquis* across the sector and leads preparatory activities for negotiation of Chapter 27.
- The **Ministry of Health (MoH)**. The Ministry of Health administrates the healthcare sector in the country. As long as the Action includes activities related to health statistics, the MoH will be part of the institutions involved in the implementation of the Action.

- **the National Bank** has the primary objective to achieve and maintain price stability, and to maintain a stable, competitive, and market-based financial system.

2.3. Additional Areas of Assessment

2.3.1. Public Policy

The public administration reform is defined in the PAR Strategy (2018-2022), covering four priority areas – Policymaking and coordination, public service and human resource management, Transparency, responsibility and accountability, and Service delivery and ICT Support to the public administration. Each priority area identifies general goals, specific goals, measures and activities and includes budget and indicators. Developed with significant EU support and the intense involvement of SIGMA, it sets out a relevant and credible reform agenda that is in line with the priorities discussed with the European Commission at the PAR Special Group, the recommendations from the Peer Review Missions and other relevant international organisations. The PAR Strategy is aligned with the Government priorities and other national strategic documents such as the PFM Strategy, and the National Strategy for fight against corruption.

North Macedonia has ensured regular monitoring of the implementation of the planned measures and results through the annual reports, which are regular, public, and of good quality. The current oversight and coordination mechanism consist of:

- The **Commission for Political System** is set up within the Government to review proposals for adopting laws, drafting laws and other regulations and general acts in the sphere of the political system and PAR. The Commission examines policy implementation and law enforcement; the information system; the organisation and functioning of the state bodies; the approximation of the national policy to EU policies; the approximation of the legal system with EU legislation.
- The **PAR Council**, chaired by the President of the Government, was created for the one task to follow up on the implementation of the PAR continuously and steer the performance of the PAR strategy.
- The **PAR Secretariat** provides technical support to the Council, and acts as the operational body for implementing and monitoring PAR Council conclusions.

The EU-North Macedonia policy dialogue is centered in the **Special Group on Public Administration Reform**, which was established in 2010 under the Stabilisation and Association Agreement signed between the European Commission and the country in 2001. The dialogue between the two parties usually occurs once a year between the national authorities led by the Ministry of Information Society and Administration and the European Commission. The special group's role is to monitor progress in all sub-areas of the public administration chapter and give guidelines and recommendations. This is the highest policy dialogue between the Commission and the national authorities in public administration.

The **Sector Working Group on PAR** (SWG-PAR) is the sector policy dialogue structure that brings together the relevant national institutions, donors, and civil society actors. The SWG-PAR has operated effectively since 2015 and accommodates and guide the sector policy dialogue, involving authorities, civil society, donors and partners. It has a large mandate from identifying priorities to coordination to reviewing sector reform progress. Since spring 2020, this SWG is also in charge of the multilateral policy dialogue on digital transformation. The SWG is chaired by the Minister of Information Society and Administration and is institutionally supported by the NIPAC office. The forum is used by civil society organisations to report on their findings on how the PAR is implemented in the field.

The full assessment of the implementation of the PAR Strategy is ongoing. Some preliminary analysis indicate that North Macedonia progressed in the implementation of the current PAR Strategy. Yet important challenges exist.

As regards **policymaking and coordination**, the legal and institutional framework is in place, but important gaps and overlaps in institutions' competencies exist, impacting negatively on the implementation of the PAR and all structural reforms. An EU-supported functional analysis of the institutional framework, conducted in 2020-2021, resulted into a proposal for streamlining the three functions – policy-making, executive and supervisory, through an ambitious state reorganisation process covering 16 ministerial systems. A pilot reorganisation exercise, covering three ministerial systems, clustered around the Ministry of Information Society and Public Administration, Ministry of Agriculture and Ministry of Economy, has been launched in 2022. It will test the reorganisation methodology and draw lessons for the future reorganisation process, targeted by this action.

Other important weaknesses in the current system for policy planning relate to the quality of the planning and consultation process. The Regulatory Impact Assessment (RIA) is legally established and methodologically defined; however, further improvements in the current practices are needed, particularly regarding the quality of the analysis, the use of credible and relevant statistical and administrative data, and the response through consultation, etc. The Rules of Procedure of the Government establish the obligation for consultation on legislative proposals, which is primarily addressed through the Single Electronic Registry of Regulations (ENER). The current response rate via ENER is 5 comments/proposed document, and the response quality varies widely. Feedback from the state institutions to the comments provided through ENER is missing, which decreases the incentives for providing opinion on legislative and strategic proposals. The consultation process needs to be substantially improved through public consultations and hearings, which are now rarely used. The established multi-lateral sector working groups can accommodate the public consultations. This approach would match the improving public scrutiny of government work resulting from the increasing reform communication.

A step forward to improving policy making and coordination was made in December 2021, when the Government adopted a Performance Assessment Framework, which ensures centralised control of the primary sector indicators relevant to PAR and 10 other sectors. This allows setting clear long-term targets for the sector reforms and improving the quality of the communication on the structural reforms.

Regarding **responsibility, accountability, and transparency**, the *Law on the Organisation and Operation of State Administrative Bodies (LOOSAB)* establishes the state administration bodies' organisation, powers and functioning of 62 bodies. Other bodies (currently 82⁷, counting the economic regulators subordinated to the Parliament and some public enterprises performing executive functions) were created with special laws outside the constitutionally defined LOOSAB. In parallel, some institutions are still accountable to their sectoral ministry and to the Government. At the same time, some state administrative bodies are accountable to the Parliament despite clearly implementing policies created by particular ministries. All this implies that the legal framework is complemented by dozens of specific laws, making the distinction between different organisations unclear and dividing organisational competencies among various bodies.

In January 2019, North Macedonia adopted the Law for the Prevention of Corruption and Conflicts of Interest which provides reasonable legislative safeguards against corruption of elected authorities, senior officials, civil servants, and public sector employees. The Law provided the State Commission for the Prevention of Corruption (SCPC) with mandate and competencies to prevent corruption and conflicts of interest and promote integrity. The SCPC has been proactive in addressing bribery and opened several cases, including against high-level officials. In April 2021, the Parliament adopted

⁷ The analysis included public enterprises implementing executive functions, and ten economic regulators were part of the functional analysis implemented with the IPA 2017 "Support to state reorganisation" project. One financial regulator does not perform the regulatory function; therefore, its role should be modified.

the 2021-2025 National Strategy for the Prevention of Corruption and Conflict of Interest and related Action Plan, consolidating the country's commitment to preventing corruption and sanctioning corrupt behaviour.

Concerning the **public service and human resources management**, the provisions on recruitment, promotion and dismissals are regulated by the *Law on Public Sector Employees (LPSE)*⁸ and the *Law on Administrative Servants (LAS)*⁹. These laws are currently under revision and, together with the new *Law on Top Management Service*, are expected to be adopted by the end of 2022. The objective of the package is to strengthen the merit-based, transparent, and open approach to recruiting and managing public service employees. At this stage, the competition in hiring civil servants remains very modest. According to the SIGMA report, potential candidates are discouraged from applying¹⁰. At the same time, the recruitment and dismissal system for senior civil servant positions continues to be insufficiently competitive and merit-based and objective criteria for dismissal of public servants are missing. More specifically, the *Law on Top Management Service* will differentiate the political from the professional level. It will establish clear lines of accountability for top managers and merit-based procedures for their selection. The *Law on Administrative Servants* and *Law on Public Sector Employees* are expected to increase the efficiency and effectiveness of the human resource management procedures and establish merit-based procedures for recruiting and selecting the best candidate.

