

TWINNING PROJECT FICHE

Further harmonization with the EU in the field of insurance and increase of market operations

1. Basic information

1.1 Publication reference: EuropeAid/ 137-039/IH/ACT/MK

1.2 Programme: Instrument for Pre-accession Assistance (IPA) – National Programme for 2012 under IPA Transition Assistance and Institution Building Component (TAIB)

1.3 Twining number: MK 12 IB FI 01

1.4 Title: Further harmonisation with the EU in the field of insurance and increase of market operations

1.5 Sector: MIPD Sector 3: Private Sector Development/ Finance

1.6 Beneficiary country: Beneficiary country¹

2. Objectives

2.1 Overall Objective (s):

The overall objective of the project is further alignment of the national legislation with the *EU acquis* in the area of insurance, as well as strengthening the administrative and operational capacity of the Country in the process of fulfilling the EU standards in these areas.

2.2 Project purpose

The purpose of this project is further approximation of the regulatory systems (legislation and related enforcement) with the *EU acquis* in order to be able to fully participate in the internal market at the time of accession. This corresponds to the Government's efforts to improve the existing regulation governing the establishment, operations and obligations of all insurance sector participants in the country aimed at increasing competition in the insurance market by entering new companies and expanding the supply of insurance products and services.

2.3 Contribution to National Development Plan/Cooperation agreement/Association Agreement/Action Plan

- **Pre-accession Economic Programme 2013- 2015 (PEP).** Further approximate the legislation and procedures to the *EU acquis* in the field of insurance.

- The **Stabilisation and Association Agreement (SAA)** notes that the overall objectives of the EU assistance, in the form of institution-building and investment, shall contribute to the democratic, economic and institutional reforms, in line with the Stabilisation and Association process. In this

¹ As per Financing Agreement concerning the National Programme Transition Assistance and Institution Building – TAIB 2012 from the Instrument for Pre-Accession Assistance under the Transition Assistance and Institution Building Component –entered into force on 2 nd October 2013.

respect, financial assistance may cover all areas of harmonisation of legislation and cooperation policies of the SAA.

- Link with Accession Partnership (AP)/European Partnership (EP)/Stabilisation and Association Agreement (SAA)/Annual Progress Report

The project objective is harmonised with the national strategic documents, and in this context, addresses the priorities established in the Accession Partnership, National Programme for adoption of *EU acquis* (NPAA) and Progress Report from 2014.

The short term priorities from the **Accession Partnership** (Chapter 9) are referring that there is a need to reinforce the legislation and the supervisory framework, including enforcement, for the financial sector, in particular for the insurance sector and securities markets. Also, ensure the independent supervisory authority for the insurance sector becomes operational and is properly staffed.

The medium term priority is to establish a credible enforcement record on combating uninsured driving and further align with EU legislation in financial services. Also medium term priority is to fulfil the objectives of EUROPE 2020, a strategy for smart, sustainable and inclusive growth, in promoting a regulatory environment that renders that financial markets are both effective and secure.

What is more, the project will contribute to the final goal of the European Insurance and Occupational Pensions Authority - EIOPA's project for equivalence professional secrecy analyses to provide recommendations in order to ensure equal working conditions for the insurance companies belonging to EU insurance groups.²

3. Description

3.1 Background and justification

The Ministry of Finance is responsible for preparation of the regulation in the field of insurance sector, being obliged to harmonize the existing regulation with the *EU acquis*.

The insurance sector in the beneficiary country has noticed a dynamic development of the gross written premium (GWP) and increased number of insurance companies and intermediaries, most of them with the mother companies residing in the EU or accessing countries. In that direction we have identified the need to improve the business environment of the insurance companies, which primarily involves creating proper regulation and insurance supervision. This way the Ministry of Finance has intention to prepare a new Insurance Law, which will harmonize the legislation in the field of insurance in the beneficiary country with the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). At the moment, the establishment and functioning of the insurance sector participants is regulated under the Insurance Supervisory Law (Official Gazette no. 27/2002, 84/2002, 98/2002, 33/2004, 88/05, 79/07, 08/08, 88/08, 56/09, 67/10, 44/11, 45/2012, 60/2012, 64/2012, 23/2013, 188/2013 and 30/2014) which is compliant with the Solvency I regime. Due to the above-mentioned reasons, in future, it should be replaced with Solvency II regime implemented in new Insurance Law and its by-laws. The new Insurance Law will contribute for further harmonization with EU directives in relation to insurance, successful integration of the Beneficiary country insurance market in the global EU market, promoting the country's readiness to face the competitive pressures and internal market forces within the European Union, establishment

