

SHADOW REPORT

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

January – December 2020





THROUGH
DIALOGUE **TO**
EU

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FOREWORD

The project “CSO Dialogue – Platform for Structural Participation in EU Integrations” is committed to ensuring structural participation of the civil society that expresses the views of citizens to impact key sector-wide reforms under the EU accession process. The sector working groups (SWGs)¹ are perceived as exceptionally important mechanism for consultations and civil society participation, and a forum for development of national policies and design of reform processes in the country. Hence, the second edition of 12 shadow reports on performance of sector working groups in 2020 is an attempt to bring this mechanism closer to the citizens and to critically analyse their organizational setup, functionality and efficiency.

For the purpose of the second edition of 12 shadow reports on performance of sector working groups in the period January – December 2020, project researchers monitored 17 from total of 19 meetings held by these working groups. Findings from observing SWG meetings and analysing sector policies were discussed at 11 interviews conducted with IPA coordinators from line ministries responsible for relevant sector groups, and with 34 civil society representatives that participate in SWGs. Moreover, changes noted in 2020 compared to 2019 are supported by responses obtained to 312 freedom of information requests inquiring about SWG performance in the course of 2020.

The general assessment implies certain progress in SWG performance despite the extraordinary year which, due to the COVID-19 pandemic, has raised challenges for the overall society. Progress is primarily noted in respect to

1 The sector working groups are a formal mechanism for consultations and cooperation among the executive authorities (ministries), civil society organizations, the donor community, and other interested parties. By the cut-off date for this report, 12 sector working groups with competences in different areas are established in the Republic of North Macedonia, in order to ensure the sector-wide approach.



transparency in SWG operation, notably by means of greater access to published information that are of importance for SWGs. Furthermore, 2020 was marked by organization of 19 plenary sessions, compared to only 12 sessions held in 2019. However, despite the mild increase in the number of meetings, SWGs still do not meet pursuant to the frequency anticipated under the rules of procedure, which could guarantee a commitment to sector policies and reform implementation. SWGs demonstrated a satisfactory level of functionality, as stipulated in their respective rules of procedures, but these documents fall short in defining the role and position of civil society organizations within SWGs. Having in mind that the central focus of the project “CSO Dialogue – Platform for Structural Participation in EU Integrations” is put on civil society organizations and their efficient involvement in policy shaping, this report stresses the need for advancing the role played by civil society organizations in sector working groups.

GENERAL INFORMATION

SECTOR WORKING GROUP ON PUBLIC FINANCE MANAGEMENT

FORMED: 2015

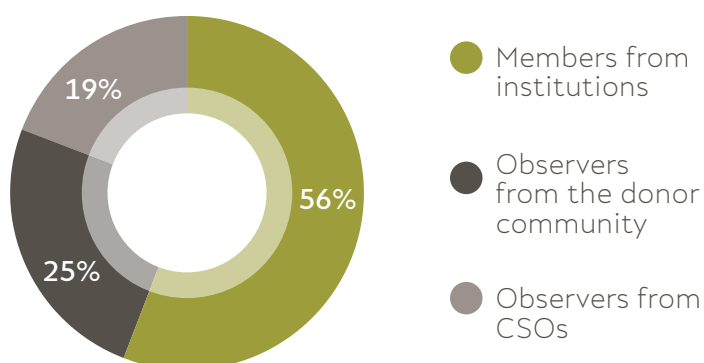
NUMBER OF SWG MEMBERS: 38, state institutions x 20 members, civil society organizations x 7 members, and donor community x 9 members²

NUMBER OF MEETINGS HELD IN 2020: two plenary sessions, 03.07.2020 and 07.10.2020

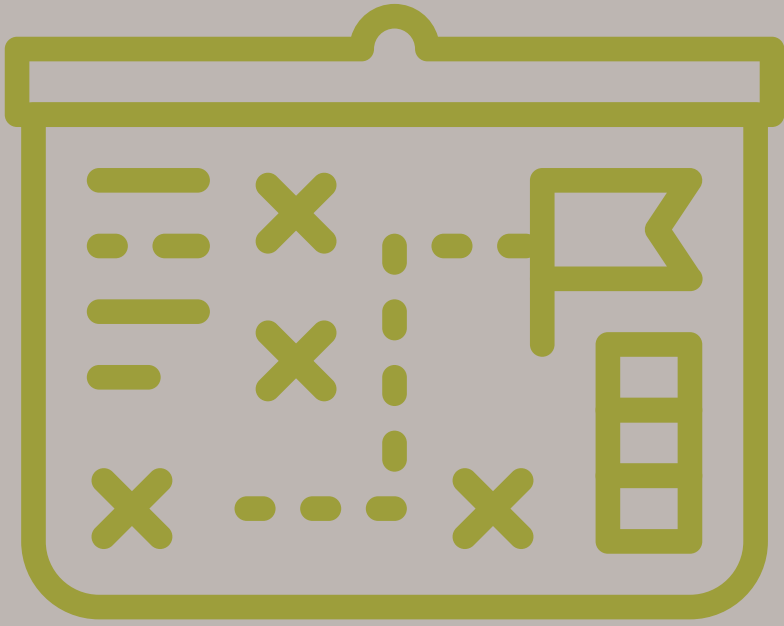
SWG CHAIR: Minister of Finance

CHART 1.

Distribution of various representatives in SWG Public Finance Management



² Representatives from civil society organizations and the donor community in SWG Public Finance Management have the status of observers.



METHODOLOGY APPROACH

For the purpose of this report, the project team relied on responses to information requests submitted under the instrument for free access to public information to the Ministry of Finance as the lead institution in SWG Public Finance Management. Moreover, the report is developed on the basis of information, documents and data available on official websites of the Ministry of Finance, Secretariat for European Affairs, Ministry of Information Society and Administration, Public Revenue Office and Customs Administration. In addition, the project team interviewed representatives from the unit for working group coordination, as well as civil society representatives with the status of observers in SWG Public Finance Management.

The process for data collection, monitoring and evaluation was performed in respect to five segments:

- SWG functionality;
- civil society participation in SWG;
- CSO capacity for contribution and participation in SWG;
- effects from SWG work; and
- IPA.



PART 1

SECTOR POLICIES

The key sector document that guides operation of this sector working group is the **Public Finance Management Reform Programme 2018-2021**,³ adopted in December 2017. This programme covers issues such as: the country's fiscal framework; revenue mobilization; budget planning, adoption and execution; transparency and reporting; and internal financial control, i.e. state audit and parliamentary oversight.