There is still a need to introduce an advanced concept for employment planning and monitoring and a new salary system promoting a staff retention policy, career development, training, motivation, and adequate remuneration.

The current *salary system* creates disproportions in employees' salaries even when they perform the same type of work and tasks. Wages in certain institutions like regulatory bodies and public enterprises are significantly higher than the salaries of staff members employed in the ministries and various budget organisations. Such a payment system also creates management difficulties, especially in cases of an increase or decrease in salaries, which leads to an even greater unbalance. The consequence of this system is dissatisfaction and demotivation of a large number of employees and a transition of high-quality personnel from the public to the private sector. This situation is confirmed by the latest SIGMA report,¹¹ which considers that the basic job classification system does not adequately differentiate the levels of responsibility, creating opportunities for unfair remuneration differences. Additionally, several salary supplements linked to unclear criteria have unfairly favoured certain public bodies and staff groups. The consequence of all this is that salaries are not transparent enough.

Concerning **service delivery to citizens and businesses**, the actual progress remains limited. The adoption of a new ICT Strategy defining the framework for the digitalisation of the services, expected to be a game-changer regarding service delivery, faces significant delays. The *Law on General Administrative Procedures*, backed up by aligned special laws, regulates the procedures for all State authorities' administrative actions, local self-government bodies and other institutions and legal entities that provide services of public interest. The Law includes the basis for a one-stop-shop system and ex-officio exchange of evidence and documents among all institutions and bodies and regulates the interconnection between the IT systems of the different public sector bodies. However, the Law is not yet systematically implemented across the administration. The *Law on Electronic Management and Electronic Services* regulates the work of the ministries, other state administration bodies, administrative organisations, and local self-government units when exchanging data and documents

⁸ Law on Public Sector Employees (LPSE), Official Gazette No. 27/2014.

⁹ Law on Administrative Servants, Official Gazette No. 27/2014.

¹⁰ Following the SIGMA Monitoring Report, May 2019, in 2018, 298 vacancies were opened to competition by the Agency of Administration 2 826 candidates, an average of only 9.5 per position, applied. With an unemployment rate of more than 20%, this low number of applicants for stable jobs raises the suspicion of an extended lack of trust in the fairness of the selection processes that discourage potential candidates.

¹¹ SIGMA. <https://www.sigmaweb.org/publications/Monitoring-Report-2021-Republic-of-North-Macedonia.pdf>

in electronic form. The *Law on Electronic Documents, Electronic Identification and Trust Services*, in force since May 2019, establishes the legal regime of electronic signature, electronic seal, electronic timestamps, electronic documents, registered delivery services, website authentication services, and storing electronic signature or seal and validation thereof.

Citizens and businesses can benefit of services delivered electronically through the e-government portal. The national population register contains unified, verified, standardised and validated data for the citizens, thus providing essential preconditions for creation of unique electronic number for citizens that will be used in various administrative procedures for public services provided by competent authorities and others. A vital component of the e-government portal is the *Public Services Catalogue* that is available in three languages. The Catalogue is accessible only to authorised public servants. However, the lack of technical know-how to introduce the concept of a single point of contact in functional and cost-effective terms delays the further development of electronic services. The portal aims to serve as a single digital point of contact with the state administration, allowing for equitable access. Stronger commitment from all state institutions is needed to take advantage of the full potential of the interoperability platform and the electronic portal providing services to business and citizens.

In conclusion, the existing policy framework is well streamlined, and sufficiently relevant and credible to accommodate the objectives of a budget support operation. The PAR-related costs are now budgeted in a separate budget programme in the annual state budget. Still, not all involved institutions are included, and due to the lack of a solid multi-annual financial framework, the costs are not anchored to ensure sustainability. The implementation of the reform continues to be largely dependent on external donor funding.

The advancement on the new PAR strategy 2023-2030, the inclusive drafting process, and the commitment shown by the new political leaders to the reforms of the public administration provide some assurance as regards the quality of the new PAR Strategy, which is expected to be finalised by the end of 2022. Moreover, in December 2021, the Government adopted the Performance Assessment Framework (PAF) comprising structural sector indicators and targets by 2027 for 11 sectors. The PAR indicators reflect the SIGMA methodology.

The capacities of the Ministry of Information Society and Administration to drive the reform at the technical level is gradually improving. Yet, additional technical assistance is needed to strengthen the capacity, especially for the digitalisation transformation.

2.3.2. Macroeconomic Policy

Until the COVID-19 outbreak in 2020, the economy of North Macedonia was growing at a robust pace, supported by fundamental institutional and governance reforms. Overall, in the past decade, the country had maintained a record of low inflation, moderate fiscal deficit, and a stable financial sector. The high-level political commitment to macro-economic stability was translated into the efforts invested into the adoption of the new organic budget law in September 2022 which provides for fiscal rules, an independent fiscal council and a proper medium-term budgetary framework. Key provisions are planned to enter into force in January 2023. The law's implementation is likely to improve fiscal discipline and boost the country's credibility in international capital markets.

In 2019, GDP grew by 3.2 percent. After output dropped by 4.5 % in 2020, the economy rebounded by 4 % in 2021, driven by domestic demand. After a steep fall in 2020 (-10.9 percent), imports of goods and services rose strongly in 2021 (+13.9 percent), largely reflecting firming domestic demand as well as base effects. Exports recovered too, from an annual drop of -10.9 percent in 2020 to 12.3 percent in 2021. IMF assessed that effective monetary and fiscal policy support of around 5 percent of GDP helped to cushion the economic and social impact of the COVID-19 crisis. The Commission supported the Government with a EUR 160 million Macro Financial Assistance operation too.

At the beginning of 2022, the near-term outlook appeared positive with a forecasted GDP growth of around 4 percent; downside risks remained still high on the account of the rapidly growing public debt, from 49.2 percent of GDP in 2019 to 60.8 percent of GDP at end 2021. However, at the outset of Russia's aggression against Ukraine in February, quickly rising prices of oil derivatives, increased food prices and fears of shortages added strain to the supply chain hiccups seen in the previous years, therefore deteriorating the economic recovery prospect of the country. Inflation rate reached 11.9 percent in May while all major institutions lowered GDP forecast to around 3 percent for end 2022 with downward risks; in the first quarter of 2022, GDP grew by 2.4% on annual basis, showing positive contribution from the domestic demand. To protect households from rising food and energy prices and to help firms to maintain liquidity, in March the government adopted 26 measures for a total cost of about EUR 400 million (3.2 percent of projected GDP for 2022). Around EUR 90 million include tax and excises holidays while EUR 310 million are allocated for direct payments from the state budget. In June, the government also adopted a supplementary budget; it includes more measures to support the economy and the citizens; the new macroeconomic projections for 2022 foresee GDP growth at 3.2 percent¹² (down from 4.6 percent), inflation at 7.2 percent (up from 2.4 percent) and deficit at 5.3 percent of GDP (up from 4.3 percent). In such a very volatile economic environment, the National Bank has implemented prudent domestic policies; taking into account the inflationary trends, after the policy rate increase in April and May (by 0.25 pp, respectively), in June the Bank decided to make a new increase by 0.25 pp up to the level of 2%. Foreign exchange reserves are maintained in the safe zone: the high level of foreign reserves accumulated in the pre-pandemic period and the further growth in the two years of the pandemic reaching 4.2 months of prospective imports at end 2021 helped to curb the pressures on the foreign exchange market and keep it stable.