² The project is dealing with the inclusion of related third country insurance and reinsurance undertakings in group solvency calculation with the equivalence of third country group supervision with the one of with that of EU and in case there are any differences. Former Yugoslav Republic of Macedonia is included in this project. More information at the https://eiopa.europa.eu/about-eiopa/organisation/working-groups/committees/equivalence-committee/index.html?no_cache=1&cid=4317.

and functioning of insurance companies and reinsurance based on solid economic principles, adequate protection of policy holders and beneficiaries and financial stability and fair and stable markets. Additionally, the new Insurance Law will contribute to increased competition in the EU insurance market by updating the approach taken to determine the capital an insurance undertaking should hold against unforeseen events.

Insurance Supervision Agency (ISA) is the responsible market regulator and supervisor for the insurance market in the beneficiary country, and it is the responsible institution for enacting the by-laws and conducting the insurance supervision. ISA will have to prepare the necessary by-laws and obtain the necessary skills for conducting the supervision on the insurance market in compliance with Solvency II, and assistance for their enactment will be needed.

For application of the new law and its by-laws, under this project training (workshops) will be provided for insurance sector representatives and representatives from the Insurance Supervisory Agency as market regulator and supervisor.

Solvency II is expected to introduce a common European approach based on economic principles for the measurement of assets and liabilities of insurance companies, starting from 2016. In order to meet its objectives, it will need to be a risk-based system, meaning that risk is measured on consistent principles and that capital requirements are aligned with the underlying risks of the company.

The Key points of Solvency II are as follows:

- 1) Solvency II is based on principles, not rules. Solvency II is based on the following 3 Pillars:
 - **Pillar 1** consists of the quantitative requirements (for example, the amount of capital an insurer should hold).
 - **Pillar 2** sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers.
 - **Pillar 3** focuses on disclosure and transparency requirements.
- 2) The firm's governance and risk management must match its risk profile. An effective risk management system is the key to governance. Internal models used for Solvency II must be embedded into the firm, including strategic decision-making.
- 3) A risk management function, if not already in existence, needs to be established.

3.2 Linked activities (*other international and national initiatives*):

The twinning project is connected with the following completed projects and activities. There are no overlaps with the linked activities (projects).

1. Title: Technical Assistance from the Netherlands Ministry of Finance to the Ministry of Finance

Project funded by: Netherlands

Duration: 01.01.2001 - 01.01.2005

Description: The goal of technical assistance is to support the Ministry of Finance and related institutions, so that they can develop themselves into effective and efficient organizations, in accordance with EU standards.

Technical assistance is provided in several areas: treasury bills, public finance management, tax collection, fiscal decentralization, legislation (EU directives), customs procedures, corporate governance, etc

Project Cost: EUR 300.000

2. Title: Financial Services Technical Assistance

Project funded by: United States of America

Duration: 01.05.2001 - 15.02.2006

Description: The mission of the Financial Services Volunteer Corps (FSVC) is to contribute to the process of building the sound financial infrastructure required to develop transparent, market-oriented economies. FSVC engages world-class professionals on a voluntary basis to assist institutions to solve specific and highly technical problems in two core areas: central banking and capital markets. Major additional areas of work include legal framework for the financial system, pension reform and the combating of money laundering.

Through the Financial Services Technical Assistance Project, FSVC has provided assistance to the following institutions in the Beneficiary County: the National Bank, Ministry of Finance, Stock Exchange, Securities Exchange Commission, Pension Supervision Agency and other key public financial institutions. FSVC promotes international best practices and improves the technical skills of staff through appropriate training and technical assistance.