As strategy document, the Public Finance Management Reform Programme 2018-2021 is linked to other strategy documents, such as: Country Indicative Strategy Paper for IPA II 2014-2020⁴, **Economic Reform Programme 2017-2019**⁵ (and the new **programme**⁶ for the period 2021-2023, adopted in January 2021), **current**⁷ and **Revised Fiscal Strategy 2021-2023 (with prospects by 2025)**⁸ and **Strategy on Public Administration Reform 2018-2022**.⁹ Public Finance Management Reform Programme 2018-2021 covers several sub-reform

-
- 3 Public Finance Management Programme 2018-2021, available at: <https://bit.ly/2TdkOcF> [last retrieved on 08.06.2021]
 - 4 More information on IPA planning and programming for the period 2014-2020 (IPA II) is available at: <https://bit.ly/3gsjDxN> [last retrieved on 08.06.2021]
 - 5 Economic Reform Programme 2017-2019, available at: <https://bit.ly/3wf6sqH> [last retrieved on 08.06.2021]
 - 6 Economic Reform Programme 2021-2023, available at: <https://bit.ly/3zhyst> [last retrieved on 08.06.2021]
 - 7 Fiscal Strategy of the Republic of North Macedonia 2021-2023, available at: <https://bit.ly/3cyiJi6> [last retrieved on 08.06.2021]
 - 8 Revised Fiscal Strategy of the Republic of North Macedonia 2021-2023 (with prospects by 2025), available at: <https://bit.ly/2TZabKY> [last retrieved on 08.06.2021]
 - 9 Strategy on Public Administration Reform 2018-2022, available at: <https://bit.ly/3iwd9AT> [last retrieved on 08.06.2021]



documents (previous and new), such as: **Tax System Reform Strategy**¹⁰, **Public Internal Financial Control Policy Paper (with Action Plan for the period 2019-2021)**¹¹, **Public Revenue Office's Strategic Plan 2019-2021**¹², **State Audit Office's Development Strategy 2018-2022**¹³, **Customs Administration's ICT Development Strategy 2019-2023**,¹⁴ etc.

2020 was the third consecutive and penultimate implementing year for this programme, while development and adoption of the new programme will start in 2021.

In this monitoring year, **2020 Action Plan for Implementation of the Public Finance Management Reform Programme**¹⁵ was adopted and serves as document that operationalizes implementation of this programme on annual level.

Several other strategy documents in this sector were also adopted in the course of 2020.

A new Tax System Reform Strategy (2021-2025) was adopted in December 2020 and aims to ensure just, efficient, transparent and contemporary tax system that will be based on modern digital technologies and innovation in taxation, in order to ensure fast, inclusive and sustainable economic growth.

In December 2020, the Government adopted the Revised Fiscal Strategy of the Republic of North Macedonia 2021-2023 (with prospects by 2025) and the **Strategy on Public Debt Management of the Republic of North Macedonia 2021-2023 (with prospects by 2025)**¹⁶, which is now a separate document that used to be an integral part of the fiscal strategy.

It should be noted that **Draft Economic Reform Programme 2021-2023**¹⁷ was also developed in the course of 2020, as a document that outlines the

10 Tax System Reform Strategy 2021-2025, available at: <https://bit.ly/3pHDSMm> [last retrieved on 08.06.2021]

11 Public Internal Financial Control Policy Paper (with Action Plan for the period 2019-2021), available at: <https://bit.ly/3izC72m> [last retrieved on 08.06.2021]

12 Public Revenue Office, Strategic Plan 2019-2021, available at: <https://bit.ly/3zgxSyz> [last retrieved on 08.06.2021]

13 State Audit Office, Development Strategy 2018-2022, available at: <https://bit.ly/3xbYtLg> [last retrieved on 08.06.2021]

14 Customs Administration, ICT Development Strategy 2019-2023, available at: <https://bit.ly/3xoeOZ2> [last retrieved on 08.06.2021]

15 2020 Action Plan for Implementation of the Public Finance Management Reform Programme, available at: <https://bit.ly/356q5oX> [last retrieved on 08.06.2021]

16 Strategy on Public Debt Management of the Republic of North Macedonia 2021-2023 (with prospects by 2025), available at: <https://bit.ly/2ShSPIV> [last retrieved on 08.06.2021]

17 Draft Economic Reform Programme 2021-2023, available at: <https://bit.ly/2RKUqqg> [last retrieved on 08.06.2021]

country's medium-term macroeconomic and fiscal framework, including sector-specific structural reforms to promote competitiveness and growth, and as a document for pre-accession alignment with EU economic policies. This document was adopted in January 2021.

On the other hand, several significant commitments under the Public Finance Management Reform Programme 2018-2021 planned for 2019 and postponed for 2020 were not implemented during this monitoring period. This primarily concerns adoption of new or revised Law on Budgets, establishment of the Fiscal Council, adoption of new legal framework aligned with the EU acquis, and improved efficiency of the system of public-private partnerships and the system of concessions, adoption of new Law on Public Internal Financial Control, development of mechanism to ensure the Parliament's proactive role in reconsideration of audit reports produced by the State Audit Office, and the like.

However, by the end of 2020 the Proposed Law on Budgets and the Proposed Law on Public Internal Financial Control entered parliamentary procedure for adoption, while draft laws on the Academy of Public Finance and on public-private partnerships are in the stage of public consultations and finalization.

The Action Plan for Suppression of Grey Economy 2020-2021 of the Ministry of Finance and bodies within its composition¹⁸ was adopted in February 2020. Although this document is not directly linked to the Public Finance Management Reform Programme 2018-2021, it still covers matters pertaining to the public finance sector.

A series of steps and measures were taken by the Ministry of Finance in respect to public finance reform, and they mainly concern plans for greater transparency and accountability in public finances, including the ministry's new website, which was designed and put into operation in the meantime.

18 Action Plan for Suppression of Grey Economy 2020-2021 of the Ministry of Finance and bodies within its composition, available at: <https://bit.ly/35a9YqI> [last retrieved on 08.06.2021]



PART 2

SWG FUNCTIONALITY

2.1 RULES OF PROCEDURE

No changes are noted in the course of 2020 related to regulations that guide operation of SWG Public Finance Management. As noted in the 2019 Shadow Report, this sector working group does not have own rules of procedure. In particular, it was formed and operates on the basis of the decision for its establishment, which also defines the sector group's objectives, structure, composition and tasks. Moreover, the decision enlists names of SWG chair and co-chair, employees from the unit for working group coordination at the Ministry of Finance, coordinators per priority area from institutions involved, and other SWG members, while in respect to SWG observers, i.e. civil society organizations and donor community, from 2019 onwards it only refers to titles of organizations and institutions, but does not provide names of individual representatives.

