

# SHADOW REPORT

FROM MONITORING  
WORK AND EFFECTS OF  
SECTOR WORKING GROUP  
FOR PUBLIC FINANCE  
MANAGEMENT

*in the period  
January 2019 – February 2020*







THROUGH  
DIALOGUE TO  
**EU**

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 This project is funded  
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# SUMMARY

The project “CSO Dialogue – Platform for Structural Participation in EU integrations” aims to ensure crucial and structural participation of the civil society, which expresses the views of citizens, to influence key sector reforms within the EU accession process.

The project’s main goal is to increase civil society impact on the country’s EU accession by developing evidence-based policies and policy documents in key sector and reform areas.

The Instrument for Pre-Accession Assistance 2014-2020 (IPA II) is the European Union’s central financial instrument in the Republic of North Macedonia.

This shadow report specifically addresses work of IPA II sector working groups. It strives to provide, in one place, all general and key information about sector working groups (SWGs) and IPA II. The report includes overview of current state-of-play in regard to sector working groups that represent an indicator on implementation of IPA II in the Republic of North Macedonia, because they embody cooperation among various actors.

The sector working groups are formal mechanism for consultation and cooperation among institutions from the executive government (ministries), civil society organizations, donor community and other stakeholders. By the cut-off date for this report, the Republic of North Macedonia has formed a total of 12 sector working groups with competences in different policy areas, in order to establish the sector-wide approach.

All sector working groups have different functions in implementation of their competences. Hence, they represent sector-wide policy forums, coordination mechanism, platform for monitoring sector policies

and forum for programming IPA funds. Be that as it may, functionality, effectiveness, transparency, general dynamics and work mechanics greatly differ among individual sector working groups.

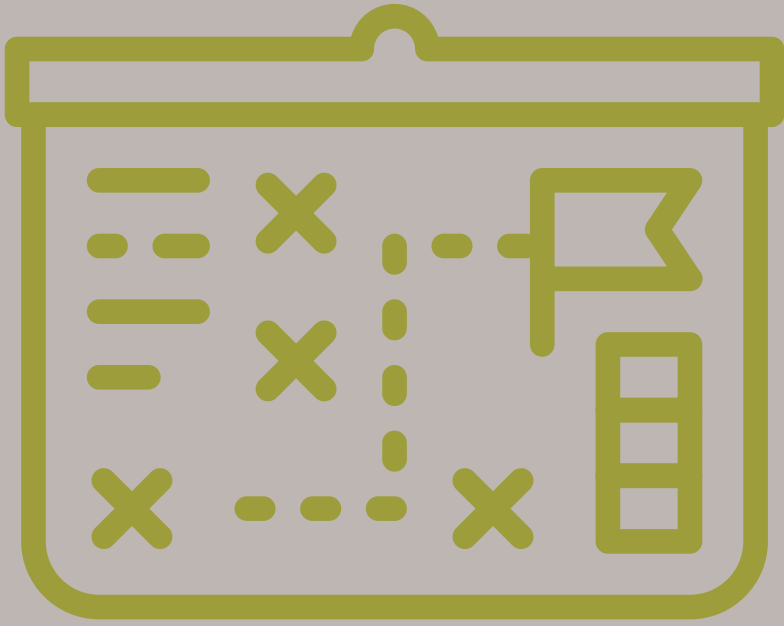


The shadow reports are intended to provide meaningful guidelines for better utilization of opportunities and advantages offered by sector working groups. A special segment in monitoring work of sector working groups concerns the assessment on involvement of civil society organizations in their work, as one of underlying principles for successful operation of the sector-wide approach. In 2019, work of sector working groups was assessed against several key indicators, such as: monitoring proposals and discussions at plenary sessions; analysis of basic documents; surveying opinion of civil society organizations that are not part of sector working groups; measuring and analysis of the IPA II Programme, and gender mainstreaming in sector working groups.

Also, these reports will help state institutions, civil society organizations and other non-state representatives in their advocacy efforts within sector working groups. This monitoring effort is based on the assumption that quality of programming and absorption of EU funds serve as indicator about the preparedness of any country to join the European Union. Hence, by providing an overview of progress achieved under the sector-wide approach, especially at the time of screening and opening of accession negotiations that are underway in the country, these annual reports will inevitably make significant contribution to relevant policy-making processes.

The introduction elaborates information on the monitoring of sector working groups and the methodology used for development of this shadow report. Then, the report is divided into two parts, as follows:

- The first part, titled “Sector-Wide Approach and Sector Working Groups”, includes description of the sector-wide approach under IPA II, sector working groups and their functionality. Also, this part provides individual overview of state-of-play for each of the twelve sector working groups pursuant to the pre-defined monitoring methodology, those being:
  - ◆ public administration reform;
  - ◆ public finance management;
  - ◆ justice;
  - ◆ home affairs;
  - ◆ competitiveness and innovation;
  - ◆ agriculture and rural development;
  - ◆ transport;
  - ◆ environment and climate action;
  - ◆ education, employment and social policy;
  - ◆ regional and local development;
  - ◆ Roma integration; and
  - ◆ health.
  
- The second part, titled “Instrument for Pre-Accession Assistance IPA II (2014-2020)”, includes basic information on IPA II, the strategic and legal framework for this instrument at EU level and in RNM. Also, it elaborates the sector-wide approach and provides comprehensive description of bodies and structures within the system of IPA II indirect management at national level, including sector working groups and their role.



# METHODOLOGY ON MONITORING WORK AND EFFECTS OF SECTOR WORKING GROUPS

The methodology for development of these reports aims to introduce a unified method for monitoring work of sector working groups (SWGs), as part of the EU accession process. In particular, researchers assigned to each sector working group collected data and information on work and achievements under the sector-wide approach, and presented them in this report.

## METHODOLOGY APPROACH

This methodology is based on setting standards and indicators to monitor and evaluate work of sector working groups against their competences, objectives and expected outcomes defined in national documents, relevant IPA documents and active programme documents. Given that the mandate of sector working groups implies a rather broad field of work and the project's focus is put on increasing participation and contribution of civil society organizations (CSOs) in these sector groups, the team defined five segments that will be subject of research, monitoring and evaluation by project researchers. Each segment is comprised of a certain number of standards and indicators, which serve



as subsystem for monitoring and control of quality and performance in given segments. The selection of defined standards was made according to descriptions about the function, role and competences of sector working groups, as indicated in their rules of procedure, and according to the scope of programme documents relevant for sector working groups.

The process for data collection, monitoring and evaluation was conducted in regard to five segments, as follows:

- SWG functionality;
- civil society participation in SWG;
- capacity of CSOs to contribute and participate in SWG work;
- effects from SWG work, and
- IPA.

The standards included under each segment are defined as common measurements on quality and performance, while indicators serve as detailed measurements for progress and success in work of sector working groups. In that, the monitoring process also assessed existence and practical implementation of established standards and indicators.

## METHODOLOGY DESCRIPTION

### Standards and indicators

Each monitoring segment covers a defined number of standards. Each standard can (but not necessarily) include a defined number of indicators as detail measurements.

The methodology is comprised of 41 standards and 21 indicators in total. The table below provides an overview of the scope of standards and indicators defined for each monitoring segment.

**TABLE NO. 1: Overview of the scope of measurements**

SEGMENT	NUMBER OF STANDARDS	NUMBER OF INDICATORS
SWG functionality	14	8
Civil society participation in SWG	9	3
Capacity of CSOs	5	2
Effects from SWG work	3	8
IPA	10	0
<b>Total:</b>	<b>41</b>	<b>21</b>

In addition to the general description, each standard covers a definition that closely describes what needs to be monitored and evaluated, what data need to be collected and what reference documents should be examined in order to make relevant assessments.

## Methods and instruments for data collection

According to researchers' anticipated activities and resources, the project plans to use several methods for data collection, as follows:

- analysis of documents;
- interviews with SWG members;
- survey;
- researcher's participation in SWG meetings;
- submission of requests under the instrument for free access to information; and
- e-mail and telephone communication to secure information and data.

**Analysis of documents:** A number of standards defined under all five monitoring segments concern development and regular updates to particular plans, work documents, rules of procedure, minutes and similar documents pertaining to work of sector working groups.



**Interview with SWG members:** Interview as method was used when it was necessary to validate and confirm with SWG members certain knowledge obtained from analysis of documents. Additionally, when documents lacked findings on particular standards and indicators, interviews were used as separate method to obtain information necessary to evaluate these standards, i.e. indicators. According to the project timeframe, interviews were organized in the period February/ March 2020. Given the newly emerged situation in the country during this period,<sup>1</sup> researchers organized five (5) interviews with representatives from state institutions.

**Survey:** This method implies systemic data collection about the current status of standards and indicators, based on previously defined questionnaire used to survey a number of respondents, while information obtained is later processed and used to evaluate standards or indicators. As method, the survey is applicable to large groups of respondents, when findings need to be cross-referenced and when cause-and-effect relations need to be analysed. In the case of this methodology, the survey was conducted to gain insight into knowledge and information among civil society organizations about sector working groups, as well as about their knowledge of topics covered by sector working groups, as indicated in relevant regulations, documents, analyses and reports. Hence, for the purpose of this monitoring methodology the project team designed a standard *survey questionnaire for civil society organizations*. The questionnaire was electronically shared with all civil society organizations on the Civil Society Platform previously designed by the project team. It was answered by a total of 104 civil society organizations. In particular, questionnaires were completed by civil society organizations that are members of sector working groups, but also by civil society organizations that have not participated in the sector-wide approach, which allowed the analysis to cover several aspects needed for this report.

**Researcher's participation in SWG meetings:** This method was used to validate, at sector group meetings, certain information and knowledge and to enrich the analysis in terms of quality. In the last year, application of this method allowed collection of number of information that describe certain state-of-play or could provide authentic answers about certain requirements under standards and indicators. As part of this method, all researchers developed individual plans that covered items discussed at sector group meetings they attended and participation of civil society organizations in work of sector working groups.

<sup>1</sup> The newly emerged situation in regard to COVID-19 and declaration of the state of emergency by the President of the Republic of North Macedonia on 16th March 2020



**Submitting requests under the instrument for free access to information:**

Information requests were addressed to institutions when individual researchers were unable to otherwise secure the necessary information. In the period 2019/2020, a total of 53 requests were submitted to line ministries and they inquired about information that could not be obtained in any other manner. Here, it should be noted that some ministries, upon previous requests via e-mail and telephone communication, disclosed relevant information and documents and this instrument was not used in such cases.

**E-mail and telephone communication:** Researchers engaged in this type of communication in cases when certain datasets could be more easily obtained in this manner compared to the instrument for free access to information. In that, they strived to pursue written communication (e-mails), but telephone communication was also possible for validation and confirmation of certain information. Telephone communication was particularly important in the last period for development of this report (March 2020), having in mind declaration of the state of emergency in the country.

This shadow report from monitoring work of sector working groups is developed exclusively from civil society perspective and covers the period from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.



# PART I

## SECTOR-WIDE APPROACH AND SECTOR WORKING GROUPS

### SECTOR-WIDE APPROACH

The IPA II Regulation<sup>2</sup> and the IPA II Framework Agreement<sup>3</sup> place great importance to coordination of policies, strategies and funding within individual sectors established in the Country Indicative Strategy Paper.<sup>4</sup>

### IPA II Indicative Strategy Paper

The Indicative Strategy Paper sets out the priorities for EU financial assistance in the period 2014-2020 to support the Republic of North Macedonia on its path to EU accession. It translates the political priorities, set out in the enlargement policy framework, into key policy areas where financial assistance is most useful to meet

- 2 REGULATION (EU) No. 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II)
- 3 Framework Agreement between the Republic of Macedonia, represented by the Government of the Republic of Macedonia, and the European Commission on arrangements for implementation of the Union's financial assistance to the Republic of Macedonia under the Instrument for Pre-Accession Assistance (IPA), "Official Gazette of the Republic of Macedonia" no. 99 from 16.6.2015
- 4 <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-the-former-yugoslav-republic-of-macedonia.pdf>



the accession criteria. In 2017, the Indicative Strategy Paper underwent mid-term review and update. This document may be revised at any time, on initiative from the European Commission.

IPA financial assistance is intended for four specific objectives: (a) support for political reforms; (b) support for economic, social and territorial development; (c) strengthening the ability of the beneficiary country to fulfil the obligations stemming from Union membership by supporting progressive alignment with, and adoption, implementation and enforcement of the EU *acquis*; and (d) strengthening regional integration and territorial cooperation. Furthermore, the IPA II Regulation states that financial assistance addresses five main policy areas: a) reforms in preparation for Union membership and related institution and capacity-building; b) socio-economic and regional development; c) employment, social policies, education, promotion of gender equality and human resources development; d) agriculture and rural development; and e) regional and territorial cooperation.

In order to increase its impact, EU financial assistance is concentrated in the policy areas where reforms or investments are most needed to meet accession criteria and is tailored to take into account capacity of the Republic of North Macedonia to meet these needs. Assistance is planned in coherent and comprehensive manner, in order to best meet the four specific objectives and to address general thematic priorities for IPA II assistance, as well as thematic priorities for assistance for territorial cooperation.

Moreover, EU assistance is only one means to achieve necessary progress. In priority-setting for action, due consideration is given to own funds of the beneficiary country, as well as support provided through other EU instruments and by other stakeholders, especially bilateral donors or international financing institutions. Having in mind the above elaborated, primacy is given to: providing financial assistance under the sector-wide approach; ensuring long-term, coherent, and sustainable approach; allowing increased ownership; facilitating cooperation among donors; eliminating duplication of efforts; and bringing greater efficiency and effectiveness.

## Sector-wide approach in the context of IPA II

The IPA II Programme has clear focus on “sector-wide approach”, which aims to provide multiannual strategy framework for programming EU assistance according to the country’s priorities. This is an important change from project-based programming in the previous years. It allows use of more flexible implementation formats, such as multiannual operational programmes and sector budget support.

**The sector-wide approach** means coordinated planning, implementation and monitoring of sector policies by means of setting clear priorities, objectives, indicators and funding responsibilities. Initiation of this approach is in line with donor requirements,<sup>5</sup> which expect foreign aid to be aligned with national (sector) strategies and to have coordinated and long-term perspective that is based on regular cooperation between donors and beneficiaries.