There is no active programme in North Macedonia in relation to the IMF. The latest Art. IV Report of February 2022 that was published before Russia's aggression against Ukraine, concluded that policy support cushioned the economic impact of the pandemic. Fiscal lifelines helped prevent large job losses and protect the most vulnerable, while monetary and financial measures kept credit flowing to the economy. IMF expected the recovery to continue in 2022, with a real GDP growth by 4 percent, then lowered to 3.2 percent in April. In March 2022 the Government of North Macedonia requested a PLL (Precautionary and Liquidity Line of finance) to finance new needs in 2022. On the side of the government, negotiations with the IMF on the Precautionary Liquidity Line are progressing.

Overall, North Macedonia's economic recovery is expected to lose some momentum in 2022, reflecting mainly a deteriorating external environment. In the short-run, the need to implement anti-crisis measures will sustain high fiscal deficit levels (6.1 percent forecast for 2022). In May at the high-level Dialogue on the Joint Conclusions, the authorities have expressed their commitment through the Policy Guidance of the Economic Reform Programme process, once the COVID-19 and war-related crisis are over, to rebuild fiscal buffers and implement the structural reform agenda to help preserve debt sustainability and speed up income convergence to European Union countries. Moreover, North Macedonia expressed its commitment to better target crisis-related fiscal support to vulnerable households and companies, to improve the management of public investment, and to implement the new Organic Budget Law.

In conclusion, the authorities pursue a stability-oriented macroeconomic policy and meet the eligibility criterion.

¹² According to the European Commission spring forecast, real GDP growth in North Macedonia is projected to slow down to 3.0% in 2022.

2.3.3. Public Financial Management

There are reasonable grounds to consider that the country is making progress. North Macedonia demonstrates a high level of political commitment, and the Ministry of Finance and the Government introduced significant improvements to the PFM system. Nevertheless, some challenges persist due to delays in adoption of critical legislation by the Parliament. The Government has finalised the implementation of the first comprehensive PFM Reform Programme 2018-2021 and the new PFM reform programme 2022-2025 was adopted in June 2022. It encompasses eight pillars: Economic analysis, macroeconomic and fiscal framework; Revenue mobilization; Planning and budgeting; Public procurement; Integrated public finances –FMIS implementation-; Public Internal Financial Controls; External controls and Parliamentary oversight; Public Finance Management at local level. The new PFM reform programme 2022-2025 and Action Plan for 2022 were adopted in June 2022.

In September 2022, the new organic budget law was adopted providing an opportunity for a more dynamic PFM reform process. In August, the government proposed a number of tax system reforms, which would contribute to enhancing public revenue, by i.a. broadening the tax base. To improve the execution and management of public investment (PIM), the government is setting up a dedicated PIM department in the Ministry of Finance, as a pre-condition for implementing the PIM Action Plan. It also drafted a new law on public-private partnerships (PPPs), aimed at strengthening PPPs as an efficient vehicle to implement public investment and to better monitor its fiscal risks, which is still awaiting adoption by the government. Several legal amendments are required to support the implementation of the reforms but there are sufficient human and financial resources. The Ministry of Finance regularly carries out internationally recognized assessments (PEFA, TADAT, SIGMA, PIMA) and there is a robust monitoring system, and performance assessment mechanisms that allow ongoing follow-up on the PFM reform programme. The PFM policy dialogue is organised through the PFM Sector Working Group, and there is a positive trend in increasing the involvement of civil society, business, academia, etc.

In June 2022, the government adopted a new public financial management programme for the period 2022-2025. Public Internal Financial Control (PIFC) is a core priority of the PFM reform programme. The new PIFC Law is pending adoption by the Parliament. In 2022-2025, the focus is placed on strategic and resource planning, managerial accountability, risk management, control activities, reporting, communication and monitoring, internal audit, and financial inspection.

The Parliament approved a new Law on Public Procurement (PPL) in 2019 that transposes the current EU public procurement directives. Contracting authorities are required to publish public procurement plans and a notice on the performance of the contract, and the competition rate is at more than three bids per tender. The Public Procurement Bureau owns and manages the national electronic system for public procurement (ESPP). The ESPP covers the entire tendering process from the publication of tender notices, bid submission, evaluation, and contract award.

Public external audit in North Macedonia is the responsibility of the State Audit Office (SAO). Despite improvements over the last years, human resources remain limited. The work of the SAO is guided by its Strategic Development Plan 2018-2022, which includes efforts to promote and improve the implementation of International Standards of Supreme Audit Institutions (ISSAIs) and strengthen independence and integrity. External audit annual reports cover more than 50% of the budget, and according to PEFA data, 60.7% of recommendations were implemented in 2017, 74.5% in 2018 and 70.6% in 2019.

Tax efficiency is likely to improve in the years to come. TADAT assessment completed in March 2021 illustrates that the Public Revenue Office (PRO) has developed some vital components of tax administration, but many essential functions require further development. Most of the PRO strengths are in the area of taxpayer service—a high rate of e-filing, resulting in reasonable on-time filing rates, prefilling declarations and withholding and advance payment arrangements, and extensive publication of operational data. The benefits of these strengths do not fully materialise due to the

poor state of the information technology (IT) system, limited execution of compliance risk management (CRM) approaches, and inadequate management of large taxpayers. In addition, the absence of an independent administrative review process, poor management of VAT returns and refunds, and insufficient consultations with taxpayers undermine the tax administration's effectiveness and trust in the system taxpayers.

Public Investment Management links between investment decisions and strategic planning, which will be key in the new PFM reform 2022-2025 adopted in June 2022. PIMA was finalised in April 2020, and recommendations of this assessment were integrated into a PIMA action plan 2021-2024. In May 2021, the Minister of Finance had adopted two Decisions for establishing working groups: (1) Working Group for implementing the Action Plan for Public Investment Management, and (2) Working Group for undertaking preparatory activities for establishing an organisational unit to perform functions related to PIM within the Ministry of Finance.

The budget process adheres to clear timeliness and budget documentation is comprehensive. Approved expenditure policy proposals majorly align with costed ministry strategic plans or sector strategies. Nevertheless, there is not a release of ceilings other than the Fiscal Strategy before budget circulars are issued and, according to SAO report in 2018, only 76% majority of budget users submit strategic plans with budget requests. Budget Credibility and medium-term budgeting might be jeopardized by inflation and the energy crisis triggered by Russia's aggression against Ukraine. In 2012, North Macedonia adopted a Strategy for Gender Responsible Budgeting. Accordingly, the Ministry of Finance amended the budget instructions in view of introducing gender budget analysis and is continuously implementing different gender budget initiatives.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4. Transparency and Oversight of the Budget

The 2021 Open Budget Index illustrates some slight deterioration in performance due to delays in publication of the Fiscal Strategy 2021-2025. North Macedonia has a transparency score of **36** (out of 100). Main weaknesses are identified in the lack of policy and fiscal risk information in the executive proposal and the lack of publication of mid year review report.

Public availability of budget documents in North Macedonia

Document	2010	2012	2015	2017	2019	2021
Pre-Budget Statement	⊘	⊘	⊘	●	●	●
Executive's Budget Proposal	●	●	●	●	●	●
Enacted Budget	●	●	●	●	●	●
Citizens Budget	⊘	⊘	⊘	⊘	●	●
In-Year Reports	●	●	●	●	●	●
Mid-Year Review	●	⊘	●	⊘	⊘	⊘
Year-End Report	●	●	●	●	●	●
Audit Report	●	●	●	●	●	●

While the OBI index gives more importance to the disclosure of documents, the PEFA framework focuses more on the quality and reliability of the information. The 2021 PEFA report sees improvements in quality and timeliness of annual financial statements (PI-25); Scope, nature and legislative scrutiny of the budget law (PI-27); and legislative scrutiny of external audit reports (PI-28). Nevertheless, it points to a number of weaknesses in terms of information disclosure.