This practice imposes the need for frequent changes to the decision on establishment of this sector group, at least with every change of the finance minister who, by the effect of his/her public office, serves as the sector group's chair. The last such decision was adopted on 02.10.2020, wherein the newly appointed finance minister, Fatmir Besimi, was named as the chair of this sector working group.



Representatives from the unit for working group coordination find the recommendation for adoption of separate rules of procedure for this sector group acceptable, but they also believe (and expect) that guidelines for such action and draft version of the rules of procedure should be provided by the Secretariat for European Affairs. At the same time they underscore the technical nature of this sector working group, i.e. its close link to implementation of the Public Finance Management Reform Programme, whereby lack of separate rules of procedure does not affect efficiency in its operation.

By the effect of the last decision on establishment of this sector group, in addition to the chair, i.e. the finance minister and his/her deputy (state advisor on issues related to international finances and harmonization with the EU and decentralized management of EU funds), SWG members include three other representatives from the Ministry of Finance that form the unit for working group coordination, 32 coordinators per priority area, i.e. holders of relevant reform measures (pursuant to priority areas and measures defined in the Public Finance Management Reform Programme), 20 members representing nine institutions involved in implementation of this programme, 7 members from civil society organizations with the status of observers, and 9 members from the donor community, also with the status of observers.

The decision on establishment of this sector group does not outline any rules that govern its work or methods for organization of meetings and participation in its work by SWG members, observers and other persons and institutions involved.

Nevertheless, in the practice, this sector working group operates by ensuring timely distribution of materials (invitations, agendas, plans and reports) to its members and other persons involved, before organization of SWG meetings, as well as distribution of relevant minutes from meetings held. Communication is mainly pursued in electronic form, including submission of inputs and feedback from persons involved, after having presented their contribution in oral form at SWG meetings. Inputs are reconsidered by the unit for working group coordination, which is presented with such contributions, but these are not shared with other members and persons involved in the sector working group.

Hence, the practice on regular and timely distribution of materials concerns only those discussed at SWG meetings (action plans for programme implementation, semi-annual and annual reports on monitoring implementation of these action plans), but not other

materials in the field of public finance (e.g. strategies, other action plans and the like). These materials are not shared with members and other persons involved in this sector group, which is in line with the coordinators' understanding about operation of this sector group, i.e. being of predominantly technical nature and focused on implementation of the Public Finance Management Reform Programme 2018-2021.

Conclusions from SWG meetings, including key documents discussed, are integrally published on the Ministry of Finance's official website.¹⁹ With that exception, there is no complete and comprehensive information dissemination to the public on SWG work and performance in the sense of press releases and organization of press conferences or any other method for public information.

2.2 ANNUAL PLAN

Having in mind that SWG Public Finance Management does not have own rules of procedure, there is no stipulated obligation for this sector group to develop and keep annual plans and to develop and publish annual reports on implementation of such plans.

Instead, the sector group develops and is guided by annual action plans for implementation of the Public Finance Management Reform Programme 2018-2021 and semi-annual and annual reports on monitoring implementation of these action plans. This arises from the sector group's subordination to implementation of the Public Finance Management Reform Programme 2018-2021.

Nevertheless, the sector group has rather strict work pattern and dynamics. Under regular circumstances, it holds at least two meetings annually, usually in the first and the last quarter of the year.

Based on the above elaborated, performance of this sector working group is assessed in terms of quality of several tasks implemented under the cross-sectoral approach that overlaps with the character of the Public Finance Management Reform Programme 2018-2021. Having based their assessment on the fact that, in the course of 2020, the sector group developed, presented and discussed the 2020 action plan, the 2019 annual report, and the semi-annual report for the first half of 2020, the coordinators are satisfied with implementation of current obligations and overall performance of this sector working group.

¹⁹ Materials are published on separate page within the Ministry of Finance's website: <https://bit.ly/3gebKNT> [last retrieved on 08.06.2021]

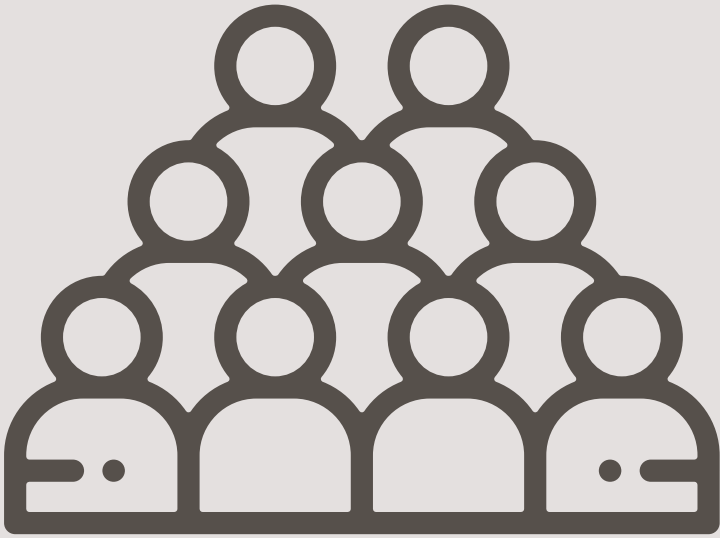
ASSESSMENT ON SWG FUNCTIONALITY



According to the methodology for monitoring work and effects of sector working groups, **SWG functionality** is measured against 14 standards and 8 indicators that focus on creation of relevant work documents by SWGs (rules of procedure, annual plan and annual report) and their enforcement in the practice. All standards and indicators are assigned a numeric value, whereby 1 is the lowest and 3 is the highest score.

Average score for functionality of SWG Public Finance Management in this monitoring period is calculated at 2.0.





PART 3

CIVIL SOCIETY PARTICIPATION

There are no significant changes in respect to civil society participation in SWG Public Finance Management from the situation noted in the 2019 Shadow Report.

Civil society representatives and the donor community participate in work of this sector group with the status of observers. As indicated previously, from 2019 onwards, instead of individual names, all decisions on establishment of this sector working group enlist only titles of participating civil society organizations and donor institutions. At the moment, seven CSOs have their representatives in the sector group:

- Center for Economic Analyses;
- Association of Young Analysts and Researchers;
- Finance Think – Institute for Economic Research and Policy;
- Analytica;
- Eurothink – Center for European Strategies;
- Center for Civil Communications;
- Center for Research and Policy Making;

and representatives from nine donor community organizations and institutions.