Project Cost: USD 1.759.071

3. Title: Financial Sector Strengthening Project

Project funded by: United States of America

Duration: 05.08.2002 - 05.08.2005

Description: This project supports economic growth by helping to implement modern standards and practices in accounting, banking, capital markets and pension funds. The project addresses regulations, certification and training standards and promotes linkages among all financial sectors to achieve a comprehensive development of the financial system. In accounting reform it focuses on establishment of a self-sustaining association of accountants and auditors, development and implementation of a certification exams, and development of accounting education. Banking Reform includes capacity building of the National Bank of the former Yugoslav Republic of Macedonia, assistance to the commercial banks in association building and conducting strategic interventions within the banking system. The capital markets reform component provides assistance to the Stock Exchange to broaden and deepen the trading, increase the number and quality of new stock offerings, improve the quality of market operations, increase in the voluntary participation by companies and open the market to new instruments. In the area of pension reform the project will provide assistance in establishment of the new Pensions Supervisory Agency, drafting regulations for a Pillar Two system, development of a public education campaign, training for licensing fund management and custodian organizations and in transition cost planning.

Project Cost: USD 7.687.775

4. Title: Technical Assistance to the Ministry of Finance in the Field of Insurance Related Legislation in the Beneficiary Country

Project funded by: EU Programme - PHARE

Duration: 09.09.2004 -20.06.2005

Description: The main objective of the project is to assist the Ministry of Finance and Insurance Supervision Department in their efforts to improve the Insurance Supervision Law (ISL) and relevant insurance regulation, putting them in line with EU insurance standards and Directives and to state-of-the-art international actuarial and commercial practice in the field of insurance, as well as IAIS core principles.

The core specific objectives of the project are the following:

A. Provide technical assistance to assess and review the existing primary and secondary insurance legislative acts in the view of their compliance with the EU directives regulating the insurance sphere and the international principles and standards of insurance and provide recommendations for further approximation.

B. Further building and strengthening of the Insurance System and Insurance Supervision division capacity to better implementation of the legislation.

The main output of the project is a thorough analysis and a series of recommendations for amending the existing ISL and related 6 By-Laws in order to make them compliant with EC Directives, IAIS principle, leading EU Member States Laws and internationally accepted insurance market laws and standard, adapted to the Beneficiary Country context.

Project Cost: EUR 199.900

5. Title: Technical assistance for institutional capacity building of the Ministry of Finance (Insurance Supervision Division and Insurance System Division) and development of the insurance industry;

Project funded by: EU Programme - PHARE

Duration: 14.09.2004 - 15.02.2005

Description: The Global objective of the project is the development and capacity building of the Ministry of Finance (Insurance Supervision Division and Insurance System Division) and development of a competitive insurance market.

The objectives of the project are:

1. Further development and capacity building of the Insurance Supervision Division and Insurance System Division: Training of the Insurance System personnel in licensing insurance companies and insurance brokerage companies; Training of the insurance supervision personnel for conduction on- and off-site supervision of insurance companies and insurance brokerage companies;
2. Further development of a competitive insurance market in the Beneficiary Country: There is a need to strengthen the institutional and human resource capacity of the insurance market and its association (i.e. the National Bureau of Insurance - NBI), to secure the well functioning of the market.

Project Cost: EUR 199.740

6. Title: Technical Assistance to the Ministry of Finance in the field of Insurance Supervision

Project funded by: EU Programme - PHARE

Duration: 11.01.2005 - 15.12.2005

Description: The project's general objective is to strengthen the insurance supervision function in order to maintain and further support the development of an efficient, fair, safe and stable insurance market in the country.

Specific objectives:

- Further strengthening and approximating the Insurance Supervision Division operations in compliance with the IAIS core principles and standards;
- Further development and capacity building of the Insurance Supervision Division.

Project Cost: EUR 199.729

7. Title: Multi-Donor Trust Grant for the Country Strategy Action Plan to Enhance Quality of Corporate Financial Reporting (REPARIS) (Grant. No. TF090062)

Project funded by: Austria, Netherlands

Duration: 11.04.2007 - 31.12.2009

Description: The objective of the project is to create a transparent policy environment and effective institutional framework for corporate financial reporting on the territory of the Recipient. The Project consists of the following parts:

- (a) Enhancement of the Recipient's legal and regulatory framework and institutions for corporate financial reporting,
 - (b) Strengthening of key stakeholders in the area of corporate financial reporting,
 - (c) Strengthening of the audit profession through establishment of oversight mechanisms and continuing professional development, and
 - (d) Education and Training of professionals in the area of corporate financial reporting.
- The International Bank for Reconstruction and Development is administrator of grant funds provided by the Netherlands Ministry of Development Cooperation (3,7 m.eur) and Austrian Development Agency (0,85 m.eur) under this project.