In line with the Public Financial Management Reform Program, the authorities have taken further measures to increase the transparency of public finances. The government has published information on the finances of public companies in the Fiscal Strategy 2020-2022 (May 2019), including the amounts transferred to and from the central government budget. Following a 2019 amendment to the Public Debt Law, unsecured debt of public companies, which amounted to around 0.3% of GDP in 2018, is now included in the definition of public debt. The authorities also established an application for citizens to track the execution of capital expenditures.

In conclusion, the entry point is met as the relevant budget documentation for the fiscal year 2021 (the Executive's Proposal and the Enacted Budget within the past/current budget cycle) has been published on January 20 at <https://finance.gov.mk/wp-content/uploads/2021/03/Budget-of-North-Macedonia-2021-1.pdf>

3. DESCRIPTION OF THE ACTION

3.1. Intervention Logic

The Overall objective of this Action (**Impact**) is **to improve the effectiveness and efficiency of the public administration of North Macedonia** in line with the reform priorities of the Public Administration Reform Strategy 2018-2022 and the new PAR Strategy¹³ for the period 2023-2030.

The impact will be achieved through the following Specific Objectives (Outcomes):

Outcome 1: Improved use of statistical and financial data in policy-making and implementation

The improvement in the statistical and financial data will support the decision-making and the structural policy reforms and will contribute to a better economic governance. Evidence-based policy making improves the efficiency and effectiveness of the administration, and increases the public trust in the administration and in the Government.

This outcome, which will be reached through **project modality**, entails the achievement of two outputs:

Output 1.1: Strengthened capacity for production and dissemination of environmental and health statistics

The action will provide support to the State Statistical Office to align the national environmental and health statistics with the EU statistical standards and to produce rich and quality statistics able to support the national green and health policies.

Output 1.2: Strengthened capacity of the National Bank to deal with external statistics and payment messaging standard

The Action will support the National Bank's data capabilities to process and use data in line with the EU statistical and payment messaging standards.

Outcome 2: Increased confidence of the citizens in the performance of the public administration

This outcome will be achieved **through a Sector Reform Performance Contract (SRPC – Budget support)** aimed at producing the following **Induced Outputs**:

Output 2.1 Reorganised, modernised and transparent public administration

The Action will support North Macedonia to:

¹³ To be adopted by end 2022

- improve the state institutional framework by streamlining the policy-making, executive and regulatory functions across the central government;
- improve the coherence and fairness of the job classification and payment systems, which will make the civil service more attractive and competitive, retain staff and prevent unfairness.

Output 2.2. Enhanced Digital transformation in administration

The Action will upscale the interoperability and increase the number of fully automated e-services available in the single Government portal, which will improve the quality and accessibility of the public services, will decrease transaction costs and will prevent corruption in North Macedonia.

The **Direct outputs** involve:

- *Decreased financing risks for the public administration reform*
- *Improved coordination and sector policy dialogue*

Complementary Support

The accompanying technical assistance will strengthen the capacities of MISA to effectively develop, budget and implement sector policies, monitor the implementation and report on the results of sector reforms, and coordinate the efforts of numerous players (including national and local government bodies, social partners, organisations, and civil society organisations). More specifically, the technical assistance will:

- Strengthen the institutional capacity to implement and monitor the processes in the public administration, analyse and address weaknesses and build effective response measures;
- Strengthen the institutional capacity for policy making in the area of digital transformation and for the implementation of the new Digital ICT Strategy¹⁴;
- Support the harmonisation of the national legislation with the EU *acquis* in the area of digital transformation with a focus on the Law on electronic communications, Law on Network and Information Security, as well as the laws linked with the broadband roll-out;
- Perform a Feasibility Study for deployment of National Transporting Optical Infrastructure / Network;
- Support the strategic planning, policy-making and legislative drafting on cyber security, privacy and data protection, in line with NIS Directive.
- Set up a scoreboard at national level to monitor the evolution of digital skills that will incorporate DESI indicators on human capital and use of internet services to ensure comparability with EU countries;
- Support the development of a reference framework for digital skills compatible with the EU Digital Competence framework and adapted to national context;
- Design a sustainable permanent mechanism for digital upskilling of civil servants, including also cyber security skills;
- Analyse, refine and upgrade the indicators, statistical and administrative sets of data, used for the building and monitoring the public administration reform and the digital transformation;

¹⁴ Expected adoption end 2023

- Support the regular reporting exercise on sector reforms by improving the skills for collection, processing, structuring and visualisation of data;
- Conduct preliminary studies and designs necessary for the establishment of a national Data Centre;
- Improve the reform communication and raise the awareness of public servants and of the society at large on the Public Administration Reform, and the benefits of the reforms for citizens and business.

The complementary support component should be contracted as early as possible from the start of the Sector Reform Performance Contract to reflect the importance of institutional support for the implementation of the sector reforms.

3.2. Indicative Activities

PROJECT MODALITY

Output 1.1 *Strengthened capacity for production and dissemination of environmental and health statistics*

This output will be achieved through advisory services to the SSO which will encompass analysis, capacity-building and pilot/testing measures for producing:

- environmental statistics on (i) waste; (ii) water; (iii) environmental goods and services sector; (iv) administrative data on environmental statistics; (v) physical flow energy accounts; and (v) forestry accounts.
- public health and safety at work statistics: (i) health status and health determinants; (ii) health care; (iii) causes of death; (iv) accidents at work; (v) occupational diseases and other work-related health problem and illnesses.

Output 1.2 *Strengthened capacity of the National Bank to deal with external statistics and payment messaging standard*

This output will be achieved through developing and putting in place of:

- a technical IT solution for a data warehouse for external statistics to allow effective and efficient use of data sources and production of external statistics on the grounds of analyses/assessment of the current weaknesses in using data sources and compiling statistics, IT infrastructure and the needs of the Statistics Department of the National Bank;
- deployment of a software solution for the new RTGS (Real Time Gross Settlement) system.

SECTOR BUDGET SUPPORT MODALITY

Induced Output 2.1. *Reorganised, modernised and transparent public administration*

- The number of state administrative bodies, agencies and public inspection services at central level will be reduced. The process involves merge of bodies, re-allocation of competencies, closing of redundant bodies or establishment of new ones, where needed. The major purpose is streamlining the three governance functions – policy-making, executive and regulatory, avoiding duplication of responsibilities and establishing clear and rational lines of accountability. The reorganisation process will follow the recommendation of the EU-supported functional analysis of the government framework and the methodology tested through the pilot reorganisation of 3 ministerial systems. About 15% of the State Entities at the central level will no longer exist at the end of the reorganisation.

- A new remuneration system - coherent, fair, and consistent with the jobs classification - for all public sector employees will be elaborated and put in place with the objective to make the public service more attractive and competitive, improve the retention capacity, prevent unfairness and support the professionalization of the public service. The new payment system will be developed by MISA, in cooperation with the Ministry of Finance, Ministry of Labour and Social Policy, unions and civil servants' representatives, on the grounds of the analysis of the deficiencies in the job categorisation and unsystematic provision of salary supplements. The process will encompass the analytical work and the collection of data on the different groups of employees in the public sector, the evaluation of the jobs, revision of jobs descriptions, the revision of the legislative framework of the current payment systems and the reform communication. The new solution must contain elements that ensure performance-based reward components and guidelines for beneficiaries with and without a budget. The result must be a systematic solution that allows salaries in the public sector to constantly compete with those in the private sector, thus providing a solid foundation for a flexible retention policy for IT specialists and engineers and other personnel with the knowledge and necessary competencies.