The status of observers assigned to these representatives is explained with the sector group's specific character. Namely, representatives from the unit for working group coordination elaborate that this had been done upon recommendation from the Secretariat for European Affairs at the time when the sector group was formed, primarily because it was envisaged as operational group tasked with implementation of the Public Finance Management Reform Programme, with specific tasks for individual members of this group. Later, it was decided for the group to be extended with inclusion of other actors that are given the status of observers because they are not directly involved in programme implementation.

It should be noted that members of the academic community are invited to attend SWG meetings, depending on topics discussed, but formally they are neither members nor observers.

However, civil society representatives regularly participate in SWG meetings and receive timely invitations and materials to be discussed. Moreover, SWG meetings leave adequate portion of time for discussion and inputs from civil society organizations, which are later submitted in written to the unit for working group coordination.

SWG members provide individual responses or views on all comments or proposals from civil society representatives at these meetings, although it remains unknown how many of these proposals are later accepted and integrated in strategy documents and policy papers. CSOs involved in work of SWG Public Finance Management also engage in consultations on particular issues through other channels and methods beyond this sector group (e.g. ENER, public debates, policy briefs, etc.).

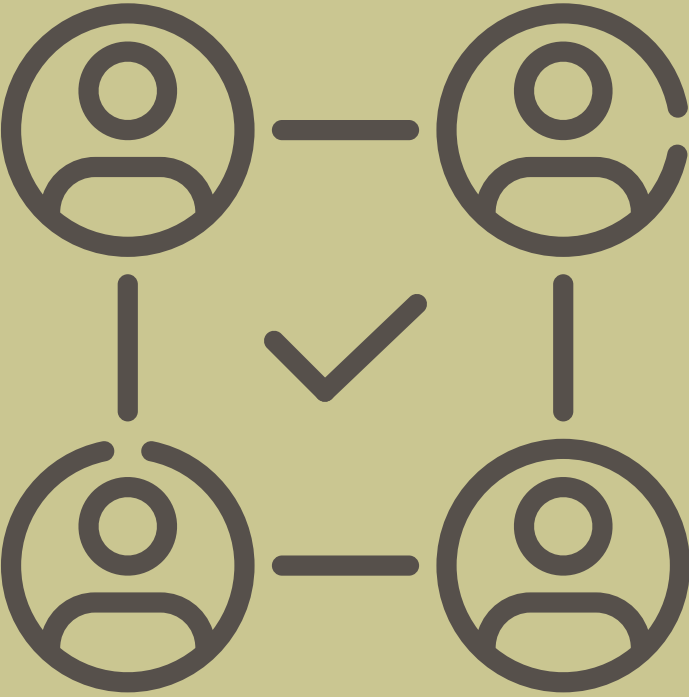
ASSESSMENT ON CIVIL SOCIETY PARTICIPATION

According to the methodology for monitoring work and effects of sector working groups, **civil society participation in SWG** is measured against 9 standards and 3 indicators that focus on the number and the status of CSOs involved in SWG work. Moreover, they cover regular and timely delivery of invitations and necessary materials for SWG meetings, as well as opportunities afforded to CSOs to join discussions

before, during and after meetings. All standards and indicators are assigned a numeric value, whereby 1 is the lowest and 3 is the highest score.

Average score for civil society participation in SWG Public Finance Management in this monitoring period is calculated at 2.0.



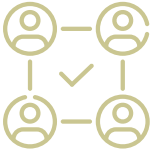


PART 4

CSO CAPACITY

Civil society representatives involved in SWG Public Finance Management believe they could have a more significant role from their currently assigned status within this sector group and therefore stress the need for their greater and more meaningful involvement in SWG work. This primarily concerns substantial and more comprehensive discussions and consultations around strategy documents and priority areas covered under the programme. For example, although they are involved in work of this sector group, it was stressed that they were able to read and get a better understanding of the most important piece of legislation anticipated under the programme, the Law on Budgets, only after the same was published in ENER. In their opinion, they need to be involved and consulted about such issues of great importance in earlier stages and at operational level, i.e. in the stage of conceptualization and development of such legislation. Hence, they propose the sector working group to organize operational meetings, under narrow composition, focused on specific topics and issues.

Also, during their interviews for assessment of SWG work and effects, some civil society representatives stressed that in spite of their dedicated and professional approach to SWG work, including timely and detailed preparations for meetings, and active participation by



means of comments and proposals, at moments and in respect to certain issues they still feel that their comments and views are not necessarily welcomed by the other side, i.e. by other actors involved in work of this sector group.

Although civil society representatives believe their participation in this sector working group sometimes assumes pro-forma character, they remain firm in the opinion that civil society participation, even under the current setup, is still very important in respect to impacting important processes in the country.

Moreover, these representatives stress that, on certain issues that are of great importance, the civil society remains the single or at least the most active non-state actor in the public discourse that is marked by insufficient involvement on the part of other actors, mainly the academia. In contrast to this perception, a series of legal solutions, for example, the anticipated formation of the Fiscal Council, stipulate involvement of representatives/members from the ranks of other non-state actors, but not from the ranks of civil society organizations, in spite of their previous involvement and commitment to these processes.

However, organizational setup of SWG Public Finance Management and its focus on programme implementation do not allow any space for proactive participation by the civil society in the sense of raising initiatives on issues falling within SWG scope of work.