Project Cost: EUR 4.550.000

8. Title: Technical Assistance to the Insurance Supervision Agency of RM - Support in the area of risk based supervision

Project funded by: EU Programmes - IPA

Duration: 01.06.2010 - 15.02.2011

Description: This project is financed under the IPA Component I – Transition Assistance and Institution Building (TAIB). The general objective of the project is to provide advisory support to the ISA in the EU accession process in order to improve the quality of regulation in the insurance sector, harmonized with the *EU acquis* and the international standards and practices, as well as to strengthen the functions of the insurance supervision in order to support the development of an efficient, safe, fair and stable insurance market.

Project Cost: EUR 189.960

9. Title: Technical Assistance to the Insurance Supervision Agency of RM – Support in the area of licensing

Project funded by: EU Programmes - IPA

Duration: 15.06.2010 - 01.03.2011

Description: The project is part of the National Programme for 2007 under IPA Component 1. The overall objective of the assignment is to provide advisory support to the Insurance Supervision Agency (ISA) in the EU accession process, in order to improve the quality of regulation in the insurance sector, harmonized with the *EU acquis* and the international standards and practices. The specific objective is to develop institutional capacity of the ISA by providing legislative advice and defining management structures and regulatory workflows and procedures in line with EU best practice and regulatory know how.

Project Cost: EUR 199.775

10. Title: Disaster and climate risk reduction

Project funded by: UNDP (UN Development Program)

Duration: 17.06.2011 - 31.12.2014 - Ongoing

Description: The project seeks to strengthen disaster and climate risk assessment capacities and identify priorities at the national level to inform country disaster risk and climate risk management strategies and program development. This will be done through preparation of a comprehensive disaster risk assessment, creation of a web based software application and disaster risk maps. In parallel, actions will be taken at the local level to reduce vulnerabilities and strengthen capacities to

manage disaster and climate risks in selected high-risk municipalities. In addition, targeted capacity building and public awareness/advocacy/education activities will be carried out countrywide.

Project Cost: USD 1.300.000

3.3 Results:

In compliance with the proposed changes with the new Insurance Law, the Twinning project is also expected to provide advisory support to the ISA in drafting the appropriate by-laws and implementing necessary steps in introducing appropriate methodology for conveying insurance supervision. As a starting point, the ISA staff should be trained in order to perform Quantitative Impact Studies (QIS) as regards the impacts of the different individual new requirements under Solvency II regime to the financial position and capital adequacy of the insurance companies.

The mandatory results to be achieved are:

Mandatory result 1: Prepared new Insurance Law compliant with Directive 2009/138/EC and relevant by-laws

This mandatory result shall be achieved through the achievement of the following intermediary results:

1. Analysed level of harmonisation of the current national statutory framework for insurance with the EU *EU acquis*;

Measurable indicator:

- Prepared Analysis for the level of harmonisation of the current national statutory framework for insurance with the EU *EU acquis* with Action Plan.

2. The new Insurance Law compliant with Directive 2009/138/EC drafted;

Measurable indicators:

- New draft Insurance law is fully approximated with Directive 2009/138/EC

- Tables of concordance showing the link between the provisions of the EU and the national legislation;

3. Analysis of existing secondary legislation which need to be amended prepared;

Measurable indicators:

- Report on assessment of the level of harmonisation of the existing secondary legislation;

- Action Plan including the remedial measures for drafting secondary legislation adopted.

4. By-laws compliant with Directive 2009/138/EC drafted;

Measurable indicator:

- Secondary legislation fully approximated with Directive 2009/138/EC.

Mandatory result 2: Capacity of MoF and ISA strengthened concerning the new legislation and relevant by-laws

This mandatory result shall be achieved through the achievement of the following intermediary results:

1. Enhanced supervisory review process;

Measurable indicator:

Appropriate methodology for conveying insurance supervision introduced.

2. Draft legislation presented and discussed and reviewed by representatives of the Ministry of Finance and the ISA.

Measurable indicators:

- Training Plan and Training Modules prepared;
- Number of staff trained from the Ministry of Finance and the ISA.

Mandatory result 3: Increased capacity of ISA regarding raised awareness concerning consumer protection

This mandatory result shall be achieved through the achievement of the following intermediary results:

1. Promotion/information activities designed and organized;

Measurable indicator:

- Number of promotion events and products delivered.
2. Relevant stakeholders introduced and trained on awareness rising.

Measurable indicator:

- Number of representatives of ISA, Ministry of finance and associate institutions trained.