Induced Output 2.2. *Enhanced Digital transformation in public administration*

The Action will upscale the interoperability and increase the number of fully automated e-services available in the single Governmental portal, which will improve the quality of the public services, decrease transaction costs and prevent corruption in the country. At present, in North Macedonia, there are 83 fully electronic services. The IPA 2017 project "Enhancing E-Government" will support the establishment of 135 e-services, which will bring the total number of full e-services to 182. The project has also established the methodology for digitalisation. Based on the experience gained, MISA will continue the process and create 120 new e-services by the end of this budget support operation. Therefore, the total number of e-services will grow by some 600% by end 2026. The Action will thus significantly reduce the administrative burden and increase the efficiency and effectiveness of the Public Administration. In the implementation of this activity, special attention will be paid to addressing the needs of people with disabilities and minorities, increasing the usage of electronic services and raising the citizens' trust in the administration at the same time.

The proposed activities are aligned with the goal of modernising public administration. They will focus on implementing and making the enacted legislation more transparent, linking the reform of the public administration with the other structural reforms, strengthening administrative capacity and the policy dialogue, and involving civil society in the reform processes.

The following direct outputs are expected:

- ***Direct Output 1: Decreased financing risks for the public administration reform***

The EU funding will have a leverage effect and will ensure that the needed funds for the PAR will be allocated from the national budget and possibly other partners. It will decrease the immediate risk of underfinancing of the PAR, especially on the background of the macro-economic challenges, while still creating an important incentive for the country to engage in the reform measures and pursue the objectives of the PAR. At the same time EU-funded reforms yield more public support. The EU is considered as a benchmark, and an important vector of reforms. Citizens have confidence that the EU can well steer the reform process and monitor the use of the EU funds.

- ***Direct Output 2. Improved coordination and sector policy dialogue***

The sector reform contract will strengthen the role of MISA in coordinating and steering the PAR and in leading a quality sector policy dialogue, involving authorities, civil society and international partners. The Action will upgrade the various tools for data collection and processing, which will support the decision-making, allowing Government to take more

effective decisions and in more efficient way. The improved data and processes will further translate into enhanced coordination among the authorities. Further on, high quality information will be channelled to the policy dialogue, facilitating the various stakeholders - civil society organisations, think tanks, academia, and international partners - in understanding the reform measures and following the progress. This will improve the sector policy dialogue.

The authorities will implement in practice the Guidelines for EU Support to Civil Society in Enlargement Regions 2021-2027. The civil society has always been included in the policy dialogue; yet their contribution remains modest and shy. To upscale it, in 2022 the Secretariat for European Affairs launched a process of revision of the rules of procedures for the sector working groups, which introduce technical possibility for all civil society organisations wishing to join the policy dialogue, introduces a calendar of meetings to allow better planning, streamline and improve the reporting on the decisions taken in the SWGs, etc. The new Rules are expected to be adopted by the SWGs already in 2022, and will be implemented throughout the budget support operation.

Improved policy dialogue, coordination, reform communication and steady progress on the reform measures will increase the public interest in the public administration reform, and will generate public support for a difficult, long and costly reform.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

In line with the EU environmental policy, this Action will contribute to the environmental agenda of the country by:

- Strengthening the effectiveness and efficiency of the national administration, which is crucial for any reform and national investment.
- Supporting the country in aligning the environmental statistics with the EU statistical standards, which will support the environmental decision-making and environment democracy. North Macedonia will need to align its policies and legislations with the *acquis* on the environment and climate change and will benefit from accurate and rich data, appropriate environmental screening and strengthened policy dialogue.
- Introducing new e-services that will contribute to the establishment of a paperless public administration.

The Action will strengthen the administrative capacity, which will support the implementation of all international and national commitments, including those linked to the low carbon development and the reduction of pollution levels. The country will have to address environmental challenges through significant investments and capacity-building efforts, including a better mainstreaming of the environment and climate change agenda.

Gender equality and empowerment of women and girls

North Macedonia has put in place the legal framework to ensure gender equality by adopting the Law on equal opportunities for women and men and the Law on the prevention and protection against discrimination. The current legal framework prohibits discrimination on the grounds of gender and sexual orientation. It prescribes that equal representation of men and women exists when one sex is represented with at least 40% per cent in bodies at all levels (state, municipal levels, and other institutions). Official data show that the country generally respects the principles of gender equality in the public administration, seeing women employed in the public sector equal to 53% of the total, including at the medium management level. However, the number of women in top positions and among officials is rather modest.

The Action encompasses activities that will positively impact the integration of the gender perspective and will safeguard equal opportunities. In particular, the administration's general reorganisation and optimisation of the state institutional framework will streamline the principles of equality and non-discrimination. Digitalisation is another tool for fostering gender equality if applied properly, provided that all have equal access to ICT technology. Further on, the targeted improvements in the statistics will promote the gender-segregated data, in line with the EU standards, and will contribute to a gender-sensitive policy and investment making. The National Gender Equality Index, which was published for the first time in 2019, remains a key indicator for measuring the equality of citizens, but it has not yet been updated. Proper gathering and analysis of gender statistics require the enhancement of the capacity of relevant institutions and improved coordination.

Human Rights

The Constitution of North Macedonia guarantees the human rights of its citizens. This Action takes into consideration the country's commitment to advance the human rights agenda in practice. It will support North Macedonia in enforcing the right of the citizens to have an efficient and accountable public administration delivering services to all its citizens and enterprises.

Disability

The action will support the implementation of the country's commitments to Human Rights, particularly the rights of people with disabilities through enlarging the spectrum of new e-services, which will improve the access of people with disabilities to public services. Equally important, it is expected that the improved effectiveness and efficiency of the public administration will have an impact on the way the state functions and addresses the concerns of its citizens, including people with disabilities and other vulnerable people.

Civil Society

This Action has been developed in an inclusive process involving civil society as a part of the established sector policy dialogue. This approach will also apply in the next stage, as civil society organisations are part of the Sector Working Groups (SWG), channelling the policy dialogue on sector priorities, IPA programming and reporting. The harmonisation of the national legislation with *EU acquis* involves a wide range of stakeholders based on open dialogue, allowing stakeholders and those potentially affected to be involved in the process.

3.4. Risks and Lessons Learned

Category	Risks	Likelihood ¹⁵	Impact	Mitigating measures
External environment	Macro-economic risks related to the energy crisis and the inflation wave due to Russia's aggression against Ukraine, having impact on the economic growth, the revenue side, the fiscal sustainability	M	M	Accelerating the structural reforms and their integration of the economy's growth model. Enhanced policy dialogue with the EU in the context of the Economic Reform Programme