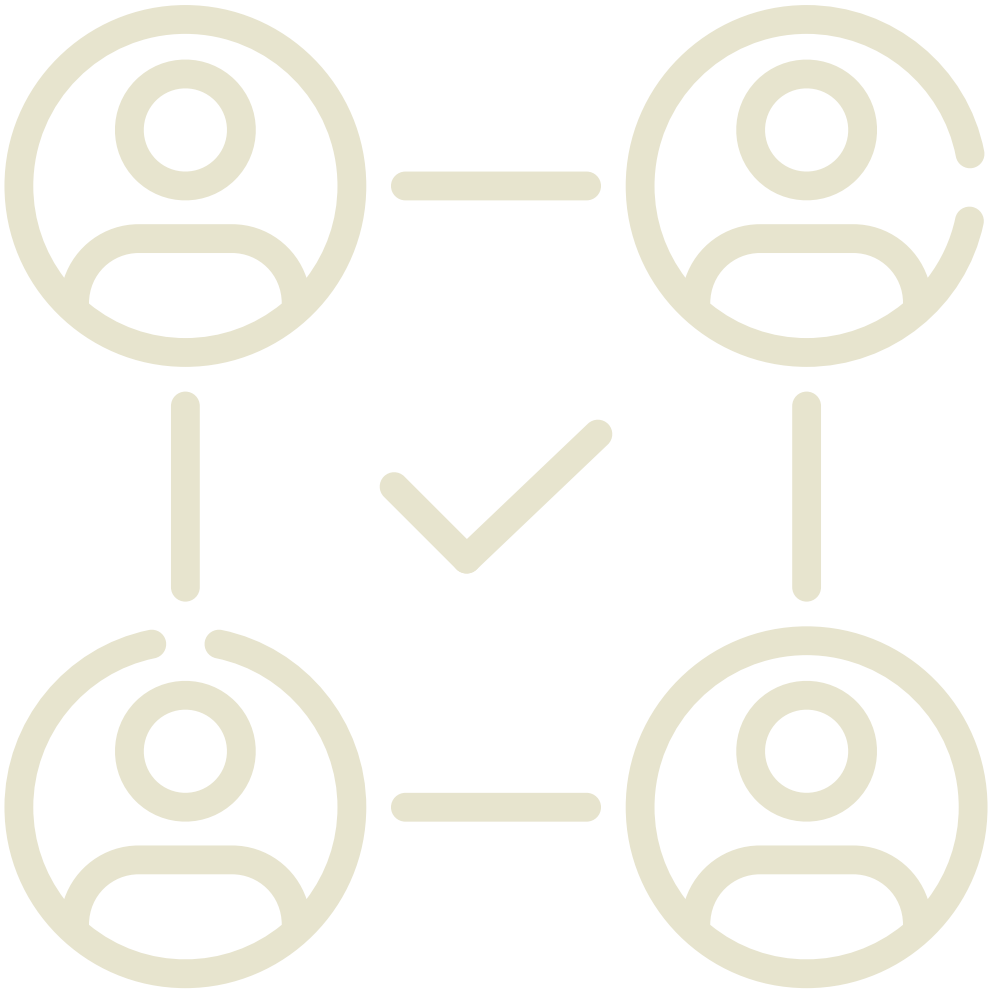
Therefore, civil society organizations involved in work of SWG Public Finance Management, each in its area of operation and on issues important for SWG work, receive inputs from their constituents, conduct research studies, develop analyses and policy briefs, and use different methods to inform the public about these activities. For the time being, there are no realistic prospects for this type of activities to be integrated in work of this sector group.

ASSESEMNET ON CSO CAPACITY

According to the methodology for monitoring work and effects of sector working groups, **CSO capacity for contribution and participation in SWG** is measured against 5 standards and 2 indicators that focus on ability, knowledge and skills disposed by CSOs. Moreover, they concern proactivity on the part of CSOs in respect to organization of consultations and information sessions, production of analyses, research

papers and policy briefs, as well as engagement in advocacy for important issues falling with SWG scope of work. All standards and indicators are assigned a numeric value, whereby 1 is the lowest and 3 is the highest score.

Average score for capacity of CSOs for contribution and participation in SWG Public Finance Management in this monitoring period is calculated at 2.0.





PART 5

EFFECTS FROM SWG WORK

Although the Public Finance Management Reform Programme clearly designates that the working group shall meet at least once every three months, the dynamics of meetings held is conditioned by semi-annual time intervals defined for development of reports on implementation of the programme's action plans.

In 2020, SWG Public Finance Management planned to hold two regular semi-annual meetings, in March and October. However, due to the pandemic and uncertain conditions at that time, the March meeting was postponed several times and finally did not take place. Materials were shared, including the annual action plan and implementation report, while SWG members and observers were invited to submit their inputs, as comments or remarks, in electronic form.

The other regular meeting was held online, on 07.10.2020, together with the public finance management policy dialogue (held with the EU), and included presentation and discussion of the **Draft Report on Implementation of 2020 Action Plan for the Public Finance Management Reform Programme for the period January – August 2020.**²⁰

²⁰ Report from Monitoring Implementation of 2020 Action Plan for the Public Finance Management Reform Programme for the period January – August 2020, available at: <https://bit.ly/3vdptIP> [last retrieved on 08.06.2021]



In addition to this meeting, the sector group held another online meeting on 03.07.2020, organized by SEA and focused on presentation of strategic responses and action fiches for IPA III, in order to ensure better coordination of donor support for national activities in this sector, in the forthcoming period.

Effects from work of SWG Public Finance Management and overall performance of this sector group are closely related to implementation of the programme that serves as baseline document underlining work of this sector group.

For that purpose, instead of annual plans and annual work reports, this group develops annual action plans for programme implementation and their implementation is assessed by means of semi-annual and annual reports.

The programme defines seven priority areas, each accompanied by a set of objectives and outcomes to be achieved, as well as indicators to measure progress. Moreover, measures and activities are defined for implementation of each priority. Progress is measured against pre-defined indicators, enlisting implementation level, deviations, reasons for such deviations, and new objectives or implementation deadlines.

Therefore, the above referred reports do not assess functionality of this sector working group, but include assessment for the programme's implementation on annual, technical and operational level.

In particular, according to the **Annual Report from Monitoring Implementation of 2020 Annual Plan for the Public Finance Management Reform Programme for the period January-December 2020**,²¹ among total of 144 activities and sub-activities planned for 2020, only 31 activities are completed, 81 activities are underway and 32 activities are not initiated. As regards 2020 targets for indicators, full implementation is noted for 22 targets, 42 of them are partially achieved, and 38 targets remain unattained.

All non-implemented activities and targets are rolled over to the next year (2021), as the last implementing year of the Public Finance Management Reform Programme 2018-2021.

Given that work of this sector group is closely linked to programme implementation and that meeting agenda items do not open and discuss other important issues and aspects in the field of public

²¹ Annual Report from Monitoring Implementation of 2020 Action Plan for the Public Finance Management Reform Programme for the period January – December 2020, available at: <https://bit.ly/3iyceje> [last retrieved on 08.06.2021]

finance, it seems that potentials of the cross-sectoral approach are not fully utilized, although this approach was considered as one of the best aspects of this working group.