3.4 Activities:

The Twinning project shall be implemented as a joint project in which each partner takes on its responsibilities. The selected MS shall transfer the requested hands-on public sector expertise to the Beneficiary Country, support into reinforcement of administrative capacities to meet the obligations of the EU membership by introducing and sharing EU wide best practices in connection with EU legislation and specific needs of the Beneficiary Country in the field of insurance and increase of market operations.

The proposal made by the MS should include the activities they propose to achieve the results listed in the fiche. Without listing necessarily all the possible activities, the proposal should be detailed enough to respond adequately to the Twinning Project Fiche.

The set of proposed activities will be further developed with the Twinning partners when drafting the Twinning work plan, keeping in mind that the final list of activities will be decided in cooperation with the Twinning partner. The components are closely interlinked and need to be sequenced accordingly.

The Twinning assistance will be provided in the form of know-how transfer. The eligible activities under this Twining Fiche are:

a) Advice and coaching sessions: Coaching and advice activities will be the predominant type of activity. They will help for drafting of new Insurance Law, by-laws and other legal acts and/or amendments to the existing national legislation (laws and implementing regulation) which regulates the area of insurance on the basis of the EU legislation in force. They shall contribute to harmonisation with the EU legislation and best practice.

b) Tailor made training programme: This project will include the development and implementation of a tailor-made training programme. The programme will be based on a training needs assessment of the target groups. The training programme will focus on all aspects of improving the capacities of the BC in the areas outlined above. On-the-job training will be required, meaning that experts from MS twinning partner will provide trainings that will alleviate conducting supervision activities in

accordance with the fundamentals of the new legislation. The trainings are based on the best EU practices. The project will include training materials and manuals and evaluations of conducted trainings.

c) Seminars, workshops and conferences: The training programme will also involve the organisation of seminars, workshops, conferences, training materials for the seminars, workshops and conferences. Organization of round tables aimed at public discussion of draft legislation, organization of workshops and seminars on the new regulations for the business representatives in order to familiarize them with the new developments in the respective field and with the consultation mechanisms related to the adoption of new EU legislation and to prepare them for active involvement in the market participants' consultative committees within the Lamfalussy³ procedure etc.

d) Study tours: Study visits will be organised for representatives of the beneficiary institutions to a Member State for exchange of good practices and experience in connection with the implementation of the EU legislation concerning insurance and increase of market operations. The comparative qualitative and economic advantage of a study visit, compared to the activity taking place in the Beneficiary Country, is crucial for its eligibility.

e) Analysis of Legal acts, Guidelines, Manuals, procedures and check-lists: The Twinning partner will provide advice on the existing legislation in the BC and should propose recommendations for drafting a new Insurance Law, by-laws, Guidelines and Instructions and/or amendments to existing national legislation which regulates the area of insurance in line with the *EU acquis* and EU best practice, as well as more effective procedures. This task will be done in close cooperation and consultation with Beneficiaries. The Legal acts, Guidelines, Manuals, procedures and check-lists will be in both English and *македонски* language.

f) Development: The Twinning partner will propose and provide assistance and guidance in the development of a new insurance and market system and institutional set up. This will be done in the course of establishing and introducing new procedures, providing support and training. This task will be done in close cooperation and consultation with the beneficiaries. Drafting of educational and promotional materials necessary for educational campaigns and training of trainers.

g) Assessment: The activities will be assessed through practical tools. The results will be compiled and presented to the Steering Committee, and integrated in the quarterly reports. When it is relevant and possible, the other activities of the Twinning project will be evaluated in the most relevant way.

3.5 Means/input from the MS Partner Administration:

The project will be implemented in the form of a twinning contract between the Beneficiary country and an EU Member State(s). Details of implementation shall be agreed during the preparation of the work plan. The implementation of the project requires one Project Leader (PL) with responsibility for the overall coordination of project activities, one Resident Twinning Adviser (RTA) to manage project activities and a pool of short-term experts within the limits of the budget. It is essential that the team has sufficiently broad expertise to cover all the areas included in the project description.

³The Lamfalussy process, or procedure, is an approach to the development of financial services industry regulation adopted by the EU, or European Union. It is named after the chair of the EU advisory committee that devised it, Baron Alexandre Lamfalussy., http://ec.europa.eu/internal_market/securities/lamfalussy/report/index_en.htm

The interested Member State institution shall include in its proposal the CVs of the designated Project Leader and Resident Twinning Adviser.