**In the context of IPA, the sector-wide approach** means: coordination in IPA programming and implementation; overall coordination of donor assistance; alignment with the EU integration process and with the negotiations structure and organization, as well as formulation and implementation of the national policy in broader context, including the national policy’s link to sector budgets and national funds.

All these functions of the sector-wide approach need to be united in one place through the sector working groups, which should provide guidelines for better use of resources by means of their decision-making processes. A sector working group (SWG) is formed for particular sector. Hence, at the moment there are twelve (12) sector working groups that operate under the joint coordination framework. At the same time, each sector working group represents<sup>6</sup>:

- forum for sector policy dialogue and focal point to discuss the sector’s preparedness and to evaluate progress of sector policy and institutional capacity;
- forum to discuss IPA programming and infrastructure projects, i.e. forum for work on individual project concepts;

5 <http://www.oecd.org/dac/effectiveness/34428351.pdf>

6 A New Approach to Sector Policy Coordination, Skopje, Secretariat for European Affairs, 2016



- | forum for overall coordination of donors;
- | preparatory forum for individual IPA sectoral monitoring committees, which focuses discussion on implementation of IPA projects; and
- | support structure to SAA<sup>7</sup> and to the recently initiated negotiations process.

The IPA II sector-wide approach is precondition for allocation of funds and an important instigator of changes. It is expected for the sector-wide approach to contribute to better guided, more efficient and more effective use of funds, and to significantly increased absorption capacity.

One of key criteria to assess the country's preparedness to benefit from EU funds is sector and donor coordination. This criterion is verified against several basic questions<sup>8</sup>:

- | Are there adequate coordination mechanisms within responsible government institutions?
- | Are there coordination mechanisms between the government and non-state actors?
- | Are there functional arrangements for donor coordination?
- | Is there updated database on donor assistance?
- | Is coordination effective and inclusive?
- | Is sector management in place and is the government prepared to take leadership in donor coordination, i.e. does the government show potential for efficient development of leadership role in the short term?

<sup>7</sup> Law on Ratification of the Protocol to the Stabilization and Association Agreement between the Republic of Macedonia, of the one part, and the European Communities and their Member-States, of the other part, on a Framework Agreement between the Republic of Macedonia and the European Community on the general principles for participation of the Republic of Macedonia in the Community Programmes, "Official Gazette of RM" no. 46 from 20.6.2005

<sup>8</sup> A New Approach to Sector Policy Coordination, Skopje, Secretariat for European Affairs, 2016

Except for these key issues, the IPA II Regulation does not define specific criteria in relation to the method of sector coordination. Individual beneficiary countries of IPA funds are given discretionary right about the manner in which they will achieve this goal.

At the same time, this IPA-focused process should be aligned with the Western Balkans Investment Framework,<sup>9</sup> which includes specific arrangements for each country in terms of priority identification and setting, development and implementation of infrastructure projects. Republic of North Macedonia has already formed the National Investment Committee (NIC), supported by sector working groups (SWGs). The purpose of NIC and SWGs that are subordinated to this committee is to ensure that donor assistance is used according to relevant cross-sector and sector-specific strategies. Due to similarity of objectives, the current framework on sector policy coordination connects SWGs under the Western Balkans Investment Framework to SWGs under the national IPA Programme, which does not ensure only optimal use of resources, but also guarantee integrated approach in sectors such as *energy, transport, environment and social policy*.

## Policy coordination and sector working groups

The IPA II Regulation<sup>10</sup> and the IPA II Framework Agreement between the European Union and the Republic of North Macedonia<sup>11</sup> place great importance to coordination of policies, strategies and funding within sectors identified at national level.

The IPA II Indicative Strategy Paper<sup>12</sup> clearly focuses on the so-called “sector-wide approach”, whose goal is to provide multiannual, strategically coherent framework for programming of EU assistance according to the country’s priorities.

The sector policy coordination framework is discussed in regard to several interrelated perspectives:

<sup>9</sup> Western Balkans Investment Framework, available at: <https://www.wbif.eu/>

<sup>10</sup> REGULATION (EU) No 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II)

<sup>11</sup> “Official Gazette of the Republic of Macedonia” no. 99 from 16.6.2015

<sup>12</sup> <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-the-former-yugoslav-republic-of-macedonia.pdf>



- | coordination of IPA programming and implementation;
- | EU integration process and the negotiations structure and organization;
- | overall coordination of donor assistance; and
- | formulation and implementation of the national policy in broader context, including the national policy' link to sector *budgets and national funds*.

The integrated approach to these perspectives, as well as the need to optimize resources and to guide the decision-making process, is pursued by formation of working groups per sector (SWG). In the case of some sectors, sector working groups are formed for individual subsectors.

To present, a total of twelve (12) sector working groups are formed and they operate under the joint coordination framework. The sector-wide approach is envisaged to contribute towards better guided and more efficient use of funds and to significantly increased absorption capacity. One of key criteria to assess the country's preparedness to benefit from EU funds is sector and donor coordination, in regard to following aspects:

- | existence of adequate coordination mechanisms within responsible government institutions;
- | existence of coordination mechanism between the government and non-state actors;
- | established functional arrangements for donor coordinator;
- | updated database on donor assistance;
- | effective and inclusive coordination; and
- | existence of sector management and the government's preparedness to take leadership in donor coordination.



Except for these issues, the IPA II Regulation does not define specific criteria for the method of sector coordination. Each beneficiary country of IPA assistance establishes its own rules for attainment of this objective.

## IPA II sector working groups

A sector working group (SWG) is interdisciplinary or interdepartmental body tasked to provide advice and to secure the necessary consensus among all actors in given sector under IPA II.

Also, sector working groups (SWGs) are sector coordination mechanisms and are part of the broader framework for national strategy coordination and dialogue.

## Role of sector working groups

The sector working groups have a very important role because they represent a mechanism for policy dialogue, programming of EU assistance and donor coordination.

The Republic of North Macedonia started with formation of eight (8) sector working groups that covered all sectors. These sector working groups are comprised of representatives from all relevant national institutions responsible for policy development, implementation and monitoring in their respective sectors.<sup>13</sup>

## Monitoring committees

The sector coordination of IPA II assistance falls under national competences. However, the IPA II Implementing Regulation<sup>14</sup> lays down detailed monitoring rules through provisions on the IPA monitoring

<sup>13</sup> Revised Indicative Strategy Paper for the Former Yugoslav Republic of Macedonia 2014-2020 (adopted on 3.8.2018), Instrument for Pre-Accession Assistance IPA II, European Commission, available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-the-former-yugoslav-republic-of-macedonia.pdf>

<sup>14</sup> Regulation (EU) No. 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-Accession Assistance (IPA II)



committee,<sup>15</sup> sectoral monitoring committees,<sup>16</sup> other monitoring activities<sup>17</sup> and the joint monitoring committee for cross-border cooperation.<sup>18</sup>

## IPA II monitoring committee

According to the IPA II Implementing Regulation, the European Commission and RNM, as IPA II beneficiary country, form the IPA monitoring committee, which reviews overall effectiveness, efficiency, quality, coherence, coordination and compliance of implementation of all actions towards meeting defined objectives. In addition, when relevant and based on information provided by sectoral monitoring committees, this committee can make recommendations for corrective actions.

According to the Framework Agreement between the EU and RNM, the IPA monitoring committee is a body responsible to monitor implementation of IPA assistance. This committee is co-chaired by representatives from the European Commission and the National IPA Coordination (NIPAC), while the NIPAC secretariat also performs tasks and duties as secretariat of the monitoring committee, develops and distributes all materials that are adopted, i.e. reconsidered at committee meetings, in cooperation with the heads of operating structures.

According to the Framework Agreement,<sup>19</sup> the IPA monitoring committee can make proposals to the European Commission, NIPAC and the National Authorising Officer (NAO), with a view to ensure better coherence and coordination of IPA assistance, as envisaged in the country's strategy documents. Also, this committee can make recommendations for corrective actions to competent sectoral monitoring committees, with a view to attain IPA II objectives and to improve efficiency and effectiveness of IPA II assistance.

In RNM, the IPA monitoring committee is comprised of representatives from the European Commission, NIPAC and other relevant bodies and organizations in the IPA II beneficiary country and, when relevant,

<sup>15</sup> Article 18 of the IPA II Implementing Regulation

<sup>16</sup> Article 19 of the IPA II Implementing Regulation

<sup>17</sup> Article 20 of the IPA II Implementing Regulation

<sup>18</sup> Article 38 of the IPA II Implementing Regulation

<sup>19</sup> Article 52 of the Framework Agreement

international organizations, including international financing institutions and other stakeholders, such as civil society and private sector organizations. Stakeholder representatives should be selected according to rules and criteria defined in the rules of procedures for the IPA monitoring committee and in agreement with the European Commission. Representative of the European Commission and NIPAC serve as co-chairs at meetings of the IPA monitoring committee.

The IPA monitoring committee adopts its own rules of procedure in agreement with the National Authorising Officer (NAO) and the European Commission.

NIPAC drafts this committee's rules of procedure in cooperation with the European Commission and NAO, which are later approved by the committee.

The IPA monitoring committee holds at least one meeting per year. It could also convene ad-hoc meetings, on initiative from the European Commission or IPA beneficiary country, especially on thematic basis.

## IPA II sectoral monitoring committees

Under indirect management by the IPA II beneficiary country, sectoral monitoring committees are formed<sup>20</sup> per policy area or per programme, including at sectoral level where appropriate. They are formed no later than six months after the entry into force of the first financing agreement related to the specific policy area or programme, upon consultations with the European Commission. When relevant, sectoral monitoring committees may be formed on ad-hoc basis under other methods of implementation.

Each sectoral monitoring committee reviews effectiveness, efficiency, quality, coherence, coordination and compliance of implementation of actions in relevant policy area or programme and their consistency with corresponding national and, when relevant, regional sector strategies. Progress is measured in relation to attainment of objectives under actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution.

<sup>20</sup> According to Article 19 of the IPA Implementing Regulation and Article 53 of the Framework Agreement

Supported by reports provided by the operating structures, sectoral monitoring committees:



- review progress towards meeting the objectives, achieving planned outcomes and results, and assessing impact and sustainability of on-going programmes and actions, while ensuring coherence with the on-going policy dialogue, related national and regional sector strategies and multi-country strategies and/or regional activities in the country;
- reviews annual implementation reports, including financial execution of actions;
- examine relevant findings and conclusions, as well as proposals for remedial follow-up actions stemming from on-the-spot checks, monitoring and evaluations, if available;
- discuss any relevant aspects of the functioning of the management and control systems;
- discuss any problematic issues and actions;
- when necessary, consider or propose amendments to programmes and other corrective actions to ensure achievement of objectives and to enhance efficiency, effectiveness, impact and sustainability of IPA II assistance; and
- review information, publicity, transparency, visibility and communication measures taken.

Each sectoral monitoring committee develops their rules of procedure in agreement with the operating structure, NIPAC and the European Commission.

Sectoral monitoring committee are comprised of representatives from relevant national authorities and bodies and other stakeholders, such as economic, social and environmental partners and, when relevant, international organizations, including international financing institutions and the civil society. The European Commission participates in work of these committees, while stakeholder representatives are

selected according to rules and criteria defined in the rules of procedure. Meetings of sectoral monitoring committees are chaired by high representatives from the IPA II beneficiary country. Depending on the policy area or programme, meetings may be chaired by representative from the European Commission.

The sectoral monitoring committees meet at least twice a year, but they can also convene on ad-hoc basis.

NIPAC serves as the chair of sectoral monitoring committees, while NIPAC Secretariat also performs the function of secretariat for sectoral monitoring committees and is responsible for development and distribution of all materials that are adopted, i.e. reconsidered at meetings held by sectoral committees, in cooperation with the Head of Operating Structure (HOS).

For the purpose of work performed by the IPA monitoring committee and sectoral monitoring committees, relevant management and operating structures provide all necessary data and reports from their respective field of operation and related to implementation of IPA assistance.



## FUNCTIONALITY AND PERFORMANCE OF SECTOR WORKING GROUPS IN THE REPORTING PERIOD

As indicated above, the Instrument for Pre-Accession Assistance (IPA II)<sup>21</sup> is the basic financing document of the European Union intended for the beneficiary countries. Hence, IPA II establishes the sector-wide approach in planning and management of EU funds. The sector-wide approach is the main principle under IPA II. Capability of beneficiaries to design programmes for support to sectors is an important factor for successful programming of IPA and therefore it represents a key element of performance evaluation. In 2015, the Republic of North Macedonia initiated formation of eight (8) sector working groups that cover all sectors. These sector working groups are comprised of all relevant national institutions responsible for creation, implementation and monitoring of policies in their sectors.<sup>22</sup>

All eight sector working groups were formed in 2015 by means of decision taken on the 65<sup>th</sup> session of the Government of RNM.<sup>23</sup> Each sector working group is led by the relevant line ministry according to the scope of competences.

21 European Neighbourhood Policy and Enlargement Negotiations, available at: [https://ec.europa.eu/neighbourhood-enlargement/instruments/overview\\_en](https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en)

22 Revised Indicative Strategy Paper for the Former Yugoslav Republic of Macedonia 2014-2020 (adopted on 3.8.2018), Instrument for Pre-Accession Assistance IPA II, European Commission, available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-the-former-yugoslav-republic-of-macedonia.pdf>

23 Decision taken on the 65th session of the Government of RNM, held on 31.3.2015



In the years that followed and to present, additional four (4) sector working groups were formed. At the moment, there are twelve (12) sector working groups in the Republic of North Macedonia and they cover the following policy areas:

- | rule of law and fundamental rights (this sector-wide approach is comprised of two working groups: justice and home affairs);
- | democracy and governance (this sector-wide approach is comprised of two working groups: public administration reform and public finance management);
- | competitiveness and innovations;
- | regional and local development;
- | agriculture and rural development;
- | transport;
- | environment and climate action;
- | education, employment and social policy;
- | Roma integration; and
- | health.

Each sector working groups has one or more chairs (line minister or several line ministers when several ministries lead the working group), co-chair (head of cooperation at the EU Delegation in the Republic of North Macedonia) and members. In 2018, line ministers were appointed chairs of sector working groups in order to raise the level and efforts of institutions for application of the sector-wide approach. Members are representatives from the institutions whose competences correspond to the scope of work of the sector working group, representatives from the donor community, representatives from the foreign embassies and representatives from the civil society.