5.1 GENERAL INFORMATION ON IPA III PROGRAMMING (2021-2027)

The Instrument for Pre-accession Assistance (IPA III) concerns the programming period 2021-2027. The European Commission introduced this instrument together with the new EU multiannual financial framework. IPA programming took place throughout the entire 2020 and was initiated with development of PAF indicators,²² followed by strategic responses and action fiches.

IPA III is introduced with adoption of the Regulation on Establishing the Instrument for Pre-accession Assistance and the Regulation on Implementing Rules and Principles for IPA III²³ by the European Union, and is coherent to other funds, programmes and instruments of the Union, primarily the Neighbourhood, Development and International Cooperation Instrument. According to its structure, IPA III is organized into 5 windows:

- 1. Rule of Law, Fundamental Rights and Democracy;**
- 2. Good Governance, Acquis Alignment, Good Neighbourly Relations and Strategic Communication;**
- 3. Green Agenda and Sustainable Connectivity;**
- 4. Competitiveness and Inclusive Growth;**
- 5. Territorial and Cross-Border Cooperation.**

22 Performance Assessment Framework (PAF)

23 Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession Assistance (IPA III) COM/2018/465 final.

Each window is comprised of several thematic priorities, as follows:

TABLE 1:
IPA III windows and thematic priorities



<p>WINDOW 1: RULE OF LAW, FUNDAMENTAL RIGHTS AND DEMOCRACY</p> <ul style="list-style-type: none"> ◆ Judiciary; ◆ Fight against corruption; ◆ Fight against organized crime; ◆ Migration and border management; ◆ Fundamental rights; ◆ Democracy; ◆ Civil society. 	<p>WINDOW 2: GOOD GOVERNANCE, ACQUIS ALIGNMENT, GOOD NEIGHBOURLY RELATIONS AND STRATEGIC COMMUNICATION</p> <ul style="list-style-type: none"> ◆ Good governance; ◆ Administrative capacity and acquis alignment; ◆ Good neighbourly relations and reconciliation; ◆ Strategic communication, monitoring, evaluation and audit.
<p>WINDOW 3: GREEN AGENDA AND SUSTAINABLE CONNECTIVITY</p> <ul style="list-style-type: none"> ◆ Environment and climate change; ◆ Transport, digital economy and energy. 	<p>WINDOW 4: COMPETITIVENESS AND INCLUSIVE GROWTH</p> <ul style="list-style-type: none"> ◆ Education, employment, social protection and inclusion policies, and health; ◆ Private sector development, trade, research and innovation; ◆ Agriculture and rural development; ◆ Fisheries.
<p>WINDOW 5: TERRITORIAL AND CROSS-BORDER COOPERATION</p>	
<p>This window is comprised of a separate list of thematic priorities given in Annex 2 to the IPA III Regulation.²⁴ Modalities for implementation of this component include:</p> <ul style="list-style-type: none"> ◆ cross-border cooperation with IPA countries; ◆ participation in micro region strategies. 	

²⁴ COM/2018/465

According to the IPA III Regulation, the European Commission proposes a programming framework for the period 2021-2027 that includes all priority areas eligible for funding. Based on this programming framework, each IPA III country develops its strategic responses, elaborating links between EU priorities and those under national and sector strategies, followed by development of projects in the next phase.

IPA III does not include specific financial allocations per beneficiary country. Actually, countries will have to compete for the total of 14.162 billion euros available on the basis of their capacity and project proposals. However, IPA III introduces the principle of fair share in order to ensure certain balance and proportionality in distribution of overall IPA III funds among beneficiary countries.

IPA III programming is pursued in two stages.

- 1. Relevance assessment.** In this stage, the country develops summary action fiches with elaboration of proposed projects. The European Commission assesses these fiches in terms of their relevance.
- 2. Maturity assessment.** This stage implies development of action documents, but only for projects that have passed the relevance assessment, followed by detailed elaboration. The European Commission assesses projects in terms of their maturity. After action documents are approved, the country presents the European Commission with tender documents for projects approved in both stages, followed by signing of financial agreements for individual action documents.



The process for developing strategic and action documents for the years 2021 and 2022, but also for next programming years, is anticipated to take place within the existing sector working groups (SWGs), established under the sector-wide approach from IPA II.

In the second half of 2020, under coordination from the Secretariat for European Affairs, sector working groups developed and presented the European Commission with 22 action fiches, of which 10 for the year 2021²⁵ and 12 for the year 2022.²⁶

CHART 2.
IPA III programming cycle



TABLE 2. 2021 and 2022 action fiches for IPA III

ACTION FISHERS 2021			
INDICATIVE TITLE OF THE ACTION	INDICATIVE BUDGET	CO-FINANCING RATIO	
		EU	MK
1. EU for Efficient Judiciary and Enhanced Prevention of Corruption	10 million euros	85%	15%
2. Civil Society Facility	3 million euros	/	/
3. EU for Modern Administration	10 million euros	100%	0%
4. EU for Good Governance	9 million euros	89%	11%
5. EU Integration Facility	5 million euros	100%	0%
6. EU for Environmental Standards	12 million euros	83%	17%
7. EU for Clean Air	14 million euros	86%	14%
8. EU for Prespa	23,7 million euros	76%	24%

²⁵ <https://www.sep.gov.mk/data/file/Dokumenti/Akciski%20fisea/2021.zip>

²⁶ <https://www.sep.gov.mk/data/file/Dokumenti/Akciski%20fisea/2022.zip>

9.	Preparation of European Transport Corridors Projects	9,5 million euros	100%	0%
10.	EU for Green Growth	27,5 million euros	73%	27%
ACTION FISHES 2022				
INDICATIVE TITLE OF THE ACTION		INDICATIVE BUDGET	CO-FINANCING RATIO	
			EU	MK
1.	Private Sector Development ²⁷	9,2 million euros	87%	13%
2.	EU in Support of the Fight against Organized Crime	5,2 million euros	88%	12%
3.	EU for Improved Border Management, Migration and Asylum Policy	7,8 million euros	90%	10%
4.	Civil Society Facility	3 million euros	/	/
5.	EU Integration Facility	10 million euros	100%	0%
6.	Union Programmes	15,4 million euros	50%	50%
7.	EU for Modern Waste Water Systems	53 million euros	50%	50%
8.	ЕУ за безбедни патишта	20 милиони евра	50%	50%
9.	EU for Quality Employment and Equal Opportunities	6,6 million euros	91%	9%
10.	EU for Health	5,9 million euros	85%	15%
11.	EU for Trade Facilitation	8,1 million euros	72%	28%
12.	EU for Development of Agriculture	6 million euros	83%	17%

5.1.1 Strategic response and action fiche for public finance management

The strategic response in the sector on public finance management is part of **Window 2:** Good Governance and **Window 1:** Rule of Law, Fundamental Rights and Democracy, as a cross-cutting thematic priority.