3.5.1 Profile and tasks of the Project Leader

The Member State Project Leader should be a high-ranking public servant or equivalent staff, but preferably the Head of Department engaged in the issues of insurance regulation and/or supervision issues within the Ministry of Finance of the Member State or other relevant institution depending on the institutional set-up within the Member State, with relevant working experience of at least 5 years.

The MS Project Leader will continue to work at his/her Member State administration but will devote some of his/her time to conceive, supervise and co-ordinate the overall thrust of the Twinning Project, and ensure the attainment of the projected outputs. The Project Leader is fully responsible for co-ordination of the work of the MS experts.

The MS Project Leader will manage the implementation of the project with the Project Leader from the Beneficiary Country and is expected to devote a minimum of 3 days per month to the project in his/her home administration with an on-site visit at least every 3 months. The Project Leader's seniority will ensure his/her ability to mobilise the necessary staff in support of the efficient implementation of the project. In addition, he/she should coordinate, on the Member State side, the Project Steering Committee (PSC), which will meet in Skopje at least every three months. He/she will be supported by his/her Member State administration for logistic, accounting and administrative affairs.

Qualifications and skills of the Project Leader:

- At least University degree⁴;
- At least 5 years professional experience in insurance regulation and/or supervision issues with a working experience in an Insurance supervisory authority or equivalent experience relevant to the assignment; and
- Fluent written and spoken English.

Tasks of the Project Leader:

- Conceive, supervise and coordinate the overall preparation of the project;
- Coordinate and monitor the overall implementation of the project including coordination and direction of the MS TW partner;
- Co-ordinate MS experts' work and availability;
- Communicate with the beneficiary, CFCD and EUD;
- Ensuring the backstopping functions and financial management;
- Co-chairing, with the Beneficiary Country Project Leader, the regular Steering Committee meetings;
- Preparation and drafting of interim, quarterly and final reports; and
- Guarantee the successful implementation of the Project's Work Plan from the MS administration side.

Beneficiary Country Project Leader (BC PL)

⁴For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

The BC Project Leader will act as the counterpart of the MS PL and will ensure close cooperation in the overall steering, co-ordination and management of the project from the beneficiary side. He/she will support the Twinning project team in managerial, organizational and technical matters and will also coordinate the Project Steering Committee (PSC) on behalf of the BC. The role of the BC PL and the MS PL are complementary.

3.5.2 Profile and tasks of the Resident Twinning Adviser (RTA)

One Resident Twinning Adviser (RTA) will be appointed, and he/she will be located in the premises of the Financial System Department in the Ministry of Finance. However, during implementing activities related to drafting the appropriate by-laws and introducing appropriate methodology for conveying insurance supervision, the RTA will be located in the premises of the ISA.

The secondment of the Resident Twinning Adviser will last 18 months, during which he/she will be responsible for the direct implementation of the project.

He/she will come from an EU Member State to work on a full time and day-to-day basis with the beneficiary administration. The Resident Twinning Adviser will have a key role in the coordination of the inputs required for the successful implementation of all the project activities. He/she shall be supported by a pool of Short – term experts.

Qualifications and skills of the RTA:

- Be a national of a Member State of the European Union;
- Be a civil servant or equivalent staff seconded to work within departments/units in charge of insurance regulation and/or supervision issues;
- Have at least university degree⁵ in law, economy, public administration or other field relevant to the project;
- Have at least 3 years of professional experience in the field of conducting insurance supervision and/or drafting insurance regulations including an experience in establishment of a regulatory infrastructure and supervisory tools necessary for implementation of the Solvency II Directive.
- Experience in developing and/or delivering training would be considered an asset; and
- Be fluent in written and spoken English.

Tasks of the RTA:

As to the general responsibility of the day-to-day implementation of the Twinning project in the Beneficiary Country, the Resident Twinning Adviser (RTA) tasks will include:

- Providing technical advice and assist the administration or other public sector bodies in the BC in the context of a predetermined work-plan;
- To coordinate all project activities and experts' inputs in the country;
- Make recommendations on the organizational structure optimization;
- Ensuring day-to-day implementation of the Twinning project in the BC;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- To coordinate and organise the training activities;
- To provide advice and assistance in drafting of legal acts, manuals etc. for implementation of the new legislation and supporting documents;

⁵ For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

- Assess continuously the Twinning Project in all stages and provide link to compare it with the specified benchmarks/results and time-frame;
- Prepare the material and documentation for regular monitoring and reporting;
- Prepare the Operative side letters; and
- Take corrective actions, if necessary, inside the terms of the signed contract.