¹⁵ High/Medium/Low

	(public debt and deficit)			
People and organisation	<p>Delays in the adoption of the next PAR Strategy 2023-2030 and Action Plan</p> <p>Lack of political commitment from the Government to undertake the needed fundamental reforms, which are costly, long and difficult to communicate</p> <p>Lack of real cooperation between political parties on key reforms related to the EU</p>	M	H	<p>Commitment in written by the Minister of Information Society and Public Administration on the adoption of a new PAR Strategy by the start of the budget support operation</p> <p>Policy dialogue, financial and advisory support and guidance by the EU and SIGMA in developing the new PAR Strategy and its implementation</p> <p>Strengthen the policy dialogue with the national institutions and authorities through the PAR Sector Working Group and encourage a strong involvement of the civil society organisations in monitoring the public administration reform</p> <p>Open, transparent and enhanced EU-North Macedonia high level policy dialogue through the PAR Special Group, and the annual Report on the progress of North Macedonia in the accession process</p> <p>Streamlined EU messaging to the Government on PAR involving the European Commission, EEAS and the EU Member States, and where possible coordinated with other key implementing partners</p>
Planning, processes, and system	<p>Delays in the PFM reform 1) weaken the budget revenue and expenditure side, restricting the fiscal space for reforms, 2). create challenges to the managerial accountability and internal control framework across the public administration, and 3). Further decrease the citizens' confidence in the ability of the Government to manage horizontal reforms.</p>	M	M	<p>Policy dialogue, financial and advisory support and guidance by the EU on the new PFM reform programme, which was adopted in June 2022. Strengthening the link between the reforms of the public finance, public administration and the fight against corruption.</p> <p>Increased EU support for the PFM reforms through policy dialogue (Special PAR/PFM Group, Sector working Group on PFM, monthly policy and technical consultations) and IPA assistance.</p> <p>Proactive involvement of civil society, international partners, universities and businesses in the PFM reforms. Increased PFM donors' co-ordination.</p>

<p>Planning, processes and system</p>	<p>Lack of institutional cooperation</p> <p>Very low understanding of a sector budget support</p> <p>Deficiencies in the data collection and processing with impact on the monitoring of the indicators and reporting on progress</p> <p>Insufficient budget to implement reform strategies, coupled with growing constraints on public finances.</p>	<p>M</p>	<p>M</p>	<p>Strengthened policy dialogue with the national institutions and authorities through the PAR Sector Working Group. Enhanced participation of all stakeholders (including non-state actors) to increase the demand and pressure for reforms and to support the reform communication.</p> <p>Technical assistance in parallel to the budget support</p> <p>Structured and regular coordination meetings of the EU Delegation with the institutions and complimentary support</p> <p>EU and other implementing partners financial support</p>
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Lessons Learned:

The EU is the biggest donor for the PAR, with EU aid amounting to over EUR 40 million since 2007, focused to (i) optimise overall institutional framework, enhance public service delivery and strengthen ethics, integrity, transparency and accountability of public administration; (ii) improve the quality and availability of statistical data and enhance their use in development and coordination of public policies; (iii) modernise the administrative framework including adoption and support for the implementation of flagship laws to regulate the employment of public servants and their salaries, general administrative procedures, administrative disputes, to support anti-corruption and access to public information; (iv) strengthen the national training system for public administration ensuring adequate financial support and managerial independence to avoid repeating negative experience of the past; (v) implement data interoperability; (vi) prepare catalogue of work positions in public administration; and (vii) develop national population register and national portal for e-services.

Considering the previous and on-going support, several lessons have been learned:

- PAR requires strong political commitment and support which has to be translated into effective and cross-ministerial decision-making, enhanced accountability, strengthened human resource management, capacity-building and retention policy. PAR reforms touch on administrative culture; changing it requires time perseverance and the full toolbox encompassing the political and policy dialogue and the EU assistance.
- Further inclusion of the CSOs and other key stakeholders in the policy and legislative development and decision-making process is crucial for improving the quality of policies and legislation, preventing corruption, improving access to information, and increasing transparency.
- It takes time for the full reform effect in public administration reforms to materialise and be visible for the citizens. Transparent and effective reform communication is necessary to promote the ongoing national efforts and better engage citizens in supporting and monitoring the reform measures while still in implementation. Moreover, the communication policy needs to incorporate innovative and attractive tools to capture the interest of society and gain social support for the reforms and for the EU assistance.

3.5. Indicative Logical Framework Matrix

PROJECT MODALITY

Results	Results chain: Main expected results	Indicators	Baselines	Target	Sources of data	Assumptions
Impact	To improve the effectiveness and efficiency of the public administration of North Macedonia	Government effectiveness index	55.77 (2018)	≥ 65 (2027)	World Bank ¹⁶	Not applicable
		Global Competitiveness Index	57.3 (2019)	≥ 65 (2027)	World Economic Forum ¹⁷	
		Trust Government - Proportion of people tend to trust the Government over population	33% (2019)	>35% (2025)	Eurobarometer ¹⁸	
Outcome 1	Improved use of statistical and financial data in policy-making and implementation	Trust in Public Administration - Proportion of people tend to trust the Public Administration over population	36% (2019)	≥ 40% (2025)	Eurobarometer ¹⁹	
		Percentage of official statistics aligned with the <i>EU acquis</i>	67.1% (2019)	> 95 % (2027)	SMIS+ Report	The Government of North Macedonia is committed to modernise the Public Administration and ensure production of high quality and objective statistics.
		Percentage of external statistics of the National Bank aligned with <i>EU acquis</i>	67% (2018)	> 95 % (2027)	Progress report on the action plan on economic, monetary and financial statistics	
		Time needed to produce the required statistics	2635 working hours (2020)	< 573 working hours (2027)	Progress report on the action plan on economic, monetary and financial statistics	
Output 1.1 related to Outcome 1	Strengthened capacity for production and dissemination of environmental and health statistics	Percentage of published environmental statistical indicators according to EU Standards	26% (2019)	> 40% (2027)	SSO	
		Percentage of Health statistics produced and disseminated in accordance to EU standards	25% (2019)	> 80% (2027)	SSO	
Output 1.2 related to Outcome 1	Strengthened capacity of the National Bank to deal with external statistics and payment messaging standard	Percentage of payments compliant with ISO 20022 Standard	0% (2019)	100% (2024)	Payment Statistics on the official site of the National Bank	
		Percentage of reports submitted fully compliant with the DSD requirements	18% (2019)	≥ 90% (2024)	Progress report on the action plan on economic, monetary and financial statistics	
		Number of reports submitted fully compliant with the DSD requirements	2 (2019)	≥ 10 (2024)	Progress report on the action plan on economic, monetary and financial statistics	
		Standard of payment messages in use	National Standard	ISO 20022 Standard	Internal reports, Official site of the National Bank of North Macedonia	

BUDGET SUPPORT MODALITY

Results	Results chain	Indicators	Baselines (year)	Targets (year end)	Sources of data
Indicative Impact of the policy	To improve the effectiveness and efficiency of the public administration of North Macedonia	Government effectiveness index	55.77 (2018)	≥ 65 (2027)	World Bank ²⁰
		Global Competitiveness Index	57.3 (2019)	≥ 65 (2027)	World Economic Forum ²¹
		Trust in Government - Proportion of people who tend to trust the Government over population	31% (2020)	≥35% (2026)	Eurobarometer ²²
Expected Outcomes of the policy (Outcome 2)	Increased confidence of the citizens in the performance of the public administration	Proportion of people who tend to trust the Public Administration over population	33 % (2020)	≥ 40% (2026)	Eurobarometer ²³
		Number of applications for e-services	7,500 (2022)	≥ 50,000 (2026)	MISA's Annual Report and online data ²⁴
Induced Outputs	2.1. Reorganised, modernised and transparent public administration	* I1 - Number of state administrative bodies, agencies and inspection services at central level, aligned with the Law on Organisation of State Administrative Bodies	130 ²⁵ (2021)	≤ 110 (2026)	MISA's Annual Report from the Registry of public sector employees
		* I2 -New salary system in place (percentage of employees under the new legal framework)	0 (2022)	new Law on Salaries adopted (2024) 10 % (2025) 38 % (2026)	Official Gazette (Law on Salaries for Public Sector Employees) / Scrutiny of the new collective agreements and special laws

¹⁶ <http://info.worldbank.org/governance/wgi/Home/Reports>

¹⁷ http://reports.weforum.org/global-competitiveness-report-2018/competitiveness-rankings/?doing_wp_cron=1561719846.16750311851501464843752018

¹⁸ <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Chart/getChart/themeKy/18/groupKy/98>

¹⁹ <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Chart/getChart/themeKy/18/groupKy/317>

²⁰ <http://info.worldbank.org/governance/wgi/Home/Reports>

²¹ http://reports.weforum.org/global-competitiveness-report-2018/competitiveness-rankings/?doing_wp_cron=1561719846.16750311851501464843752018

²² <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Chart/getChart/themeKy/18/groupKy/98>

²³ <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Chart/getChart/themeKy/18/groupKy/317>

²⁴ <https://uslugi.gov.mk/>

²⁵ Thus number does not include 9 economic regulators and public enterprises performing executive functions.