The underlying principles that define civil society participation in work of sector working groups are given in the EU legal acts, as follows:

- Article 11 of the Regulation no.231/2014 of the European Parliament and the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance IPA II;<sup>24</sup>
- Article 4, paragraph 2 and Article 8 of the Commission Regulation no.447/2014 of 2 May 2014 on the specific rules for implementing the Regulation no.231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-Accession Assistance;<sup>25</sup>
- Article 15 of the Regulation no. 236/2014 of the European Parliament and of the Council of 11 March 2015 laying down common rules and procedures for implementation of the Union's instruments for financing external action.<sup>26</sup>

The sector working groups operate at several levels, i.e. technical level, bilateral level and by holding plenary sessions. In 2019, all sector working groups held a total of 14 plenary sessions with participation of the civil society. Unlike the plenary sessions, other levels of work within sector working groups accounted for more than 200 meetings throughout the entire year.

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24 REGULATION (EU) No 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II)

25 REGULATION (EU) No 447/2014 of 2 May 2014

26 REGULATION (EU) 2015/478 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2015

**TABLE NO. 2:**

*Meetings held by the sector working groups  
and the competent ministries*

SECTOR	LEAD INSTITUTION	DATE
Regional and Local Development	<ul style="list-style-type: none"> <li>■ Ministry of Local Self-Government</li> </ul>	20.3.2019
Justice	<ul style="list-style-type: none"> <li>■ Ministry of Justice</li> </ul>	20.6.2019
Regional and Local Development	<ul style="list-style-type: none"> <li>■ Ministry of Local Self-Government</li> </ul>	19.9.2019
Education, Employment and Social Policy	<ul style="list-style-type: none"> <li>■ Ministry of Labour and Social Policy</li> <li>■ Ministry of Education</li> </ul>	20.9.2019
Home Affairs	<ul style="list-style-type: none"> <li>■ Ministry of Interior</li> </ul>	23.9.2019
Agriculture and Rural Development	<ul style="list-style-type: none"> <li>■ Ministry of Agriculture, Forestry and Water Economy</li> </ul>	24.9.2019
Transport	<ul style="list-style-type: none"> <li>■ Ministry of Transport and Communications</li> </ul>	26.9.2019
Competitiveness and Innovation	<ul style="list-style-type: none"> <li>■ Government of RNM – Deputy Prime Minister Responsible for Economic Matters</li> </ul>	15.10.2019
Public Finance Management	<ul style="list-style-type: none"> <li>■ Ministry of Finance</li> </ul>	5.11.2019
Public Administration Reform	<ul style="list-style-type: none"> <li>■ Ministry of Information Society and Administration</li> </ul>	18.11.2019
Roma Integration	<ul style="list-style-type: none"> <li>■ Minister without Portfolio Responsible for Roma Matters</li> <li>■ Ministry of Labour and Social Policy</li> </ul>	6.12.2019
Environment and Climate Action	<ul style="list-style-type: none"> <li>■ Ministry of Environment and Spatial Planning</li> </ul>	19.12.2019
Education, Employment and Social Policy	<ul style="list-style-type: none"> <li>■ Ministry of Labour and Social Policy</li> <li>■ Ministry of Education</li> </ul>	19.12.2019
Health	<ul style="list-style-type: none"> <li>■ Ministry of Health</li> </ul>	21.2.2020

The sector working groups are formed by means of decision, which includes detailed list of their members and they have own rules of procedure. Competences of each sector working group vary depending on the policy area they cover. Consequently, each sector working group is facing different challenges in its work, which are duly noted in separate sections from this report.

In general, during the monitoring and reporting year all sector working groups were focused on development of the Performance Assessment Framework as baseline document to monitor sector-specific reforms in the stage of implementing programme documents. Indicators included in this framework should fulfil several criteria:

- to be selected/derived from indicators that are already developed at the level of national sector strategies and action documents for IPA 2014-2020;
- to provide clear image about the country's progress in implementation of sector-specific strategies, by setting targets and monitoring their achievement;
- to be developed on the basis of previously designed methodology for data collection and processing; and
- to be reliable, by recording available sources for data verification.

It is likely that some indicators already defined under national sector strategies will have to be revised, while a number of sectors will have to define additional indicators. Therefore, based on the needs, other relevant data sources should be secured for definition, processing and monitoring of performance indicators in addition to the State Statistical Office.

Indicators are part of efforts for establishment of the Performance Assessment Framework which, at national level, should provide:

- monitoring of effects and results from implemented reforms;
- monitoring of effects and results from use of EU funds;
- possibility for transparent and accountable presentation of results before the broad public; and



- facilitating decision-making process for the next national strategy cycle that will coincide with the European Union's new financial perspective after 2020.

Actually, all plenary sessions held by the sector working groups in 2019 were intended for development of such performance assessment frameworks for reforms under the sector approach, in compliance with the IPA II Programme. A total of 205 indicators are developed at the level of all sector working groups. These indicators should be approved by the Government of the Republic of North Macedonia in 2020, followed by start of monitoring/measuring performance under each sector approach.<sup>27</sup>

### **Sector working groups and civil society organizations**

As regards involvement of civil society organization in work of sector working groups, significant increase was noted in 2017 and 2018. From early 2017, civil society organizations are invited to participate in almost all sector working groups and thereby contribute to sector policies under IPA II.

Each sector policy sets forth what the government plans to achieve in a given sector over a given period of time, i.e. it defines the sector-specific objectives. In that regard, it is of great importance to secure participation of the broader public in setting priorities for sector policies under IPA II.

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<sup>27</sup> More information about this process is available at: [www.dijalogkoneu.mk](http://www.dijalogkoneu.mk)





## SECTOR WORKING GROUP ON DEMOCRACY AND GOVERNANCE

The sector working group in the policy area on *democracy and governance* is comprised of two working groups, those being: public administration reform and public finance management.

## PUBLIC FINANCE MANAGEMENT – SECTOR POLICIES

*Public finance management* is one of the most voluminous sectors in the country, both in terms of policy areas covered, but also in terms of the number of institutions involved in implementation of policies and reforms anticipated.

The baseline document in this sector which covers policies and future reforms is the Public Finance Management Reform Programme 2018 - 2021, adopted in December 2017. It covers the country's fiscal framework, revenue mobilization, budget planning, budget adoption and execution, transparency and reporting, as well as financial control, external control, i.e. state audit and parliamentary oversight.

Except for the fact that it is connected and partially arises from other strategy documents, such as the IPA II Indicative Strategy Paper (2014 - 2020), the Economic Reform Programme 2017 - 2019,<sup>28</sup> the Fiscal Strategy 2017 - 2019<sup>29</sup> and the Strategy on Public Administration Reform.<sup>30</sup> The Public Finance Management Reform Programme covers several sub-reform documents (previous and new), such as the Tax

28 Economic Reform Programme 2017-2019, Ministry of Finance, available at: <https://finance.gov.mk/mk/node/4831>

29 Fiscal Strategy 2017-2019, Ministry of Finance, available at: [https://finance.gov.mk/files/Fiskalna\\_Strategija\\_na\\_RSM\\_2020-2022\\_FINAL\\_c1.pdf](https://finance.gov.mk/files/Fiskalna_Strategija_na_RSM_2020-2022_FINAL_c1.pdf)

30 Strategy on Public Administration Reform, Ministry of Information Society and Administration, available at: <https://mioa.gov.mk/?q=mk/node/1587>



System Reform Strategy 2020 - 2023,<sup>31</sup> the Public Internal Financial Control Policy Paper 2019 - 2021,<sup>32</sup> PRO Strategic Plan 2019-2021,<sup>33</sup> SAO Development Strategy 2018-2022,<sup>34</sup> Customs Administration ICT Development Strategy 2019-2023,<sup>35</sup> etc.

Having in mind such broad coverage of sub-sectors, *public finance management* is among the most dynamic and most complex sectors in the country and is marked by continuous developments, even beyond the Public Finance Management Reform Programme. On annual level, numerous regulations are adopted, changed and amended. Hence, in 2019, four (4) new laws were adopted, as follows: Law on Public Procurements<sup>36</sup> (adopted in January, in effect from April 2019), Law on Excise<sup>37</sup> (adopted in May 2019), Law on Public Procurements in the Area of Defence and Security<sup>38</sup> (adopted in September 2019) and Law on Motor Vehicle Tax<sup>39</sup> (December 2019).

On the other hand, many other laws in this sector underwent numerous changes, such as the Law on Value Added Tax, which was amended as many as three times in the course of one year (May, June and December 2019).

It should be noted that some of these changes were not decisively anticipated under the Public Finance Management Reform Programme (for example, adoption of the new Law on Excise or the Law on Public Procurements in the Area of Defence and Security), while others were not even mentioned in the programme (for example, the Law on Motor Vehicle Tax whose adoption was imposed as obligation after the Law on Excise was passed).

31 Tax System Reform Strategy 2020-2023, Ministry of Finance, available at: [https://finance.gov.mk/files/u3/%D0%94%D0%B0%D0%BD%D0%BE%D1%87%D0%BD%D0%B0\\_%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%98%D0%B02020\\_2023\\_1.pdf](https://finance.gov.mk/files/u3/%D0%94%D0%B0%D0%BD%D0%BE%D1%87%D0%BD%D0%B0_%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D1%98%D0%B02020_2023_1.pdf)

32 Public Internal Financial Control Policy Paper and Action Plan 2019-2021, Ministry of Finance, available at: <https://finance.gov.mk/files/u249/PIFC%20PP%2007.03.2019%20MK.pdf>

33 PRO Strategic Plan 2019-2021, Public Revenue Office, available at: [http://www.ujp.gov.mk/files/attachment/0000/1136/Strateski\\_plan\\_2019-2021\\_08.01.2019\\_web.pdf](http://www.ujp.gov.mk/files/attachment/0000/1136/Strateski_plan_2019-2021_08.01.2019_web.pdf)

34 SAO Development Strategy 2018-2022, State Audit Office, available at: [https://dzt.mk/Uploads/Strategija\\_za\\_razvoj\\_na\\_DZR\\_2018\\_2022\\_REDUCED.pdf](https://dzt.mk/Uploads/Strategija_za_razvoj_na_DZR_2018_2022_REDUCED.pdf)

35 Customs Administration ICT Development Strategy 2019-2023, Customs Administration, available at: <http://www.carina.mk/images/documents/e-carina/StrategijaIKT20192023.pdf>

36 Law on Public Procurements, "Official Gazette of RNM" no. 24/2019

37 Law on Excise, "Official Gazette of RNM" no. 108/2019

38 Law on Public Procurements in the Area of Defence and Security, "Official Gazette of RNM" no. 180/19

39 Law on Motor Vehicle Tax, "Official Gazette of RNM" no. 261/2019



As regards the Public Finance Management Reform Programme, its implementation is monitored through the annual action plans and reports on their implementation. According to these reports, in 2019, 40% of indicators defined under programme objectives were attained, 31% of indicators were partially attained, and 29% of indicators remained unattained.

More significant achievements in 2019 include adoption of the new Law on Public Procurements and the Law on Public Procurements in the Area of Defence and Security, which to great extent address accumulated problems in public procurements and achieve greater alignment with EU Directives in these fields; start of the new system on electronic processing of customs declarations (since June 2019), and publication of treasury payments to budget beneficiaries from the Budget of RNM, which are publicly available since November 2019 on the open finance web-portal ([open.finance.gov.mk](http://open.finance.gov.mk)). Significant increase of efficiency in implementation of this programme is noted in development of the Performance Assessment Framework Indicators (PAF indicators).

However, many significant commitments anticipated for 2019 remain undelivered, including activities planned for 2020, such as adoption of new or revised Law on Budgets, formation of the Fiscal Council, adoption of the Debt Management Strategy, introduction of comprehensive mid-term budget framework, adoption of new legal framework in line with the EU *acquis* and improving efficiency of the system of public-private partnerships and the system of concessions, adoption of new Law on Public Internal Financial Control, designing mechanism for the Parliament's proactive role in reconsidering SAO's audit reports, etc.

## Sector working group on Public Finance Management



The sector working group on public finance management was formed in 2018 by means of decision taken by the Minister of Finance, who also serves as the sector group's chair. This sector group does not have own rules of procedure and its work is regulated by the decision on establishment, which also stipulates its objectives, composition and tasks. According to the last decision, this sector group includes representatives from institutions covered by the Public Finance Management Reform Programme and Action Plans, representatives from involved state institutions pursuant to the sector-wide approach, donor community and the civil society. A total of seven (7) civil society representatives participate in work of this sector group, with the status of observers, although their participation does not differ from those of civil society representatives in other sector groups. In 2019, this sector working group held one plenary session on 5.11.2019.

### Functionality of the sector working group on public finance management

The sector working group on public finance management was formed by means of decision taken by the Minister of Finance on 17.4.2018 as operational mechanism to monitor implementation of the Public Finance Management Reform Programme 2018-2021,<sup>40</sup> adopted by the government on 19.12.2017, and annual action plans for its implementation (the first action plan for 2018 was adopted on 20.2.2018.)<sup>41</sup> This sector group follows-up on work performed by the public finance management working group formed on 10.6.2015, but with new tasks and under changed and expanded composition.

40 [https://www.finance.gov.mk/files/u3/PFM%20Reform%20%20Programme\\_\\_MK%20DEC%202017\\_final%20VLADA.pdf](https://www.finance.gov.mk/files/u3/PFM%20Reform%20%20Programme__MK%20DEC%202017_final%20VLADA.pdf)

41 2018 Action Plan for Implementation of the Public Finance Management Reform Programme, available at: [https://www.finance.gov.mk/files/u3/Akciski%20plan%20za%202018\\_Programa%20za%20reforma%20na%20PFM\\_fev%202018\\_MK%202.pdf](https://www.finance.gov.mk/files/u3/Akciski%20plan%20za%202018_Programa%20za%20reforma%20na%20PFM_fev%202018_MK%202.pdf)

The sector working group does not have own rules of procedure and operates according to the decision for its formation, which also defines its objectives, structure, composition and tasks. Therefore, any changes to sector group membership necessitate adoption of new decision for its formation. In the period April 2018 – April 2020, a total of four decisions are adopted for formation of this sector working group.

Nevertheless, the Public Finance Management Reform Programme includes particular guidelines and elements for operation of this sector group that are not regulated under the decision for its formation.