RTA Counterpart

RTA Counterpart will be assigned by the MoF and ISA for their part of the activities, respectively.

3.5.3 Profile and tasks of the Short Term Experts (STE)

Other specialist staff will be made available by the Twinning Partner to support the implementation of activities. Specific and technical matters not directly covered by the Resident Twinning Adviser and can be covered by a pool of short-term experts within the limits of the budget. The detailed expert input shall be established when drawing up the twinning work-plan.

Qualifications and skills of STE:

Short-Term Experts should:

- Have at least University-level degree⁶
- Be civil servants or equivalent staff seconded to work within departments/units/structures related to insurance regulation and/or supervision issues;
- Have relevant professional experience with minimum 3 years experience in insurance related issues;
- Preferably have experience in organisation and implementation of training sessions for staff members and/or operators in the scope of the project, and
- Be fluent in English, both oral and written.

Tasks of STE:

- Prepare and implement specific tasks based mainly on practical cases and experience in compliance with their mission description and in accordance with Project activities;
- Provide practical expertise/advices to relevant staff for execution of different tasks related to the project;
- Contribute to project reporting, contribute to the draft notes and other documents and report on their missions;
- Assist in key tasks, e.g. in the field of insurance supervision, methodology, etc, and
- Address cross-cutting issues.

Short-Term experts will cover the following fields of expertise (non exhaustive):

- Expertise in prudential supervision field and supervisors with good knowledge of Solvency II Directive;
- Expertise in implementation of the new system in accordance with the Solvency II Directive in the MS;
- Legal expertise for assistance in adjusting and amending the prudential regulation.

⁶ For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

3.5.4 Profile and tasks of the RTA assistants

3.5.4.1 RTA Assistant:

The RTA will be provided with a full-time RTA assistant acting as an assistant for technical and organizational support. The assistant will be contracted according to twinning rules and paid from the twinning budget. The assistant will be selected through an open call. The role of RTA Assistant is to support the RTA in the project management. In addition, the assistant will be responsible for organisation of meetings, seminars etc. and their logistics, as well as interpretation and translation.

3.5.5.2 Full-time translator/interpreter:

A full-time translator/interpreter will be selected through an open call. The translator/interpreter will be contracted according to twinning rules and paid from the Twinning budget. The full-time translator/interpreter will be involved in all necessary project activities (training sessions, translation of project documents/reports and materials, organizational activities, etc.). The role of the translator/interpreter will be to provide translation and editing as well as interpretation services to the Twinning project in general.

4. Institutional Framework:

The Contracting Authority for this Twinning project is the Central Financing and Contracting Department (CFCD) within the Ministry of Finance.

4.1 Beneficiary institutions

The Financial System Department within the Ministry of Finance as beneficiary department is responsible for the preparation of the regulation in respect of banking and non-banking system, capital market, insurance, accounting system, payment operations and audit and game of chance and entertaining games, and for the harmonization of the existing regulation with the *EU acquis*. Within the Department there are 5 units each with separate duties and employees. The activities of the Department are managed by the Head of Department and State Advisor. The capacity of the Financial System Department currently is relatively good with a total of 21 employed civil servants. Within the Department, there is a Unit for insurance system which is responsible for regulation matters in the field of insurance sector and currently employs two people. However, the project activities will involve all of the employees in the Department.

The Insurance Supervision Agency (ISA) is an independent institution acting as responsible market regulator and supervisor for the insurance market in the beneficiary country, responsible institution for enacting the by-laws and conducting the insurance supervision. The activities of the Agency are organized in the following departments: Licensing and Legislative Department, Supervision Department, Department for General Affairs and Administration, Independent Unit for Internal Audit and Cabinet of the Council of experts. Currently, ISA employs 29 people. ISA will be directly involved in the project activities and it will be the responsible institution for conducting the supervision on the insurance market in compliance with Solvency II directive.

4.2 Co-ordination mechanisms between institutions

A project Steering Committee (SC) will be established at the beginning of the project comprising senior representatives of the beneficiary institutions, the Delegation of the European Union and the Central Financing and Contracting Department and the Member State Project Leader and the Resident Twinning Adviser.