Results	Results chain	Indicators	Baselines (year)	Targets (year end)	Sources of data	
		I3 – Upgraded information system for human resource management allowing quality information on the public service profile (providing breakdowns of public employees per gender, age, level of education, education background, ethnicity)	Basic (2020)	Advanced data production (2026)	MISA’s Annual Report	
		I4 -Number of people on temporary contracts in public sector institutions (preferably for the first and second semester)	3,222 (2019)	≤ 2,400 (2025)	MISA’s Annual Report from the Registry of public sector employees	
		I5 - % of Draft RIA Reports and draft laws and strategic documents published on ENER which comply with the requirements for timely publication	75% (2019)	100% (2026)	Annual Reports on the implementation of RIA (MISA)	
	1.2. Enhanced Digital transformation in public administration	I6 -Number of e-services delivered to citizens in one year	8,783 (2020)	≥ 13,000 (2026)	MISA’s Annual Report and online data ²⁶	
		*I7 -Number of transactions in the interoperability system	3,555,657 (2021)	≥ 4,000,000 (2024) ≥ 4,500,000 (2025) ≥ 5,000,000 (2026)	MISA’s Annual Report and online data ²⁷	
		*I8 -Number of new e-services fully functional available on the e-GOV Portal	75 (2022)	≥ 302 (2026)	MISA’s Annual Report and online data ²⁸	
	Direct Outputs	Decreased financing risks for the public administration reform	Size of national funds allocated for the PAR per year (in million EUR)	2.75 (2021) ²⁹	≥ 4.0 (2023-230) Total 35 MEUR	National budget Reports on implementation
		Improved coordination and sector policy dialogue	Average number of participants in the Sector Working Group meetings on PAR per year (breakdown per type of body)	25 (2021)	≥ 50 (2026)	Attendance lists of meetings of the Sector Working Group
Number of meetings of the SWGs/year discussing the PAR progress and challenges			2 (2022)	≥ 10 (2026)	Conclusions of meetings of the Sector Working Group	
Number of average responses per consulted document in ENER			5 (2022)	≥ 10 (2026)	Annual PAR Report	

*Linked to a variable tranche

²⁶ <https://uslugi.gov.mk/>

²⁷ <https://centralbam.interop.gov.mk/>

²⁸ <https://uslugi.gov.mk/>

²⁹ EUR 11 million for 2018-2022

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with North Macedonia.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation of the Budget Support Component

4.3.1. Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 14 000 000, and for complementary support is EUR 1 500 000. This amount is based on:

→ *The financing needs of North Macedonia*

The expected cost³⁰ of the public administration reform strategy 2023-2030 is EUR 35 million.

The pilot phase of the reorganisation is implemented with EU funding (IPA II) of EUR 0.7 million for technical assistance and engaging a national resource of approximately EUR 2 million. This phase will be finalised by the moment of starting of this budget support operation. Yet, the lessons learned will feed in the reorganisation process until end 2026.

The complete process of the reorganisation is expected to be finalised by the end of 2026 and the total amount needed is estimated to EUR 15 million. EU funding of EUR 7 million from this budget support will support the process and will decrease the risks of underfinancing of the PAR Strategy. The other EUR 7 million from this budget support will be used to advance the e-services.

→ *Commitment of North Macedonia to strengthen the PFM and economic governance*

North Macedonia remains committed to go ahead with far-reaching PFM and economic governance reforms. The cost of the public finance management reform and reform of the economic governance amounts to approximately EUR 30 million³¹.

→ *High risks of the intervention and financial implications* – this SRPC sets up ambitious targets with strong indicators. The reorganisation of the state administration is a political process, with important consequences and implications for the Government. The risks of not achieving the targets, despite the political commitment shown so far, remains high. To mitigate the risks, gradual approach is being proposed combining different type of EU support i.e. the ongoing project-based EU support under IPA II will be complemented by

³⁰ Still under preparation; adoption expected by the end of 2022

³¹ Estimation based on ERP and the new PFM strategy.

this budget support operation. This approach envisages strong upfront technical assistance and accompanying support to establish the process and methodology and following incentive-based approach to keep up the motivation and commitment to deliver results.

In addition, COVID-19 and Russia's aggression against Ukraine will additionally shrink the available financial space and will focus the attention on recovery rather than on PAR.

→ *Record of accomplishment* – this is the third budget support operation in North Macedonia. “EU for Economic and Social Resilience”, a COVID-19 flagship measure, is fully disbursed (EUR 40 million). “EU for Youth” is under implementation, over 35% were already disbursed and another tranche of around 22% of the total budget support is under approval. To address the implementation difficulties related to the COVID-19 pandemic, an extension of one year was agreed. The country has a monitoring system which produces annual results, information, and reports, which is being further strengthened, and there are no huge risks as regards the data collection, accuracy, and use. The main risks are in the nature of the operation, encompassing the most difficult reform in the country, linked with political and technical challenges.

The value of this SPRC is approximately 50% of the total value of the national investments for the institutional reorganisation. Thus, the SRPC is conceived as a co-financing with allocated national resources, allowing optimisation of the efforts and increasing the chance for successful completion of these new policy initiatives.

The complementary support is estimated to EUR 1 500 000 or 11% of the value of the SRPC. This high amount is required to accompany authorities in this ambitious intervention through targeted capacity building measures, as well as to strengthen the knowledge on budget support, as this is the first SRPC in this sector and experience and knowledge on implementation of this modality remains limited.

4.3.2. Criteria for Disbursement of Budget Support

a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Public Administration Reform and continued credibility and relevance thereof;
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances;
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme;
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches include:

- Number of state administrative bodies, agencies and inspection services at central level, aligned with the Law on Organisation of State Administrative Bodies;
- New salary system in place (percentage of employees under the new legal framework);
- Number of transactions in the interoperability system;
- Number of new e-services fully functional available on the e-GOV Portal.

c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at end of the first quarter of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

In case of significant deterioration of fundamental values, budget support disbursement may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the Financing Agreement.

4.3.3. Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the EUR transfers disbursed into denar will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The fixed tranches amount to EUR 3.5 million (25% of the budget support operation), of which

- EUR 2 million upon the signature of the Financing Agreement, provided that the general conditions for disbursement mentioned in 4.3.2 a) are met.
- EUR 1.5 million after the first year of implementation, provided that the general conditions for disbursement mentioned in 4.3.2 a) are met, and that there is progress on the PAR.

The variable tranches amount to EUR 10.5 million (75% of the budget support operation), and are organised in 3 tranches – one per year for the three year of implementation:

- Year 1 (2024) – 1.5 million
- Year 2 (2025) – 2.1 million
- Year 3 (2026) – 6.9 million

The disbursement of annual variable tranches will occur provided that the general conditions for disbursement mentioned in 4.3.2 b) are met and that the annual targets are met. The value of the annual variable tranches will be calculated according to the disbursement procedures specified below.