The purpose of this sector working group is to establish and maintain a functional sector approach in the policy area on public finance management. Its tasks include:

- coordination and implementation of activities for programming, monitoring and reporting in the context of IPA II for the sector on public finance management;
- development of the Public Finance Management Reform Programme and participation in the process for its revision, i.e. mid-term and final evaluation of programme objectives and outcomes;
- development of draft annual action plan for implementation of the Public Finance Management Reform Programme;
- coordination/implementation of activities from the Public Finance Management Reform Programme;
- monitoring implementation of the program and its action plans against defined results, indicators and targets, in compliance with the previously assigned roles and responsibilities for programme implementation, monitoring and updating (Chapter III);
- development of semi-annual and annual reports on progress in implementation of the programme and its annual action plans;
- cooperation with relevant institutions involved in implementation of activities;



- securing support for the policy dialogue process with donors and other stakeholders in implementation, funding and scope of public finance management reform;
- participation in risk management processes and proposing/taking corrective activities to address identified risks;
- securing information necessary for preparation of sessions held by the Council on Public Finance Management;
- coordination and monitoring of recommendations made by the Council on Public Finance Management related to the timeline on implementation and funding of activities and addressing identified problems; and
- securing necessary information to the external expert team that will assist in development of documents, coordination and communication between the expert team and responsible officers to secure other necessary information.

The sector working group on public finance management is comprised of chair, deputy chair, work coordination department, priority coordinators / measure leaders (from the Action Plan for Implementation of the Public Finance Management Reform Programme),<sup>42</sup> members, observers from civil society organizations and observers from the donor community.

By the nature of the public office, the minister of finance serves as chair of this sector group, while deputy chair is the state advisor for issues related to international finances and harmonization with EU and decentralized management of EU funds. An exception from this practice was noted during a short period in 2019 when this working group was chaired by the deputy minister of finance pending appointment of the new minister.

According to the most recent decision, work of this sector group is performed by 33 priority coordinators or measure leaders,

<sup>42</sup> Public Finance Management Reform Programme, Ministry of Finance, available at: <https://www.finance.gov.mk/mk/node/7868>

i.e. representatives from institutions covered under the Public Finance Management Reform Programme and action plans for its implementation, as well as 19 members who are also representatives from involved state institutions. A particular characteristic of this sector working group concerns the fact that civil society organizations have the status of observers, although they do not differ from the method of civil society participation in other sector working groups. Hence, civil society representatives can participate in discussions and make proposals and opinions that are further reconsidered by competent institutions.

More significant changes to the sector group composition were made under the last decision for its establishment adopted on 12.9.2019, which primarily concerned appointment of the new minister of finance (in ex-officio capacity) as the sector group chair. Moreover, this decision appointed the deputy minister of finance, for the first time, as sector group member, while observers, i.e. representatives from civil society organizations and the donor community, instead of being enlisted by name and surname, are now designated only as representatives from organizations/institutions they represent.

Hence, the number of observers from civil society organizations remained the same (seven), while the number of observing institutions from the donor community is nine (having in mind that previously the EU Delegation was represented by seven individual members, while the new decision enlists “representative from the EU Delegation”).

From April 2018 to present, the sector working group held a total of four meetings, of which three were organized as joint meetings with the so-called Public Finance Management Policy Dialogue (between the EU and MoF). This means that all meetings are held in English language, including all official and work materials of this sector working group.

Plenary sessions of the working group are held according to the following agenda: introduction part, moderated by the deputy chair, is dedicated to adoption of minutes from the last meeting, followed by introductory speeches by the chair, i.e. the minister of finance, and the head of cooperation from the EU Delegation in the Republic of North Macedonia, and later, priority coordinators or measure leaders and members from institutions provide brief semi-annual overview on implementation of the programme’s action plan, followed by discussion of opinions and proposals made by representatives from civil society organizations and the donor community.



It is evident that meetings of this working group organized together with the PFM Policy Dialogue are also attended by members of the programme's highest implementing body, i.e. the Council on Public Finance Management, which is comprised of high level representatives from institutions involved in the system of public finance management.

Based on defined tasks and established work practices at this sector group, it could be concluded that its existence and operation is closely related to implementation of the Public Finance Management Reform Programme. Actually, this programme serves as the basic document for operation of this sector working group.

Although the decision on formation of this working group does not provide any explicit references, the Public Finance Management Reform Programme indicates that the working group should meet at least every three months. In practice, the dynamics of sector group meetings is determined by the semi-annual schedule for development of reports on implementation of the programme's action plans. Hence, with minor deviations, this working group holds two meetings per year. The fifth meeting from adoption of the valid decision (in April 2018) and the first meeting for 2020 that should have taken place in March this year was postponed due to coronavirus prevention measures and consultations around the annual report were organized online.

Invitations and materials for meetings of this working group are distributed electronically, seven to ten days in advance, allowing sector group members to first receive announcement for the meeting, followed by meeting agenda and work materials. Also, after the meeting, members have the opportunity to submit comments and remarks about documents discussed (reports on implementation of the programme's action plans) in electronic format. It is not known whether received comments and remarks are shared with all members or they are considered only by the working group's coordination department.

As regards transparency in operation of this sector working group, all official communication channels maintained by the Ministry of Finance do not regularly share information on work of this sector group.

## Civil society participation in the sector working group on public finance management

As indicated above, civil society representatives participate in work of the sector working group as consultation mechanism for implementation of the Public Finance Management Reform Programme, which is also stipulated in the programme document.

The line ministry initiates participation of the civil society. Hence, in March 2018, i.e. one month prior to formation of this working group, the Ministry of Finance directly communicated with nine (9) civil society organizations with a request to nominate observers in the sector working group. Seven from these nine civil society organizations nominated their representatives. They are: Center for Economic Analyses; Association of Young Analysts and Researchers; Finance Think – Economic Research and Policy Institute; Analytica; Eurothink – Center for European Strategies; Center for Civil Communications and Center for Research and Policy Making.

The Ministry of Finance’s letter to civil society organizations for nomination of representative underlined that “having in mind the importance of the process for public consultations with broad involvement of all stakeholders in implementation and monitoring of reforms, participation of civil society organizations in the sector working group would be very useful in the process for implementation of the public finance management reform”. According to information from the Ministry of Finance, selection of civil society organizations that were invited to join the working group in the capacity of observers had been made in cooperation with the Minister’s Cabinet and based on policy areas and scope of work covered by civil society organizations, as well as their expressed interest for participation.

The last decision taken by the Minister of Finance from 2.9.2019 does not enlist these observers by name and surname, but only refers that observers are representatives from named organizations.

According to previous practices, civil society representatives regularly attend meetings of the working group and join discussions with comments, remarks and proposals, while some of them send additional proposals after the meetings. Hence, civil society organizations are informed about time and date for scheduled meetings and they



regularly and timely receive all necessary materials, together with other working group members and observers from the donor community.

Comments, remarks and proposals by civil society organizations made in relation to operation and participation in this sector working group mainly concern several segments, as follows: technical aspects in operation of this working group (for example, work language, separation of plenary sessions from policy dialogue meetings, etc.); remarks about evaluation of particular activities and attainment of particular objectives and priorities from action plans, and proposals to change certain progress and performance indicators, mainly due to inadequacy or insufficient precision of existing indicators, etc. As regards the sector working group's reaction to suggestions and proposals from civil society organizations, it could be said they are accepted, but are not implemented in action plans, mainly due to the working group's inflexibility to changes in the programme and annual action plans.

Also, it should be noted that contacts and cooperation among member-institutions in the sector working group and represented civil society organizations are used to organize other meetings and consultations beyond the regular domain of this sector group and concern topics and issues in the policy area of public finances, for example the Public Internal Financial Control Policy Paper (and Action Plan 2019 - 2021),<sup>43</sup> etc.

### **Capacity of civil society organizations to participate in the sector working group on public finance management**

As indicated above, seven (7) civil society organizations participate in work of this sector working group in the capacity of observers and their main domain of operation is related to policy areas covered by the Public Finance Management Reform Programme.

In addition to the fact that their general area of operation is focused on economy, finances or EU integration, these civil society organizations have narrow focus of operation and through their participating in work of this sector group they provide general, but also specific contributions to these narrowly-defined sectors. Compared to the number of members from institutions and having in mind the depth and scope of work of this sector group, it could be assessed that the number of represented

<sup>43</sup> Public Internal Financial Control Policy Paper (and Action Plan 2019 - 2021), available at: <https://finance.gov.mk/mk/node/7880>



civil society organizations is low and insufficient, while their status is inadequate. Previous track record of this working group shows that membership of civil society organizations, for the time being, is at the level of information on the course of programme implementation and future activities and projects planned in that regard, without any significant two-directional activity.

As regards the capacity of involved organizations, it seems they are high and adequate (within relevant focus areas of operation). However, the status of observers assigned to civil society organizations, as well as the working group's inflexibility to changes, additions and improvements to the programme and especially to action plans for its implementation, all contribute to declined enthusiasm and engagement on the part of civil society organizations. Although they are not directly related to work of this sector group, almost all involved civil society organizations develop analyses, research papers and documents, organize public debates and consultations, and inform the public on issues and policy areas related to work of this sector working group. Also, most of them are involved in relevant civil society networks and take joint actions with organizations profiled in similar topics, which further strengthen the impact of their advocacy efforts.

### **Effects from work of the sector working group on public finance management**

Having in mind that the key document for operation of this sector working group is the Public Finance Management Reform Programme 2018-2021, effects of its work are related to changes effectuated by implementation of this sector policy. In particular, the programme defines seven priorities with separate objectives, outcomes and indicators. Each priority is covered by one or more measures, and each measure is comprised of several activities.

A stimulating factor for greater effects by the sector working group is the fact that it develops annual action plans for implementation of the key document, i.e. the programme, and semi-annual and annual reports on their implementation.

Involvement of all representatives from institutions responsible for the programme's implementation, i.e. presence of high level officials from these institution, the fact that most activities, objectives and indicators are related to projects financed by donors, and presence

of lead civil society organizations at meetings of this sector working group all contribute to greater effects from its work.



On the other hand, the close connection between work of the sector group and implementation of the Public Finance Management Reform Programme limits the effects of its work only to programme implementation without taking into account the “bigger picture” of achievements in the sector on public finances. Additionally, the working group’s low flexibility towards changes to the programme and its action plans in order to set more realistic, higher and comprehensive performance indicators further prevents any greater achievements and effects.

The Public Finance Management Reform Programme and joint organization of plenary sessions and policy dialogue with the EU and other donors impose the need for continuous monitoring of foreign aid implementation and coordination. However, interrelation and dependence of many activities under the programme (and relevant measures and priorities) from donor assistance, including the dynamics for contracting, signing and implementing such projects, could be a limiting factor for timely implementation of the programme and for delivery of effects from work of the sector working group, in spite of the fact that the programme anticipates the government’s obligation to secure funding for activities that will not be financed by external sources and donors.

### **Recommendations for the sector working group on public finance management**

Based on the above elaborated and aimed to improve work and effects of the sector working group on public finance management, as well as to ensure greater and purposeful involvement of civil society organizations in its operation, this sector group is recommended to consider the following proposals:

- To draft and adopt the rules of procedure for the sector working group, in order to formally regulate its work and operation;
- To increase the number of represented civil society organizations with those that express interest for participation and contribution to work of this sector

- group, according to interests shared during sector consultations held on 20.11.2019, which will improve the civil society expertise and participation;
- To promote the current status of observers for civil society organizations in the sector working group to equitable members with representatives from institutions;
  - To open broad discussion at meetings of the sector working group around other issues in the policy area of public finances, not only those related to implementation of the Public Finance Management Reform Programme;
  - To facilitate discussion and dialogue at meetings of the sector working group instead of the previous practices according to which meetings are reduced to giving account by working group members and responding to questions and remarks raised by observers;
  - To consider the possibility for organization of additional consultations of the sector working group and/or separate member-institutions with represented or broader civil society organizations on particular issues of mutual interest, through the civil society platform “Dialogue to EU”.



## GENDER PERSPECTIVE IN SECTOR WORKING GROUPS

These sector working groups within competent ministries represent broadly-defined interdepartmental forums for reconsideration, creation and monitoring of policies related to the EU accession process, whose implementation is supported under the Instrument for Pre-Accession Assistance (IPA). Gender mainstreaming<sup>44</sup> in sector working groups implies integration and promotion of the principle of equality among men and women (and other gender minorities) and non-discrimination in all stages of the process for policy development, adoption, implementation, monitoring and evaluation. Gender mainstreaming takes into account existing inequalities and different needs of women and men and involves a cross-cutting approach.<sup>45</sup> The Country Indicative Strategy Paper for IPA II (2014- 2020)<sup>46</sup> includes gender equality as cross-cutting theme, but also as part of priority areas for support under IPA II.

The national legal framework on gender equality in the Republic of North Macedonia anticipates mandatory gender mainstreaming in work of all state authorities and institutions and in creation and implementation of policies and strategies. The Law on Equal Opportunities for Women and Men<sup>47</sup> stipulates that the interdepartmental consultation and advisory group on equal opportunities for women and men (formed by the government and

44 Law on Equal Opportunities for Women and Men, “Official Gazette of RM” no. 6/2012 and no. 166/2014

45 This approach implies that women and men are not homogenous groups and therefore it is important to take into consideration joint, but also inseparable effects of other characteristics or identities, such as disability, education, age, economic and social status, ethnic background, race, skin colour, sexual orientation and other characteristics, in order to analyse how they impact and contribute to different experiences with discrimination (EIGE, available at: <https://eige.europa.eu/thesaurus/overview>).

46 European Commission, Instrument for Pre-Accession Assistance (IPA II), Indicative Strategy Paper for the Republic of Macedonia (2014 – 2020), adopted on 19.8.2014

47 Law on Equal Opportunities for Women and Men, “Official Gazette of RM” no. 6/2012 and no. 166/2014



coordinated by the Ministry of Labour and Social Policy) is obliged “[...] to promote the concept of gender mainstreaming in general policies at all public institutions; to monitor integration of this concept in sector policies, in cooperation with the social partners and institutions from individual policy areas; to monitor progress in alignment of the national legislation with the EU acquis and with the European standards in the field of gender equality...” (article 10, paragraph 8). Also, Article 11 and Article 12 of this law anticipate the competent Ministry of Labour and Social Policy to coordinate the process on gender mainstreaming in general and sector policies at all public institutions, through work of equal opportunity coordinators and deputy coordinators appointed at these institutions.