²⁷ Sector fiche with remaining funds under Component I from IPA I for the years 2012 and 2013

**TABLE 3 : Strategic response and action fiche
for public finance management**



SWG	STRATEGIC RESPONSE	KEY THEMATIC PRIORITY	ACTION FICHE	ACTION FICHE OBJECTIVES
PUBLIC FINANCE MANAGEMENT	WINDOW 2: GOOD GOVERNANCE, ACQUIS ALIGNMENT, GOOD NEIGHBOURLY RELATIONS AND STRATEGIC COMMUNICATION Thematic priority 1: Good governance	(2) Enhance the system of public finance, promote transparency, accountability, fiscal discipline and efficiency in public resource collection, management and use (4) Improve economic governance		
	- Cross-cutting thematic priority - WINDOW 1: RULE OF LAW, FUNDAMENTAL RIGHTS AND DEMOCRACY Thematic priority 2: Fight against corruption	(2) Enhance the institutional system for suppression of corruption		
	- Cross-cutting thematic priority - WINDOW 1: RULE OF LAW, FUNDAMENTAL RIGHTS AND DEMOCRACY Thematic priorities 6: Democracy	(1) Transparent, inclusive and credible political and election system		

ASSESSMENT ON EFFECTS FROM SWG WORK

According to the methodology for monitoring work and effects of sector working groups, **effects from SWG work** are measured against 3 standards and 8 indicators that focus on changes effectuated by SWG work through planning and monitoring, and methods for foreign aid coordination. All standards and indicators are assigned a numeric value, whereby 1 is the lowest and 3 is the highest score.

Average score for effects from work of SWG Public Finance Management in this monitoring period is calculated at 2.0.





PART 6

GENDER MAINSTREAMING IN THE 12 SECTOR WORKING GROUPS

The obligation for gender mainstreaming in work of sector working groups (SWGs) arises from the national legislation, but also from the Country Indicative Strategy Paper for the Instrument for Pre-accession Assistance 2014-2020 (IPA II)²⁸, the European Union's Gender Action Plan (GAP II)²⁹ and the broader EU acquis. As elaborated in the previous Shadow Report, GAP II stresses the need for gender mainstreaming in programs and assistance programming,³⁰ while IPA II treats gender equality as cross-cutting issue and as separate priority area for support.³¹

28 European Commission, Instrument for Pre-Accession Assistance (IPA II), Revised Indicative Strategy Paper for the Former Yugoslav Republic of Macedonia (2014-2020). Available at: <https://bit.ly/3hxZE2W>

29 Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through European Union (EU) External Relations 2016-2020 (GAP II). Available at: <https://bit.ly/2Quy3oo>

30 Ibid.

31 European Commission, Instrument for Pre-Accession Assistance (IPA II), Revised Indicative Strategy Paper for the Former Yugoslav Republic of Macedonia (2014-2020). Available at: <https://bit.ly/3hxZE2W>



This year was hallmarked by the public health crisis, which furthered already existing gender gaps and inequalities. The COVID-19 pandemic had negative impact on women's participation in the labour market in RNM, whose activity rate was already low before the crisis. According to the most recent data available, 62.3% of women³² in the country are economically inactive, compared to 37.7% of men.³³ Moreover, 77% of health sector employees in RNM are women,³⁴ which means that women – at the time of crisis – found themselves in the frontline of this struggle. Women are more represented in sectors that have been most affected by the crisis. For example, 80% of textile industry workers are women.³⁵ Therefore, under conditions of pre-existing and deepened inequalities, addressing these issues by gender mainstreaming in work of all bodies and institutions, including SWGs, gains an even greater importance.

6.1 FINDINGS FROM MONITORING SECTOR WORKING GROUPS

6.1.1 SWG meetings

In the course of 2020, SWG meetings rarely included discussions on policy impacts in terms of gender equality as a cross-cutting theme. Information and data collected by the cut-off date for this report³⁶ allow the conclusion that, as noted in the 2019 report, only two sector groups have integrated the gender perspective in their work: SWG Education, Employment and Social Policy and SWG Agriculture and Rural Development. This refers to the conclusion that SWGs have still not recognized their key role in promotion of gender equality by means of gender mainstreaming in development and implementation of sector policies.

32 State Statistical Office (MAKStat Database 2019). Active population according to economic activity, gender and age. Economic inactivity of women. Available at: <https://bit.ly/3yt39Ov>

33 State Statistical Office (MAKStat Database 2019). Active population according to economic activity, gender and age. Economic inactivity of men. Available at: <https://bit.ly/3yt39Ov>

34 ILO (2020). Covid-19 and the World of Work NORTH MACEDONIA Rapid Assessment of the Employment Impacts and Policy Responses. Available at: <https://bit.ly/3mGGtV7>

35 Ibid.

36 By the cut-off date for this report, information and data were collected from line ministries responsible for eight sector working groups: SWG Justice, SWG Public Administration Reform, SWG Regional and Local Development, SWG Education, Employment and Social Policy, SWG Transport, SWG Public Finance Management, and SWG Agriculture and Rural Development.

6.1.2 Trainings

Recommendations made under the 2019 Shadow Report concerned specially designed training for SWG members on gender mainstreaming that would be complementary to already existing gender equality training for administrative officers.

Namely, in 2017 the Ministry of Labour and Social Policy (MLSP), with the support from the United Nations Entity for Gender Equality and Empowerment of Women, (UNWOMEN), developed an e-training course on gender equality intended to enhance knowledge of public administration employees. This training course is comprised of two modules, basic and advanced, and is administered by the Ministry of Information Society and Administration (MISA) through the E-learning Management System, which is accessible only to administrative officers.

Defeating is the fact that, in 2020, the basic module of the gender equality training was attended by only three administrative officers and nobody attended the advanced module. For comparison, in 2019 the basic module was attended by 359 and the advanced module was attended by 54 administrative officers. From its introduction to present, the gender equality training was attended by a total of 11,017 administrative officers. However, this figure pales into insignificance against the fact that, by 31.12.2020, public sector institutions employ a total of 131,183 persons.³⁷ Here, it should be noted that this training course is available only for administrative officers, but not to other groups of public sector employees.³⁸

In October 2020, under the Project for Gender Responsive Budgeting (GRB) and in cooperation with UN WOMEN, MLSP organized four one-day trainings on strategic planning, which featured gender mainstreaming elements. These trainings were attended by professional or management staff members and those involved in strategic planning and policy/program development at institutions, including coordinators and deputy coordinators for equal opportunities. In total, all four trainings were attended by 32 staff members from 13 line ministries and 1 state institution. In December 2020, a two-day online training was organized on gender mainstreaming in strategic planning and gender responsive budgeting, attended by 33 staff members from 14 line ministries.