4.4. Methods of implementation for Project Modality

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³².

4.4.1. Direct Management (Grants)

Twinning – "Strengthened capacity for production and dissemination of environmental and health statistics."

- a) Purpose of the grant: This call for proposals for a conclusion of one twinning contract will aim at achieving *Output 1.1.: Strengthened capacity for production and dissemination of environmental and health statistics.*
- b) Type of applicants targeted: applicants must be EU Member State administrations or mandated bodies.

4.4.2. Direct Management (Procurement)

Procurement will be used for the complementary support to the budget support operation under *Outcome 2: Increased confidence of the citizens in the performance of the public administration Complementary support* and for achieving *Outcome 1: Improved use of statistical and financial data in policy-making and implementation as identified in section 3.1.*

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of the origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility based on urgency or unavailability of services in the markets of the countries or territories concerned or in other duly substantiated cases where the application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Indicative third party contribution, (EUR)
Budget support - cf section 4.3.	14 000 000	0
Methods of implementation, cf section 4.4		
Outcome 1: Improved use of statistical and financial data in policy- making and implementation, composed of	2 500 000	0
Grants (direct management) – cf. section 4.4.1		N/A

³² www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of a discrepancy between the published legal acts and the updates on the website, the OJ version prevails.

Indicative Budget components	EU contribution (amount in EUR)	Indicative third party contribution, (EUR)
Procurement (direct management) – cf. section 4.4.2	N/A	
Outcome 2: Increased confidence of the citizens in the performance of the public administration – complementary support, composed of	1 500 000	0
Procurement (direct management) – cf. section 4.4.2	N/A	
Grants – total envelope under section 4.4.1	1 300 000	0
Procurement – total envelope under section 4.4.2	2 700 000	0
Evaluation – cf. section 5.2 Audit – cf. section 5.3	will be covered by another decision	N/A
Communication and visibility (cf. section 7)	will be covered by another decision	N/A
Contingencies	0	N/A
TOTAL	18 000 000	0

4.7. Organisational Set-up and Responsibilities

The Delegation of the European Union to North Macedonia is in charge of implementing the Action. It will collaborate with the Secretariat for European Affairs (NIPAC office), the Ministry of Information Society and Administration, the Ministry of Finance, other line ministries involved, the State Statistical Office, and the National Bank of North Macedonia stakeholders and implementing partners.

Regarding the sector budget support, the Ministry of Information Society and Administration, acting in collaboration with the Ministry of Finance, will have a leading role in implementation and reporting.

At the policy level, the implementing partners will be accountable to the relevant Sector Working Groups (Public Administration Reform and Public Financial Management) and the IPA Monitoring Committee. The SWG-PAR is the leading platform channelling the IPA programming in the sector, including preparing this Sector Reform Performance Contract. It will continue to play a vital role in monitoring the Sector Reform Performance Contract as a part of the monitoring the progress of the relevant sector reforms. Since all relevant bodies involved in the implementation of the Sector Reform Performance Contract participate in the SWG, it is expected that it (or part of it) will also play the role of a Sector Budget Support Forum on Public Administrative Reform, which will be specifically dedicated to following and advice the implementation and disbursements of the present Sector Reform Performance Contract by-annually.

The implementation arrangements will be discussed at the contract level through the Project Steering Committees having advisory functions and composed of the EU Delegation, the relevant national authorities, and all relevant implementing partners.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and detailed regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of the implementation of the action; difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring

The ongoing monitoring of the specific contracts and the Sector Reform Performance Contract will be the responsibility of the EU Delegation and the NIPAC office, and the established Steering Committees, where applicable. The monitoring will be based on the action activities, results (outputs, outcomes and impact), indicators and targets.

The progress in implementing the Action will be monitored at the sector level through the established 2021 Performance Assessment Framework (PAF), which includes outcome and impact indicators, targets and baseline data. PAF has been established as a web-based application (to be backed up by a Government decision on responsibilities and deadlines), allowing regular electronic data input, data processing and data analytics. The PAF data will be used and discussed in the Sector Working Group on PAR, which is also the inclusive platform for all stakeholders to monitor the implementation of the sector priorities. This set-up implies that the Ministry of Information Society and Administration (MISA) shall assume a key role in supervising the implementation of the Action and organising policy dialogue to discuss challenges and results.

At the output level, data about each project and contract implementation and at the Sector Reform Performance Contract level will be collected in OPSYS. They will be based on the data from official documents such as reports, acceptance certificates or equivalent documents.

The statistical and monitoring systems and the quality of official data in the policy field covered have been assessed. The project itself is a tool to improve the national and transnational institutions' capacities to monitor sector developments. The competent actors (MISA, SSO, National Bank and SEA) are expected to produce timely and meaningful data to monitor the results and impact of the Action.

5.2. Evaluation

For project modality: Regarding the importance of the Action, a final evaluation will be carried out for this Action or its components via independent consultants. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account that the Action targets the fundamental reforms needed to advance on the EU accession path.

For budget support: The evaluation of this Action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least two months before the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and, among other things, provide them with all necessary information and documentation and access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract. The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, the general public, etc.)

Visibility and communication measures specific to this Action shall complement the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably concerning the communication narrative and master messages.

At the level of the action, the communication policy will be based on a few activities with high media potential and able to create media events allowing the Commission and the EU Delegation to promote the relevant EU values, policy, and investments. Cooperation with the NIPAC office and the other beneficiaries will be very important to ensure one-voice communication to citizens.

At the contract level, all contractors and grantees shall develop communication and visibility activities in line with the EU communication and visibility requirements in force. The communication and visibility plans of contractors and grantees will be approved by the EU Delegation. Contractors are expected to show a good communication reflex and the ability to exploit unexpected opportunities to promote the activities and the EU support. The focus should be put on "out-of-the-box" communication solutions having the potential to attract the attention of media and citizens and allow the passing of important messages. The opportunities provided by digital communication and social media shall be used at large. It is the responsibility of the contractors and beneficiaries to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities. The beneficiary shall also report on the visibility and communication actions in the relevant reports. The implementation of the communication activities shall be funded from the budgets of the individual contracts.

Visibility and communication actions shall focus on results and changes achieved and shall demonstrate how the EU support brings the country closer to the EU standards. The objective is to improve the awareness of the EU funding of the general public and not only of target specific audiences. The communication policy applied must ensure that the citizens understand the added value and impact of the EU's interventions and that EU funds are managed and used in a transparent, efficient, and effective way for the country's benefit.

7. SUSTAINABILITY

The sustainability prospect is defined by the contribution of the Action to the implementation of the PAR Strategy 2018-2022 and the vital national commitment to its performance. The Action channels EU funds to the PAR key pillars and is expected to deliver results in the reform's riskiest and most challenging segment. While the risk remains high, the potential impact of the EU funding will be increased across all public administrations. The reorganisation and optimisation of the state administrative bodies and the public sector have a powerful effect on the effectiveness and efficiency of the public administration.

The sustainability potential of the action is also indicated in the planned improvement of the e-services, which will rationalise the service delivery, decrease the cost, improve the citizens' access to services, and strengthen the digitalisation trend of the country.

The improved methodologies to produce statistics and the exchange of information on payments will significantly impact the data collection and use and the operations of the state statistical office and the National Bank of North Macedonia. This will support the country in aligning with EU standards and preparing for EU accession in the longer term.