In addition to importance of the national legal framework, as candidate country for EU membership, importance is also given to EU regulations in effect and to provisions contained in the EU’s Gender Action Plan<sup>48</sup> (GAP II). Namely, gender equality is a fundamental value of the EU, enshrined in the Lisbon Treaty,<sup>49</sup> while the EU’s Gender Action Plan stresses the need for gender analysis, gender mainstreaming in programs and programming of assistance (including assistance under IPA II), and gender sensitivity in evaluation of financial assistance under EU programmes intended for candidate countries and developing countries.<sup>50</sup>

Hence, gender mainstreaming in work of sector working groups is an obligation of institutions, in compliance with the national legal framework and strategy documents in the field of gender equality, Indicative Strategy Paper for IPA II (2014-2020)<sup>51</sup>, and the broader EU regulation, but also the country’s strategic commitment for EU membership.

48 Gender Action Plan 2016 – 2020, Council of the European Union, 26.10.2015

49 Treaty of Lisbon, “Official Journal of the European Union” no. 2007/C 306/01

50 Gender Action Plan 2016 – 2020, Council of the European Union, 26.10.2015

51 European Commission, Instrument for Pre-Accession Assistance (IPA II), Indicative Strategy Paper for the Republic of Macedonia (2014 – 2020), adopted on 19.8.2014

## Findings from monitoring work of sector working groups

In order to assess the manner and the extent to which gender is mainstreamed in operation of sector working groups, the monitoring methodology included a segment that researches this aspect. The approach to obtaining information for this report was established under the monitoring matrix for sector working groups. In particular, the methodology covers monitoring and evaluation of policies discussed at plenary sessions, as well as interviews with relevant IPA coordinators at sector working groups in order to obtain additional information about understanding and application of gender mainstreaming in sector working groups.

Findings from this research indicate to several important conclusions. First, only two sector working groups have discussed the impact of their specific policies on gender equality. Notably, in 2019 the sector working group on education, employment and social policy and the sector working group on agriculture and rural development integrated the gender perspective in their work.

Second, awareness for the need and importance of gender policies and gender perspectives of policies is still very low. IPA coordinators that prepare sector group sessions generally have insufficient knowledge about the need and the importance of gender mainstreaming and gender analysis in creation and implementation of policies falling under competences of sector working groups.

Third, whenever gender mainstreaming is mentioned at sector working groups it is often linked to equal representation and the right to participation in sector working groups, i.e. the number of women compared to the number of men that are members of these working groups. Hence, during one interview with IPA coordinator it was stressed that all, irrespective of their gender, have equal access to participation in the sector working group, but separate discussions and analyses of policy impact on gender equality is not part of work within sector working groups. Such narrow conceptualization of gender mainstreaming only through the prism of equal representation of women and men in sector working groups means they do not take into consideration gender perspectives in development of policy documents, which is later reflected in indicators used to measure efficiency of policies that exclude gender equality. Having in mind that gender inequalities (dominantly to the detriment of women) exist in



all aspects of social life in the country,<sup>52</sup> absence of gender analysis in strategies and policy action plans adopted by sector working groups bring under question the impact of such policies on gender equality in the country. Without integration of gender perspectives in creation of policies and strategy documents, it could be not evaluated whether these policies promote gender equality, whether they deteriorate the negative state-of-play or whether they maintain the status quo of existing inequalities.

Fourth, coordinators and deputy coordinators on equal opportunities for women and men appointed at institutions almost never participate in work of sector working groups. According to the Law on Equal Opportunities for Women and Men,<sup>53</sup> equal opportunity coordinators and their deputies hold competences to integrate gender perspectives in strategy plans and policies of line ministries and budgets, and therefore their involvement in work of sector groups is necessary as contribution to gender mainstreaming of policies.

## Recommendations

Based on these findings and aimed to promote work and results of sector working groups in regard to gender mainstreaming, the following recommendations are valid:

- Mandatory integration of gender perspectives in work of sector working groups, which implies responsible policy creation and promotion of gender equality in all stages of policy development, adoption, monitoring and evaluation. Discussions and work related to policy development, monitoring and evaluation, as well as setting priority areas for EU funding and coordination of foreign aid, should be based on gender analysis about state-of-play in specific sectors and policy areas that are in the focus of sector working groups;
- Development of specially designed trainings/ modules for sector group members on gender mainstreaming in policy creation, implementation and monitoring, with focus on practical examples and applications in work and competences of sector

<sup>52</sup> Bashevska, M., 2019 Index of Gender Equality in North Macedonia: Measuring Gender Equality, Skopje: UNDP-UN Women

<sup>53</sup> Law on Equal Opportunities for Women and Men, "Official Gazette of RM" no. 6/2012 and no. 166/2014



- working groups. These trainings should be addition to modules on gender equality and development of gender-responsible policies, intended for public administration officers;<sup>54</sup>
- Involvement of equal opportunity coordinators and their deputies in sector working groups;
  - Involvement of representatives from civil society organizations (and platforms or networks) that have special expertise and active work in the area of gender equality, not only with the status of observers, but also as support to work of sector working groups;
  - Due to the number of sector working groups and the need for gender mainstreaming in their respective work, there should be flexibility in involvement of representatives from civil society organizations that work on gender equality, allowing the same representatives (when needed) to be part of several sector groups.

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54 Ministry of Information Society and Administration, Press Release, 29.9.2017, available at: <http://www.mioa.gov.mk/?q=mk/print/1393>



# PART II

## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE II (2014-2020)

The Instrument for Pre-Accession Assistance IPA II (2014-2020) represents a framework for provision of pre-accession assistance in the period 2014-2020. It originates from the European Union's Multiannual Financial Framework for the current seven-year financial perspective.

What is specific for IPA II is the sector-wide focus. Strategy papers for enlargement countries are specific documents that should ensure strong ownership by beneficiary countries, through integration of their reform and developmental agendas. There is also Multi-Beneficiary Strategy Paper that covers priorities for regional or territorial cooperation.

IPA II is geared towards reforms under defined sectors. These sectors cover policy areas that are closely related to the enlargement strategy, such as democracy and governance, the rule of law or growth and competitiveness. This sector-wide approach promotes structural reforms aimed to transform particular sector and align it with the EU standards.

**TABLE NO. 3:**

*Basic information, Instrument for Pre-Accession Assistance IPA II (2024-2020)*



	IPA II
<b>AMOUNT</b>	11.699 billion euros
<b>BENEFICIARIES</b>	Turkey, Iceland, Albania, Montenegro, Serbia, Kosovo, Bosnia and Herzegovina and Macedonia
<b>APPROACH</b>	Sector-Wide Approach (SWAp)
<b>FOCUS</b>	Outcomes
<b>INVOLVEMENT</b>	Greater involvement of the European Parliament, the Council and national parliaments of EU member-states
<b>MANAGEMENT</b>	(In)direct Shared
<b>STRUCTURE</b>	Sectors
<b>PROGRAMMING</b>	Multiannual Financial Framework (MFF) Country Strategy Paper (CSP) Sectoral programmes

### Key IPA II documents

- | EU's Multiannual Financial Framework, 7-8 February 2013
- | IPA Regulation (16 March 2014, retroactively)
- | Regulation on Common Rules for Implementation (11 March 2014) and IPA II Implementing Regulation (2 May 2014)
- | Multi-Country Strategy Paper
- | Country Strategy Paper

## Strategy and legal framework

The IPA II Regulation entered into force on 16<sup>th</sup> March 2014 and is retroactively applied from 1<sup>st</sup> January 2014. It is complemented with the Regulation on Common Rules for Implementation, which represents a sum of simplified and harmonized rules and procedures for implementation of the EU's instruments for external action, and the IPA II Implementing Regulation adopted by the European Commission on 2<sup>nd</sup> May 2014.

**TABLE NO. 4:**

***Allocations per sector, funds for RNM (expressed in million euros), Instrument for Pre-Accession Assistance IPA II (2014-2020)***

Priority areas/sectors	2014	2015	2016	2017	2018-2020	Total 2014-2020
<b>1.</b> Reforms under preparations for EU membership	39.7	17.9	35.6	26.9	85.8	205.9
Democracy and governance	66.1				56.8	122.9
Rule of law and fundamental rights	54.0				29.0	83.0
<b>2.</b> Economic, social and regional development	41.0	38.7	38.0	46.0	135.1	298.8
Environment and climate action	61.3				51.6	112.9
Transport	56.4				56.5	112.9
Competitiveness and innovation	46.0				27.0	73.0
<b>3.</b> Employment, social policy, education and promotion of gender equality and human resources development	0.0	14.0	13.0	0.0	26.2	53.2
Education, employment and social policy	27.0				26.2	53.2
<b>4.</b> Agriculture and rural development	5.0	18.3	5.0	22.0	56.0	106.3
Agriculture and rural development	50.3				56.0	106.3
<b>TOTAL</b>	<b>85.7</b>	<b>88.9</b>	<b>91.6</b>	<b>94.9</b>	<b>303.1</b>	<b>664.2</b>



## Instrument for Pre-Accession Assistance IPA II and the Republic of North Macedonia

The basic legal acts at national level that concern IPA II are:

- ◆ *Law on Ratification of the Framework Agreement;*<sup>55</sup>
- ◆ *Decree on determining mutual relations between the bodies and structures in the system for indirect management of the Instrument for Pre-Accession Assistance IPA II*<sup>56</sup> (Decree);
- ◆ *sectoral agreements; and*
- ◆ *financing agreements.*

These acts concern indirect management of pre-accession assistance for the period 2014-2020. *Indirect management of IPA II* is a method of management under which the European Commission assigns tasks for implementation of particular budget programmes or actions to the Republic of North Macedonia, but maintains overall and final responsibility for execution of the general budget.

The *Framework Agreement* is an agreement between the Republic of North Macedonia, represented by the Government of RNM, and the European Commission on the arrangements for implementation of the Union's financial assistance under the Instrument for Pre-Accession Assistance (IPA II).

The *Decree* establishes the system for indirect management of IPA II in the Republic of North Macedonia by laying down mutual relations between the bodies and structures for implementation of IPA II under the method of indirect management.

The *sectoral agreements* are agreements that regulate, in greater detail, programmes under separate sectors, which complement the Framework Agreement and establish measures for implementation of assistance.

The *financing agreement* is annual or multiannual agreement signed between the European Commission and the Government of RNM for

<sup>55</sup> Law on Ratification of the Framework Agreement between the Republic of Macedonia, represented by the Government of the Republic of Macedonia, and the European Commission on the arrangements for implementation the Union's financial assistance to the Republic of Macedonia under the Instrument for Pre-Accession Assistance (IPA II) ("Official Gazette of the Republic of Macedonia" no. 99/2015)

<sup>56</sup> Decree on determining mutual relations between the bodies and structures in the system for indirect management of the Instrument for Pre-Accession Assistance (IPA), "Official Gazette of the Republic of Macedonia" no. 54/2016)

implementation of the Union's financial assistance under the scope of the IPA II Implementing Regulation.

## **Bodies and structures for indirect management of IPA II**

The Government's Decree<sup>57</sup> established bodies and structures of the system for indirect management of IPA II, tasked with management, control, supervision, monitoring, evaluation, reporting and internal audit for IPA II assistance. They are:

- National IPA Coordinator (hereinafter: NIPAC);
- National Authorising Officer (hereinafter: NAO); and
- operating structures.

NAO establishes the management structure comprised of the National Fund and the Department for Support to the National Authorising Officer (NAO).

Audit of IPA II assistance is performed by the IPA Audit Authority in compliance with the Law on Audit of the Instrument for Pre-Accession Assistance.

The system for management and control of IPA II assistance is comprised of NIPAC, NAO, management structure and operating structures.

The system for internal control of IPA II assistance is comprised of management structure and operating structures.

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<sup>57</sup> Decree on determining mutual relations between the bodies and structures in the system for indirect management of the Instrument for Pre-Accession Assistance (IPA), "Official Gazette of the Republic of Macedonia" no. 54/2016)



## National IPA

NIPAC is a body within the IPA II indirect management system appointed by the Government of RNM. It performs functions and responsibilities in compliance with the Framework Agreement, and in performance of these functions relies on capacities at the Secretariat for European Affairs within the Government of RNM.

The sector for coordination of EU funds and other foreign aid at the Secretariat for European Affairs within the Government of RNM serves as NIPAC Secretariat. NIPAC Secretariat develops the manual on internal rules of procedure for NIPAC in terms of performance of its functions related to sector planning, coordination of programming, as well as monitoring, evaluation and reporting on implementation of IPA II assistance.

NIPAC stipulates its mutual relations with NAO and the heads of operating structures by signing individual agreements on implementation of IPA II assistance under the indirect management system. NIPAC is obliged to inform NAO of any changes to the established system on internal controls at NIPAC Secretariat.

NIPAC presents NAO with annual statement on management and summary report on operation of the management and control system related to its competences and obligations by 15<sup>th</sup> January every year.

The summary report includes an overview of internal audit reports, reports of the audit authority and other relevant control bodies, analysis of the nature and scope of errors and weaknesses identified in these systems, implemented or planned corrective activities, and follow-up to findings and recommendations.

NIPAC is responsible to coordinate measures aimed to ensure greater utilization of funds available under IPA assistance, as well as attainment of objectives established under IPA programmes.



## National Authorising Officer (NAO)

NAO is a body within the system for indirect management of IPA II appointed by the Government of RNM and is responsible:

- to perform functions and responsibilities pursuant to the Framework Agreement and sectoral agreements arising from the Framework Agreement;<sup>58</sup>
- in performance of its functions, to use capacities of the sector for management of funds under the Instrument for Pre-Accession Assistance IPA at the Ministry of Finance;
- to submit annual statement to the European Commission on management of individual IPA II programmes in regard to full responsibility for financial management and legality and regularity of transactions, as well the responsibility for operation of the management and internal control systems, by 15th February every year;
- within a deadline of 30 days after the relevant financing agreement enters into effect, to present the European Commission and NIPAC with plan on procurements/financial projections for the programme, i.e. activity implemented under the financing agreement;
- to immediately inform the European Commission of any significant changes to the system for management and control of IPA II so they would be reconsidered and approved before their implementation.

Mutual relations of NAO with NIPAC and the heads of operating structures are arranged by means of individual agreements for implementation of IPA II assistance under the system for indirect management. In specific cases when NAO is absent or unable to work, particular tasks that do not fall under exclusive competences of NAO may be performed by other civil servants, upon previous specific authorisation from the Minister of Finance, but NAO maintains the final responsibility.