37 Ministry of information Society and Administration, 2020 Report from the Register of Public Sector Employees. Available at: <https://bit.ly/2T3DTxW>

38 Pursuant to Article 14 of the Law on Public Sector Employees ("Official Gazette of the Republic of Macedonia" no. 27/14, 199/14, 27/16, 35/18 and 198/18 and "Official Gazette of the Republic of North Macedonia" no. 143/19 and 14/20), job positions of employees in public sector institutions are categorized into four groups: administrative officers, officers with public authority, service providers and assistance/technical staff.



6.1.3 Gender analysis of policies

Back in 2016, the Ministry of Finance (MoF), responsible for operation of SWG Public Finance Management, has established a working group tasked with gender responsible budgeting and analysis for its program “Buy a House, Buy an Apartment”. In 2018, this working group drafted the gender responsive budget statement with gender output indicators that would be monitored over a period of three years. Based on MoF’s 2020 Report on Gender Responsive Budgeting, it could be established that the number of housing loans approved for men applicants is significantly higher compared to loans approved for women applicants. The total amount of housing loan subsidies approved in 2020 accounted for 1,594,450 euros. From this amount, 1,058,363 euros were used to subsidize housing loans for men applicants compared to 536,087 euros approved for women applicants.



FINAL CONCLUSIONS AND RECOMMENDATIONS

1. SWG Public Finance Management operates within the broader sector on rule of law and fundamental rights which, in addition to this working group and subsector on public finance management, also includes the sector on public administration reform and its eponymous sector group. Operation of this sector working group is closely linked to implementation of the Public Finance Management Reform Programme as cross-sectoral reform document that covers numerous aspects and involves several institutions in the field of public finance. Hence, the sector group's composition is cross-sectoral and involves representatives from nine institutions. The sector group is chaired by the finance minister, by the effect of his/her public office, and its work is coordinated by a separate unit within the Ministry of Finance. SWG Public Finance Management does not have own rules of procedures and operates on the basis of the decision for its establishment. Hence, there are no rules in place that govern its work methods, including methods for organization of meetings and participation by SWG members, observers, and other persons and institutions involved. Moreover, the sector group does not develop annual work plans and annual work reports. Its operation is conditioned by the implementation dynamics under the Public Finance Management Reform Programme 2018-2021, and often it holds two sessions annually, focused on reviewing the annual action plan for programme implementation, as well as semi-annual and annual report on implementation of these action plans. Hence the need for the sector working group to adopt own rules of procedures, as recommended in the last year's report. Coordinators of this working group accept this recommendation, but believe that the text of such rules of procedure should arise from or be harmonized with the Secretariat for European Affairs for the purpose of coordination and alignment with other sector groups.



2. In addition to representatives from institutions that participate in SWG work as coordinators of priority areas and holders of measures under the Public Finance Management Reform Programme, this sector working group also includes representatives from civil society organizations and the donor community, with the status of observers. Civil society representatives reiterated the importance of their participation in this sector group, but are not fully satisfied with the role they have been assigned. In their opinion, there is rather narrow understanding of this sector working group as predestined to implement the Public Finance Management Reform Programme, thereby failing to reconsider and discuss other important issues, problems and reform processes in the field of public finance. Moreover, issues and documents pertaining to certain aspects of this programme are not subject of reconsideration and discussion, with the main focus being consumed by annual action plans for programme implementation and reports from monitoring these action plans. Sporadic public consultations organized in respect to changes to legislation in the field of public finance also seem insufficient despite the fact that, in addition to other stakeholders, they also invite representatives from civil society organizations involved in this sector group. Hence, except for regular plenary sessions, the sector working group is recommended to organize other types of meetings at operational level and under narrow composition, depending on the subject matter and issues discussed. Also, the sector group is recommended to share and discuss other materials covered under the programme, such as draft laws, strategies, action plans, etc. The academic community is urged to be more proactive in work of this sector group.

3. Transparency and accountability are important aspects of public finance reforms that are in the focus of this working group. As was the case in 2019, in 2020 a multitude of information, documents and data in the field of public finance was published on the Ministry of Finance's website, which was redesigned in the meantime. In particular, the website hosts key documents related to work of this sector working group. However, it seems that broader public information on SWG work is missing, especially in respect to reform efforts underway, which should ultimately bring about benefits for citizens. Hence, the sector group is recommended to take specific activities for targeted and more intensive communication with and information dissemination to the broader public (directly or in the media) about the sector group's operation, decisions and results.

FINAL CONCLUSIONS AND RECOMMENDATIONS IN TERMS OF GENDER MAINSTREAMING IN THE 12 SECTOR WORKING GROUPS

1. Most SWGs have still not recognized the importance of gender equality as a cross-cutting theme in their work. Although some line ministries have engaged in gender analysis of particular policies or have performed gender responsive budgeting for individual programs, oftentimes these documents are not discussed and are not taken into account at SWG meetings. Hence, the need for gender mainstreaming in work of all SWGs and use of gender analyses on state-of-affairs in specific sectors as baseline for policy development, implementation and evaluation.

2. It is recommended for e-training on gender equality to become part of the framework of generic competences and annual training programs, thus underscoring its mandatory implementation and ensuring greater coverage in terms of trained administrative officers. Moreover, it is equally important for training materials to be regularly, timely and continuously updated, in order to avoid the risk of outdated content. While implementation of specially designed training course on gender mainstreaming in strategic planning represents a step forward, it is still early to assess its effect. It is recommended for participants in such trainings and workshops to mandatorily include SWG members. In order to ensure that such training gains an even greater importance, it would be desirable to evaluate knowledge of training participants and to regulate organization of such trainings on regular instead of ad-hoc basis.

3. Given that recommendations from the 2019 Shadow Report are not fully taken into account, valid is the recommendation for involvement of coordinators and deputy coordinators for equal opportunities in SWGs, including civil society representatives with relevant expertise and experience in the field of gender equality, as support for gender mainstreaming in all SWGs.

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