<sup>58</sup> Article 9 of the Framework Agreement provides the possibility for agreements to be complemented by further regulation of relevant sectoral agreements which, inter alia, stipulate measures for implementation of assistance.



## Management structure

The sector on management of funds under the Instrument for Pre-Accession Assistance IPA within the Ministry of Finance serves as the management structure. The management structure performs its functions and responsibilities pursuant to the Framework Agreement and sectoral agreements arising from Article 9 of the Framework Agreement and is held accountable before NAO.

The management structure is comprised of *National Fund* and *Department for Support to the National Authorising Officer (NAO)* within the Ministry of Finance. Tasks and responsibilities of the National Fund and the Department for Support to the National Authorising Officer (NAO) are adequately separated.

In particular, the National Fund is responsible for<sup>59</sup>:

- holding and organizing the central bank accounts for IPA;
- requesting funds and receiving all payments from the Union budget;
- authorising transfer of such payments to operating structures or to recipients;
- returning funds to the Union budget following recovery orders issued by the European Commission;
- supporting NAO in preparation of financial reporting to the European Commission; and
- operating computer-based accrual accounting system that provides accurate, complete and reliable information.

The National Fund supports NAO in performance of its tasks related to management of IPA II bank accounts and financial operations<sup>60</sup>:

- develops and submits to the European Commission the statement of expenditure detailing:
  - ◆ incurred and paid costs;
  - ◆ where applicable, include information on pre-financing in payment requests and certify that these result

<sup>59</sup> Annex A, clause 3(3) of the Framework Agreement

<sup>60</sup> Annex A, clause 2(3) of the Framework Agreement

from reliable accrual-based accounting systems as established in compliance with point (b), are accurate and based on verifiable supporting documents and have been subject to verifications by operating structures and by management structure. After closure of any programme, NAO provides a final statement of expenditure;

- ensures that there is an accrual-based accounting system which records and stores, in electronic form, accounting records for each action/activity/operation and which supports all data required for drawing up payment requests and annual financial reports or statements. Such system should provide timely, accurate, complete and reliable information and includes records of amounts recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of IPA II assistance per programme or activity;
- ensures transfer of funds to operating structure or to recipients;
- verifies, where applicable, existence and correctness of co-financing elements and ensures existence of sufficient resources in the National Funds to cope with possible shortages due to late transfer of funds from the European Commission or recovery orders issued by the Commission;
- makes financial adjustments required in connection to irregularities;<sup>61</sup>
- takes into account results of all audits carried out or under responsibility of the audit authority and submits financial reports or statements and payment requests; and
- serves as contact point for flow of financial information between the European Commission and IPA II beneficiary on any issues related to financial provisions under the Framework Agreement.

<sup>61</sup> In compliance with Articles 41, 42 and 51 of the Framework Agreement



The Department for Support to the National Authorising Officer assists NAO in performance of its tasks pursuant to Annex A, clause 2(4) and clause 2(5) of the Framework Agreement, as follows:

- provides assurance about legality and regularity of underlying transactions;
- puts into place effective and proportionate anti-fraud measures, taking into account risks identified and ensures reporting, with continuous information to the Anti-Fraud Coordination Service (OLAF);
- is responsible for monitoring continuous fulfilment by management structure of applicable requirements arising from the Financial Agreement;<sup>62</sup>
- ensures existence and effective functioning of the internal control systems for implementation of IPA II assistance;
- ensures reporting on management and control systems and reviews programming and implementation capacity of staff members at operating structures involved in programming and implementation of actions;
- ensures that reporting and information system is in place and functional;
- follows up findings from audit reports of the audit authority;
- takes into account results of all audits carried by the audit authority;
- immediately notifies the European Commission on any significant change to management and control systems for examination and approval in advance of their implementation; and
- coordinates, when relevant, preparation of consolidated action plans, addressing any outstanding weaknesses detected in management and control systems.

<sup>62</sup> In compliance Annex B, under Article 12(3), points (a), (b) and (d) of the Framework Agreement

NAO drafts documents anticipated<sup>63</sup> under the Framework Agreement and submits them to the European Commission by 15<sup>th</sup> February in the next financial year.

The head of management structure organizes and coordinates the National Fund and the Department for Support to the National Authorising Office and is responsible for timely, legal, and quality performance of tasks prior to their approval by NAO.

The management structure develops the *manual on internal work procedures related to performance of tasks for management of accounts and financial operations and effective operation of internal control systems for implementation of IPA II*.

## Operating structures

The operating structures are comprised of an institution or group of institutions that perform functions and assume responsibilities in compliance with the Framework Agreement. IPA II operating structure is formed for implementation of particular programme with IPA II assistance. The operating structure for particular programme financed with IPA II assistance is formed by the Government of the Republic of North Macedonia.

The IPA II operating structure is comprised of:

- Central Financing and Contracting Department at the Ministry of Finance, in the capacity of contracting authority; and
- IPA structures at institutions that are beneficiaries of IPA II assistance.

The IPA II operating structure is responsible for preparation, implementation, information and visibility, monitoring and reporting, and evaluation of programmes in compliance with the principles on sound financial management. Division of functions and responsibilities among institutions that comprise the IPA operating structure, their mutual relations and relations with NIPAC are established under operational agreements. There is a separate operating structure for IPARD II.

<sup>63</sup> Article 59(2) of the Framework Agreement

## Head of IPA II operating structure



The head of IPA II operating structure (HOS) is a body within the IPA II indirect management system appointed by the Government of the Republic of North Macedonia. When performing its functions, HOS uses capacities of the Central Financing and Contracting Department at the Ministry of Finance.

After award of the right for budget implementation by the European Commission, the head of IPA II operating structure is responsible to continuously monitor fulfilment of requirements for the effective internal control system<sup>64</sup> by the IPA II operating structure and supervision of work by the IPA II operating structure. When performing its work, HOS may conduct on-site checks at institutions within the IPA II operating structure and notifies NAO and NIPAC thereof. In case HOS establishes any weaknesses to management and control systems, it notifies competent IPA coordinators and makes recommendations to take adequate corrective measures to address such weaknesses. In case the competent IPA coordinator fails to implement recommended measures, HOS (who is responsible to take adequate safeguard measures in regard to payments made and contracts signed) without any delays notifies the minister/the head of beneficiary institution and NAO.

HOS presents NAO with annual statement on management of individual IPA II programmes and summary report on financial management and legality and regularity of costs and operation of the management and control system in relation to its competences and obligations, by 15<sup>th</sup> January each year. The summary report should include a summary of reports from internal audits, controls/check performed by the head of IPA II operating structure, controls/checks performed by the management structure, audit authority and other relevant control bodies, analysis of the nature and scope of errors and system weaknesses identified, implemented or planned corrective activities, and follow up to findings and recommendations.

HOS is responsible to inform NAO of any changes to the established internal control system within the IPA II operating structure.

Moreover, HOS presents NAO with plan on procurements/financial projections per programme, i.e. activity implemented under the

<sup>64</sup> Article 6, paragraph (1) of the Decree, in relation to following areas: a) control environment; b) risk management; c) control activities; d) information and communication; and e) follow-up activities

financing agreement within a deadline of 15 days after the relevant financial agreements enters into effect. HOS and competent coordinators are responsible to perform activities in compliance with deadlines from procurement plans/financial projections. HOS is held accountable for performance of its tasks before NAO.

The Central Financing and Contracting Department develops the manual on internal work procedures that stipulates in detail all procedures for performance of functions pursuant to the Framework Agreement. The manual is adopted upon previous approval from the head of IPA II operating structure, the Minister of Finance and upon previous approval from NAO.

In specific cases when HOS is absent or unable to perform work, particular tasks that do not fall under exclusive competences of HOS may be performed by civil servants upon previous specific authorisation from the Minister of Finance, but HOS maintains the final responsibility.

### **IPA coordinator**

IPA coordinator is a person appointed by the minister/the head of beneficiary institution under IPA assistance and is tasked to manage the IPA structure at relevant ministry/beneficiary institution. The minister/the head of beneficiary institution under IPA assistance and IPA coordinator from the IPA II operating structure are responsible for adequate and timely performance of tasks established in the operational agreement. For performance of tasks established under the operational agreement, IPA coordinators are held accountable before the head of IPA II operating structure.

IPA coordinator presents the head of IPA operating structure with annual statement on management and summary report on operation of the management and control system in relation to its competences and obligations, by 5<sup>th</sup> January every year. The summary report should include summary of reports from internal audits, controls/checks performed by the management structure, audit authority and other relevant control bodies, analysis of the nature and scope of system errors and weaknesses identified, implemented or planned corrective activities, and follow-up on findings and recommendations.

Upon award of the right for budget implementation by the European Commission, IPA coordinator is responsible to continuously monitor fulfilment of requirements for effective internal control system<sup>65</sup> by the IPA structure.

<sup>65</sup> Article 6, paragraph (1) of the Decree



IPA coordinator is responsible to inform the head of IPA II operating structure of any changes to the internal control system established within the IPA structure.

In cases when IPA coordinator has established weaknesses in operation of the IPA structure at the relevant beneficiary institution of IPA II assistance, he/she notifies the minister/the head of beneficiary institution under IPA II assistance and the head of IPA II operating structure and is responsible to take adequate safeguard measures in relation to payments made and contracts signed within competences of the relevant beneficiary institution.

The minister/the head of beneficiary institution and IPA coordinator are responsible to timely address all weaknesses identified within the IPA structure at the beneficiary institution of IPA II assistance.

The IPA structure develops manual on internal work procedures which stipulates in detail procedures for performance of its functions and responsibilities. The manual on internal work procedures<sup>66</sup> is adopted upon previous approval from the IPA coordinator, minister/head of beneficiary institution of IPA II assistance and the head of operating structure, upon previous consent from NAO.

### Supervision, control and audit

The management and control system for IPA II assistance is subject of supervision, control and audit by the European Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

The management and control system for IPA II assistance is subject of audits by the audit authority. The internal control system is subject of supervisions by NAO.

NIPAC, NAO, management structure and operating structures, as bodies within the system for indirect management of IPA II, are responsible to act and take all corrective measures upon findings and recommendations made as a result of conducted controls and audits.

The management structure and operating structures, as bodies within the system for internal control of IPA II assistance, are responsible to act upon recommendations made as a result of supervisions conducted by NAO. NIPAC, NAO, management structure and operating structures are responsible to secure all necessary information and documents, as well as to take all relevant measures to facilitate work of persons that are instructed to perform audits and controls.

<sup>66</sup> Article 10, paragraph (9) of the Decree



## Internal control

Bodies and structures within the system for indirect management of IPA II are subject of internal control pursuant to the Law on Public Internal Financial Control. The minister/the head of beneficiary institution is responsible to secure internal control of the IPA structure and/or actions under its competences. Internal control over the IPA structure and/or projects under its competences is performed at least once per year, in compliance with the annual plan approved by the minister/the head of beneficiary institution.

NIPAC, NAO, heads of management structure and of operating structures and ministers/heads of beneficiary institutions should implement recommendations enlisted in reports from internal controls conducted.

The heads of operating structure inform NAO about progress in implementation of recommendations from internal controls conducted at operating structures. IPA coordinators inform the head of IPA II operating structure on progress in implementation of recommendations from internal controls conducted at beneficiary institutions of IPA II assistance.

## Administrative capacity of the management and control system for IPA II assistance

Every year, NIPAC, management structure and operating structures develop analysis of the scope of work, with indication on optimal number of employees. Analysis of the scope of work, employment plan and plan for replacement of NIPAC, management structure and operating structures are submitted to NAO. Also, IPA coordinators submit copy of the analysis of the scope of work to the head of IPA II operating structure. NAO monitors capacity of NIPAC, management structure and operating structures.

As regards the IPA II operating structure, IPA coordinators and head of CFCD present NAO with information on any changes to staff members under their competences and related to new employment, reassignment of employees or departure of employees from these structures. Also, IPA coordinators submit copy of the information on changes to staff members to the head of IPA II operating structure.

## Overview on IPA II management in the Republic of North Macedonia



In the Republic of North Macedonia, IPA II assistance is implemented<sup>67</sup> by the European Commission, as stipulated in the Financing Regulation, as follows:

- **direct management** by the EC departments, including staff at the EU Delegations and/or the EC executive agencies;<sup>68</sup>
- **indirect management**, whereby the EC entrusts implementation of particular budget programmes or actions to IPA II beneficiary;<sup>69</sup>
- **indirect management by other entities**, except for IPA II beneficiaries;<sup>70</sup>
- **shared management** with member-states.<sup>71/72</sup>

The basic strategy document for IPA II is the *Indicative Strategy Paper 2014-2020*<sup>73</sup> which defines the sectors, their scope and objectives. As regards other documents that originate from this strategy paper and determine the sector-wide programming character of IPA II, by end of July 2019, a total of 17 sector-specific documents are adopted, as follows:

- two sector programmes; and
- fifteen action documents.

67 Article 7: Methods of Implementation, Law on Ratification of the Framework Agreement between the Republic of Macedonia, represented by the Government of the Republic of Macedonia, and the European Commission, on the arrangements for implementation of the Union's financial assistance to the Republic of Macedonia under the Instrument for Pre-Accession Assistance (IPA II), "Official Gazette of the Republic of Macedonia" no. 99/2015

68 As defined under Article 58 (1), item (a) of the Financial Regulation

69 As defined under Article 58 (1), item (c), point (i) of the Financial Regulation, by maintaining overall final responsibility for solid budget implementation, in compliance with Article 58 (2) of the Financial Regulation

70 As defined under Article 58 (1), item (c), points (ii), (iii), (v) to (vii) of the Financial Regulation

71 As defined under Article 58 (1), item (b) of the Financial Regulation for cross-border cooperation programmes that include EU members-states that are implemented in compliance with the IPA II Implementing Regulation

72 Cross-Border Cooperation Programmes with Albania, Kosovo, and Bulgaria, and Cross-Border Cooperation with Greece and Bulgaria (Interreg Programme)

73 Ibid.

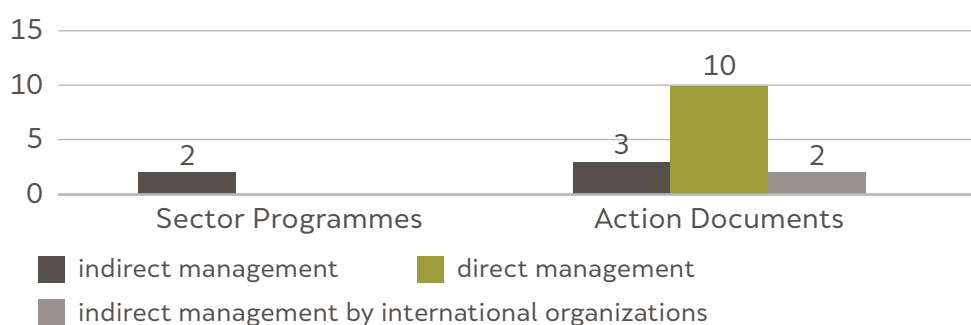
In addition to these sector-specific documents, there are other IPA II documents, as follows:

- IPA Regional Development Programme (2014-2020),<sup>74</sup> which is managed by a specially accredited national body;<sup>75</sup>
- five Cross-Border Cooperation Programmes with all neighbouring countries;<sup>76</sup>
- six Annual Action Plans for Participation in the Union Programmes;<sup>77</sup> and
- five Annual Action Plans for EU Integration Facility.<sup>78</sup>

### **CHART NO. 1:**

#### **Breakdown of basic programme documents with specific sector relevance**

##### **Distribution of sectoral documents**



The indirect management covers two sector programmes, two action documents, parts of two action documents that are under shared management and are led by national institutions. All six action documents for participation in the Union Programmes also fall under indirect management.

<sup>74</sup> [http://ipard.gov.mk/wp-content/uploads/2019/03/IPARD-Programme-2014-2020\\_C2019666\\_24-January-2019.pdf](http://ipard.gov.mk/wp-content/uploads/2019/03/IPARD-Programme-2014-2020_C2019666_24-January-2019.pdf)

<sup>75</sup> [http://www.ipardpa.gov.mk/Root/mak/default\\_mak.asp](http://www.ipardpa.gov.mk/Root/mak/default_mak.asp)

<sup>76</sup> Which are subject of shared management

<sup>77</sup> To present, there are total of six annual action documents for each year in the period 2014 - 2019. These programmes are subject of indirect management by national authorities.

<sup>78</sup> To present, there are total of five annual action documents for each year in the period 2014 - 2019, except for 2016. These programmes are subject to direct management by the EC departments, including its staff in the EU Delegations and/or by the EC executive agencies.



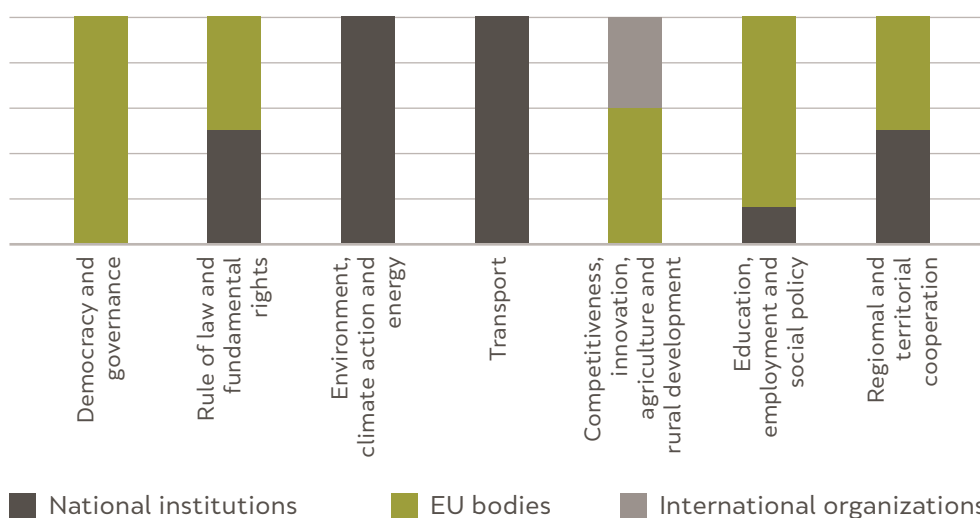
It should be noted that implementation of programmes is relatively low among sectors covered with separate sector programmes.<sup>79</sup> As regards the Programme on Environment, Climate Action and Energy, two contracts are signed, accounting for realization of only 9%. Under the Transport Programme two contracts are signed, representing for realization of 20%.

Direct management covers 14 action documents, as well as parts of two action documents under shared management, but subject to indirect management. Direct management is applied to all five action documents under the EU Integration Facility.

Two of all action documents are implemented under indirect management by international organizations.

### **CHART NO. 2:** ***Sector perspective on the coverage of sectors and the method of management***

#### **Who manages sector-specific documents?**



### **Indirect management**

Basic documents used by state institutions in the context of indirect management of IPA II are sector-specific programmes and action documents.

<sup>79</sup> Aleksandar Kolekeski - Assessment of IPA II Absorption Capacities in the Republic of Macedonia, pg. 98; Instrument for Pre-Accession Assistance and the Western Balkans (European Movement Montenegro), Podgorica, June 2018.

Sector-specific programmes that are under the system of indirect management include:

- | Operational Programme on Environment and Climate Action 2014-2020, and
- | Operational Programme on Transport 2014-2020.

Action documents that are under the system of indirect management are:

- | Implementation of Business Continuity and Disaster Recovery System, Phase II (IPA 2014), and
- | Further Development of Capacities for Crime Scene Investigation (IPA 2014).

Parts of action documents under the system of indirect management are:

- | Support to the Justice Sector (IPA 2014) – action document that was initially implemented under indirect management (since 2014), but in 2018 parts of national competences for implementation of this programme were transferred to the European Union, after which it is subject of direct management by the EU Delegation in Skopje. Projects for which contracts were signed before the transfer of competences remain under indirect management by the end of their implementation;
- | EU Support for Education, Employment and Social Policy 2017 (indirect management only for outputs 2 and 3, i.e. output 2: equitable access to quality inclusive education at all levels and output 3: improved employment and access to labour market and decent jobs).

## Direct management

Action document that are subject of direct management are the basis document used by EU institutions in the context of direct management of IPA II, as follows:

- | EU Support to Public Administration Reform and Statistics (IPA 2017);
- | EU Support to Public Finance Management (IPA 2018);



- | EU for Rule of Law (IPA 2020);
- | Migration and Asylum, Border Management and Fight Against Terrorism and Organized Crime (IPA 2016);
- | EU Support for Competitive and Fair Markets (IPA 2019);
- | EU for Inclusion (IPA 2019);
- | EU for Youth Sector Reform Performance Contract (IPA 2019);
- | Agriculture, Rural Development and Food Safety, Veterinary and Phytosanitary Policy (IPA 2015); and
- | EU Support for Rural Development and Competitive Sustainable Agriculture (IPA 2019).

Parts of action documents under direct management are:

- | Support to the Justice Sector (IPA 2014) – action document that was initially implemented under indirect management (since 2014), but in 2018 part of national competences for implementation of this programme were transferred to the European Union, whereby this action document is subject to direct management by the EU Delegation in Skopje. Projects for which contracts are signed in the period after transfer of competences fall under the system of direct management;
- | EU Support to Education, Employment and Social Policy (IPA 2017) - direct management only for outputs 1 and 4, i.e. output 1: strengthened sector management, policy framework and statistics; and output 4: improved quality and accessibility of social services.

## Indirect management by international organizations

- Local and Regional Competitiveness (IPA 2014) - indirect management by the World Bank;
- Support for Private Sector Development (IPA 2016) - indirect management by the European Bank for Reconstruction and Development (EBRD).

## Overview of projects managed by national institutions

According to publically available data<sup>80</sup> on the number of IPA contracts signed under indirect management, it could be noted that there is a major difference in scope of contracts under IPA I and IPA II.

**TABLE NO. 5:**  
*Number of IPA contracts signed under management  
by national institutions in the period 2007-2013*

IPA I (2007-2013)	FORECAST FOR NEW CALL	CURRENTLY OPEN CALL	CLOSED CONTRACTS	TOTAL
IPA I – Component I	0	0	110	126
IPA I – Component III	0	0	37	47
IPA I – Component IV	0	0	25	27
<b>TOTAL</b>	0	0	172	200

Overview of contacts signed in the period from 2009 when implementation of IPA I started shows that a total of 200 contacts have been signed. The number of contracts signed under IPA II by end of July 2019 amounts to 48.

<sup>80</sup> <https://cfcd.finance.gov.mk>

**TABLE NO. 6:**

*Number of IPA contracts signed under management  
by national institutions in the period 2014-2020*



IPA II (2014-2020)	FORECAST FOR NEW CALL	CURRENTLY OPEN CALL	CLOSED CONTACTS	TOTAL
IPA II (2014-2020) – Environment and Climate Change	11	2	9	24
IPA II (2014-2020) – Transport	4	0	4	8
IPA II 2014 – Justice and Home Affairs	0	0	12	12
IPA II 2017 – Education, Employment and Social Policy	1	0	3	4
<b>TOTAL</b>	<b>16</b>	<b>2</b>	<b>28</b>	<b>48</b>

Analysis of the structure of contracts provides the conclusion that a total of 172 contracts are closed under IPA I, which means that at the moment 28 contracts under this programme are still active.

As regards IPA II, a total of 28 projects are closed to present, while the new call is announced for 16 contracts, which means that at the moment only 2 contracts under this programme are still active and fall under indirect management.

### **IPA II as cross-cutting issue in the report from monitoring work and effects of sectors working groups**

The Instrument for Pre-Accession Assistance is reviewed as cross-cutting issue under this shadow report from monitoring work of sector working groups. The period covered is from April 2019 to March 2020. Specific matters that are subject of analysis in this part of the report concern:

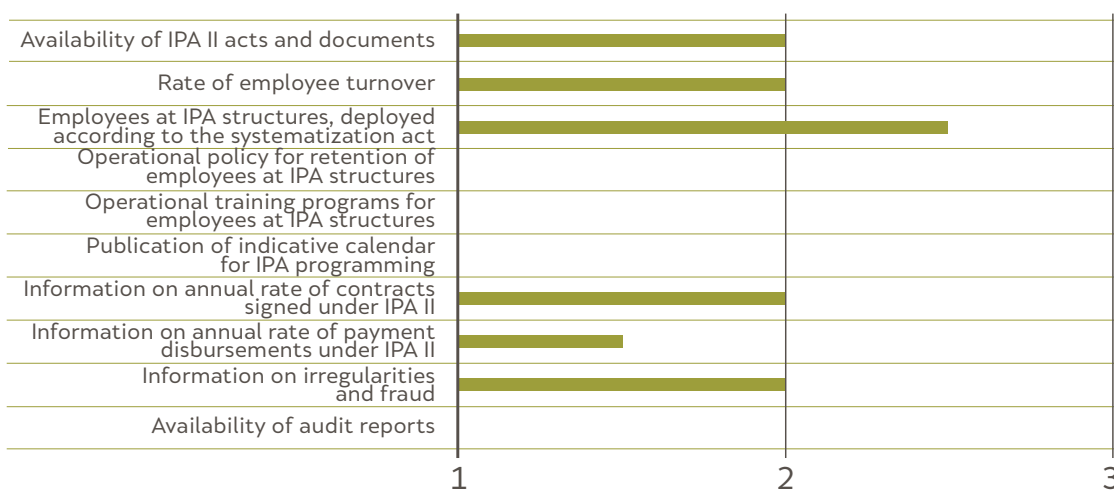
- availability of IPA II acts and documents;
- rate of employee turnover;
- employees at IPA structures, deployed according to the systematization act;



- operational policy for retention of employees at IPA structures;
- operational training programs for employees at IPA structures;
- publication of indicative calendar for IPA programming;
- information on annual rate of contracts signed under IPA II;
- information on annual rate of payment disbursements under IPA II;
- information on irregularities and fraud; and
- availability of audit reports.

### **CHART NO. 3:** *Findings on the IPA segment*

#### **FINDINGS ON THE IPA SEGMENT**



### **Availability of IPA II acts and documents**

According to the monitoring methodology, one indicator is designed to verify whether relevant acts and documents that concern transposition of the IPA II Framework Agreement are publicly available on websites of competent institutions.

Documents and acts that concern transposition of the IPA II Framework Agreement are basic documents that regulate implementation of IPA assistance at national level. They include:



- *Law on Ratification of the Framework Agreement;*<sup>81</sup>
- *Decree on determining mutual relations between the bodies and structures under the system for indirect management of the Instrument for Pre-Accession Assistance IPA II*<sup>82</sup> (the Decree);
- *sectoral agreements; and*
- *financing agreements.*

*The Law on Ratification of the Framework Agreement* and *the Decree* are publicly available on the website of the Central Financing and Contracting Department (CFCD). On its website, CFCD also posted *IPA II Framework Agreement* and *IPA II Decree*.

Official website of the Secretariat for European Affairs under the menu “accession assistance” hosts the option “IPA 2014-2020”, but in spite of the many attempts for access, this link is not functional.<sup>83</sup> Enlisted documents cannot be found in the registry of documents at SEA.<sup>84</sup>

The sectoral agreements are partially available<sup>85</sup> on relevant websites of individual institutions. There is no single website that provides complete and comprehensive overview of documents.

The financial agreements are also partially available<sup>86</sup> on relevant website of individual institutions. There is no single website that provides complete and comprehensive overview of documents.

## Rate of employee turnover

This report monitors the rate of employee turnover at key institutions<sup>87</sup> within the IPA II structure. Baseline for this monitoring effort is the number of employees that is used to calculate and monitor the rate of turnover. For the purpose of this report, in the course of February and March 2020 the project team addressed competent institutions with a

81 *Law on Ratification of the Framework Agreement between the Republic of Macedonia, represented by the Government of the Republic of Macedonia, and the European Commission on the arrangements for implementation of the Union’s financial assistance to the Republic of Macedonia under the Instrument for Pre-Accession Assistance (IPA II), “Official Gazette of the Republic of Macedonia” no. 99/2015*

82 *Decree on determining mutual relations between the bodies and structures under the system for indirect management of the Instrument for Pre-Accession Assistance (IPA II); “Official Gazette of the Republic of Macedonia” no. 54/2016*

83 <http://www.sep.gov.mk/content/?id=154> (accessed once per week in the period 16th January to 16th March 2020)

84 <http://www.sep.gov.mk/content/?id=96#.Xo2rxsgzaUk>

85 <http://ipard.gov.mk/wp-content/uploads/2015/05/SECTORAL-AGREEMENT.pdf>

86 <http://www.mtsp.gov.mk/ipa.nspk>

87 NIPAC, NAO, PAO, CFCD

questionnaire. Based on data obtained, it could be concluded there is certain rate of employee turnover at key institutions.

### **Employees at IPA structures deployed according to the systematization act**

Permanent employees at IPA structures are in compliance with the job systematization act and their number is in compliance with what has been anticipated in order to ensure effective and efficient operation. Baseline for this monitoring is the number of employees at key institutions.

In January 2020, the project team addressed competent institutions with information requests, but obtained responses only from part of them. Based on insight into available data it could be established that majority of employees within the IPA structure are deployed to jobs according to the systematization act.

### **Operational policy for retention of employees at IPA structures**

This category monitors whether operational policy with active measures to retain employees at IPA structures is in place, adopted and applied. Based on available information it could be concluded that employees at IPA structures fall under general conditions stipulated in the Law on Labour Relations,<sup>88</sup> as well as the Law on Organization and Operation of State Administration Bodies.

### **Operational training programs for employees at IPA structures**

According to the monitoring methodology, one indicator is used to verify whether functional training programs are in place and adopted for employees at IPA structures and whether funds are regularly allocated for their implementation at the Training Centre in the Secretariat for European Affairs (SEA).

Based on available data and accessible documents, it could not be established that training programs for employees are in place, but this monitoring was unable to determine whether funds have been allocated for that purpose.

<sup>88</sup> "Official Gazette of RM" no. 74 from 8.5.2015



## Publication of indicative calendar for IPA programming

According to the monitoring methodology, one indicator is used to verify whether NIPAC develops and publishes an indicative calendar for IPA II programming, with data on actors involved, information necessary for programming, expected outcomes, monitoring indicators, assigned responsibilities, etc.

Based on available data and accessible documents, it could not be established that NIPAC develops and publishes an indicative calendar.

## Information on annual rate of contracts signed under IPA II

In this regard, the monitoring effort verifies whether official websites of NIPAC and of CFCD host publicly available and updated information on the number of contracts signed under IPA on annual level.

NIPAC's website hosts a report for 2018<sup>89</sup> in English language, titled "Report on Implementation of Assistance under IPA in 2018".<sup>90</sup> This report contains general data, but does not provide precise information on the number of contracts signed on annual level.

CFCD's website, under the menu "tenders" features<sup>91</sup> a search engine that provides general information on the type and number of contracts signed under the indirect management system, as part of work performed by the IPA national structure, but there is no possibility for overview of contracts signed on annual level.

## Information on annual rate of payment disbursements under IPA II

For the purpose of this report, efforts were made to monitor public availability of updated information on the rate of payment disbursements made under IPA on the websites of NIPAC and of CFCD. NIPAC's website hosts a report for 2018<sup>92</sup> in English language, titled "Report on Implementation of Assistance under IPA in 2018"<sup>93</sup>. The

89 <http://sep.gov.mk/data/file/Dokumenti/ipa2.pdf>

90 Report on Implementation of the Assistance under IPA in 2018

91 [https://cfcd.finance.gov.mk/?page\\_id=11&lang=mk](https://cfcd.finance.gov.mk/?page_id=11&lang=mk)

92 <http://sep.gov.mk/data/file/Dokumenti/ipa2.pdf>

93 Report on Implementation of the Assistance under IPA in 2018

same includes partial data on disbursement of payments to some sectors, but there are no precise and updated information on payment disbursements.

Based on available data and accessible documents it could be concluded that very little information on the rate of payment disbursements under IPA is made publicly available. There are no documents or website locations that provide complete and comprehensive overview of information on the rate of payment disbursements.

### Information on irregularities and fraud

This category is used to monitor whether there are publicly available and updated information on established irregularities and fraud. CFCD's website, under the menu "irregularities", has published<sup>94</sup> information on what is considered "irregularity" and "fraud". Moreover, there is electronic application to report irregularities and fraud, and link to the European Anti-Fraud Office (OLAF).

The same website also hosts publications by OLAF, i.e. Compendium<sup>95</sup> of anonymised cases for EU structural funds and Casebook<sup>96</sup> of investigation conducted by OLAF in regard to external aid. However, there are no publicly available and updated information on irregularities and fraud in cases related to assistance managed by institutions within the national structures.

### Availability of audit reports

According to the monitoring methodology, one indicator concerns verification whether official website of the IPA Audit Authority hosts available and updated reports from audits performed for EU pre-accession assistance.

Activities related to audit of the system for implementation, management and control of the Instrument for Pre-Accession Assistance in the Republic of North Macedonia are performed by the IPA Audit Authority. This body was formed by the Law<sup>97</sup> on Audit for the Instrument for Pre-Accession Assistance (IPA).

<sup>94</sup> [https://cfcd.finance.gov.mk/?page\\_id=15&lang=mk](https://cfcd.finance.gov.mk/?page_id=15&lang=mk)

<sup>95</sup> <https://cfcd.finance.gov.mk/wp-content/uploads/2013/07/OLAF-Casebook.pdf>

<sup>96</sup> <https://cfcd.finance.gov.mk/wp-content/uploads/2013/07/OLAF-Compendium.pdf>

<sup>97</sup> "Official Gazette of the Republic of Macedonia" no. 66/10, 43/14, 154/15, 27/16, 190/16 and 83/18



Official website of the IPA Audit Authority<sup>98</sup> hosts general information on IPA, glossary and contacts, information on standards, final balance statement and several external links. However, monitoring of this website over a period of two months<sup>99</sup> did not result in location of information on published audit reports for EU pre-accession assistance.

## Conclusion on the IPA II segment

The Instrument for Pre-Accession Assistance IPA II for the period 2014-2020 is still under implementation. By the end of 2018,<sup>100</sup> programmes are adopted in total value of 395 million euros, for which contracts are signed in the amount of 151 million euros.<sup>101</sup>

Certain progress is made in regard to sector programming that should involve all stakeholders, including state and non-state actors. The civil society is involved in this process through representatives from civil society organizations.

The Revised Indicative Strategy Paper<sup>102</sup> for IPA II was adopted in August 2018 and represents an effort to respond to newly emerged transnational challenges, such as migration, terrorism and violent extremism, climate change and economic governance.

The Revised Indicative Strategy Paper 2014-2020 from August 2018 provides new definition of sectors, as follows: (1) democracy and governance; (2) rule of law and fundamental rights; (3) environment, climate action and energy; (4) transport; (5) competitiveness, innovation, agriculture and rural development; (6) education, employment and social policy; and (7) regional and territorial cooperation.

For most part, IPA II assistance falls under the system of direct management, while state institutions have smaller share under indirect management. A portion of assistance falls under indirect management by international organizations. Compared to IPA I, participation of state institutions in indirect management is significantly lower.

<sup>98</sup> <http://www.aaipa.mk/index.php?lang=mk>

<sup>99</sup> Website was accessed once a week in the period from 15th January to 16th March 2020.

<sup>100</sup> <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-north-macedonia-report.pdf>

<sup>101</sup> This does not include the Multibeneficiary IPA, available at: [https://ec.europa.eu/neighbourhood-enlargement/instruments/multi-beneficiary-programme\\_en](https://ec.europa.eu/neighbourhood-enlargement/instruments/multi-beneficiary-programme_en)

<sup>102</sup> <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180817-revised-indicative-strategy-paper-2014-2020-for-the-former-yugoslav-republic-of-macedonia.pdf>

Dynamics of contract implementation under IPA II is not balanced, i.e. implementation by the EC's departments, including the EU Delegations, is significantly faster compared to implementation by national authorities. The limited administrative capacity of national authorities to develop mature projects and the need to ensure sustainable project results are the main risk factors that prevent faster implementation of IPA pre-accession funds.

Basic legal documents on IPA II are partially available on websites of competent institutions. These websites do not facilitate ease of use for information hosted and many of published data cannot be assessed as complete and updated.

There is certain degree of employee turnover at key institutions, which affects work of institutions within the IPA structure. Majority of employees in the IPA structure are deployed to jobs according to the systematization act. They fall under the scope of general provisions from the Law on Labour Relations<sup>103</sup> and the Law on Organization and Operation of State Administration Bodies. In that regard, there is no operational policy for retention of employee at IPA structures. Based on available data and accessible documents, it cannot be established whether training programs are in place for employees at institutions within the IPA structure, and it cannot be identified whether funds are allocated for that purpose. Based on available data and documents it cannot be established whether the IPA national structure develops and publishes an indicative calendar for IPA II programming.

Reports on implementation of IPA II assistance are published periodically, for several years, but not annually. They do not include precise information on the number of contracts signed on annual level. There is very little publicly available information on the rate of payment disbursements under IPA II. There are no documents or websites that provide complete and comprehensive overview of information on the rate of payment disbursement.

Information is published on definition of "irregularity" and "fraud", and there is electronic application to report irregularities and fraud to competent institutions, including link to the European Anti-Fraud Office (OLAF). However, the project team was unable to locate publicly available and updated information on identified irregularities and fraud in cases when assistance management is conferred to the IPA national structure.

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<sup>103</sup> "Official Gazette of RM" no. 74 from 8.5.2015

Official website of the IPA Audit Authority does not host information on published audit report for EU pre-accession assistance.



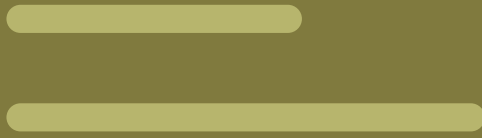
## Recommendations

Specific recommendations inferred from findings presented in this report and related to IPA as cross-cutting issue include:

- An indicative calendar for IPA II programming needs to be developed and published;
- Annual, and not periodic reports should be published on implementation of IPA assistance and they should include precise information on the number of contracts signed on annual level;
- Updated overview should be published with data on contracts signed under IPA II on annual level, separately and cumulatively per year and per sector;
- Updated overview should be published with data on annual rate of payment disbursements under IPA II;
- Operational policy with active measures to retain employees at the IPA structures needs to be adopted and applied;
- Training programs should be introduced and regularly delivered for employees at the IPA structures. These programs should be developed before the start of the year, with clearly defined budget to cover as many employees as possible;
- IPA Audit Authority should make reports from audits performed publicly available on its website;
- Basic documents on IPA II need to be published on the internet and should be made easily accessible, including complete and comprehensive overview of documents in one place, together with EU regulations, the *Law on Ratification of the Framework Agreement*, the *Decree on IPA II*, *sectoral agreements*, *financing agreements* and all other relevant documents.







## CONCLUDING OBSERVATIONS AND RECOMMENDATIONS TO IMPROVE WORK OF SECTOR WORKING GROUPS

The qualitative assessment in this shadow report includes comments on general dynamics under the sector-wide approach that is based on data made available to the project team in the course of the monitoring period.

As regards assessment of performance, sector working groups have established functionality and plenary sessions are held at least once per year for each group separately. The sector-wide approach allows certain flexibility, which was particularly visible during the monitoring period, when two new sector working groups were established for the first time in the sectors on Roma integration and health.

This flexibility is especially expressed at the time of COVID-19 pandemic and declaration of the state of emergency in March, which triggered redesign of sector priorities, reallocation of funds, as well as fast and effective epidemic relief response. In that regard, coordination efforts started by the end of this monitoring period, but they are expected to continue in order to bring about changes to the logics of interventions with IPA II assistance.

The quality of stakeholder representatives is in line with formal requirements and rules on implementation of IPA assistance. In addition to representatives from state institutions, sector working groups regularly include civil society representatives, and in specific sectors they also allow participation of other non-state actors. The monitoring period covered by this report is characterized by the fact that, in almost all sector groups, state institutions strived to raise the level of representation, by including line ministers in the role of sector group chairs. However, in the next years, efforts should be geared at advancing the status and participation of civil society organizations

in sector working groups, by means of their regular involvement in programming and monitoring the sector-wide approach.



The civil society organizations are formally involved in work of all sector working groups. Although during this monitoring period certain efforts were made to nominate civil society representatives through the Council for Cooperation with and Development of the Civil Society, there is still no unified system for selection of civil society representatives. This situation leaves space to reconsider the idea for establishment of the model for selection that would facilitate and promote participation of civil society organizations in sector working groups.

As regards the timeframe, 11 from the total of 14 sector working groups held their sessions in the last quarter of the calendar year, while two sector working group (one of which is newly formed) held their sessions in the first quarter, and one sector working group held its plenary session in the second quarter. This time schedule overlaps with adoption of indicators for IPA assistance. Dynamics of sector group meetings depends on their respective chairs. Hence, establishment of annual plans of activities for each sector working group would facilitate adequate and regular planning of activities, as well as more frequent meetings compared to previous practices.

In the future, efforts are needed to improve and advance access to and quality of shared information and documents. On average, certain information on scheduling sessions are shared one week before the meeting, and in addition to meeting invitation, accompanying documents often include only the agenda. Programme documents and other accompanying strategies or action plans are often unavailable, while meetings of sector working groups sometimes involve advance discussions for which civil society representatives are not informed in advance or are insufficiently informed, affecting the quality of their contributions to these discussions. In the future, this situation could be addressed only if sector group chairs, following the example of some sector groups, increase efforts to organize meetings and discussions with civil society organizations and citizens, and share information and public documents related to the scope of work for sector working groups.

General debate and alignment of views and conclusions within sector working groups are mainly led by the EU Delegation and highest ranking representatives from competent ministries. Meetings of sector working groups intended for programming documents and activities allow significant impact to be exerted by donors in terms of foreign

aid coordination. As regards the civil society, their members in sector working groups represent their associations or foundations, but often do not act as representatives of the broader civil society in the policy area covered by the specific sector working group.

There is significant possibility to improve quality and timeliness of activities that follow after meetings of sector working groups and to improve the consultation process by allowing additional online discussions and methods to inform the broader public.

Efforts are needed to secure more documents and relevant information in order to monitor consistency in terms of offer on existing project calls and actions, i.e. annual programmes, with strategy documents, primarily the Indicative Strategy Paper.

The shadow reports from monitoring work of sector working groups will be developed every year, which allows shortcoming and challenges noted in the current year to be additionally and precisely monitored in the next cycle. In addition to this approach, efforts are needed to monitor the role that this form of sector-wide approach will have in terms of the start of accession negotiations between the Republic of North Macedonia and the European Union, and in coordination of the overall process. Participation of the civil society in this period will be of particular importance, having in mind expertise of civil society organizations in particular policy areas and topics.