The PSC will monitor, supervise and co-ordinate the overall progress and implementation of the project. The SC will provide guidance for the different components of the project, will define priorities, approve and monitor budgets and approve the results.

4.3. Reporting requirements as per Art 6.4 of the Twinning Manual

Reports will follow the templates of Annex C4 of the Common Twinning Manual. In addition to these formal reporting stages, the twinning partners are obliged to inform in writing the Contracting Authority as well as the final beneficiary of the action of any critical aspects or conditions of project implementation, or any amendments/modifications necessary within the budget.

All reports must be produced in the English in electronic and hard copy. These reports shall be signed by both Project Leaders. Each report must be presented in electronic format one week prior to the Steering Committee meetings and in two hard copies to the following addresses:

Central Financing and Contracting Department

Ministry of Finance

“Luj Paster” bb, 1000 Skopje

The final versions should incorporate any comments and discussions during the Steering Committee meetings.

5. Budget

The project will be implemented through a Twinning Contract estimated at a maximum of EUR 700,000 (out of which 95% IPA funds and 5% National co-financing).

Twinning Contract	Total (EUR)	IPA Community contribution		National Public contribution	
	700,000	EUR	%	EUR	%
		665,000	95	35,000	5

The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.

In addition to the IPA and National co-financing as part of the Twinning Contract amount, as a rule, all twinning contracts must provide additional co-financing on the side of the Beneficiary Institution, for the purpose of covering costs not covered under the project budget as per Twinning manual, point 5.13, as follows:

- Direct and indirect cost of the Beneficiary administration, civil servants and national private experts working for the project;
- Travel by the beneficiary officials from their capitals to a MS or between MS;
- Organisation of seminars/ workshops/ trainings (incl. hall rental, printing seminar materials and other logistical support).
- Facilities for the Member State experts: adequately equipped office space; telephone; e-mail services; fax; photocopiers; computer; internet access; secretarial support; access to information.

The following expenses are also to be covered with the project funds:

- Visibility Cost; and

- Audit certificate cost.

The project will be located in the premises of the MoF and the ISA. MoF and ISA will ensure appropriate facilities and basic equipment for the work of the experts.

6. Implementation Arrangements

6.1 Implementing Agency responsible for tendering, contracting and accounting

The Central Financing and Contracting Department (CFCD) of the Ministry of Finance will be responsible for tendering, contracting, payments, accounting and overall supervision of the implementation of the project, upon conferral of management. The Head of CFCD will act as the Programme Authorising Officer (PAO) of the project:

Contact person:

Mrs. Radica Koceva (PAO)
Head of Central Financing and Contracting Department
Ministry of Finance
tel. +389 2 3255 374
fax. +389 3 106 612
E-mail: Radica.Koceva@finance.gov.mk

6.2 Main counterpart in the BC:

Senior Programme Officer:

Mr. Andrija Aleksoski, Assistant Head of Department and Senior Programme Officer
Ministry of Finance - International Financial Relations and Public Debt Management Department

Insurance Supervisory Agency

Mr. Lulzim Imeri, Executive member of Council of experts
Insurance Supervision Agency, Cabinet of the Council of experts

Ms. Marina Smileska

Junior assistant in Research and Development Unit
Insurance Supervision Agency, Supervision Department, Research and Development Unit

BC Project Leader:

Mrs. Lence Tagasovska
Head of Financial System Department
Ministry of Finance

RTA counterpart:

Mrs. Bisera Jarcevska
Insurance System Unit
Financial System Department
Ministry of finance

Mr. Darko Blazhevski

Head of Research and Development Unit
Insurance Supervision Agency, Supervision Department, Research and Development Unit

6.3 Contracts:

The project shall be implemented through one Twinning contract.

7. Implementation Schedule

7.1 Launching of the call for proposals:

April 2015

7.2 Start of project activities:

February 2015

7.3 Project completion:

August 2017 - The project implementation period (duration of the work plan) is 18 months after the commencement date of the Project.

7.4 Duration of the execution period:

The overall execution period of the Twinning project is 21 months with an implementation period of 18 months. (The execution period of the contract shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties, whereas it shall end 3 months after the implementation period of the Action).

8. Sustainability

The main contribution of this project will be successful integration of the country insurance market in the European market, promoting the country's readiness to face the competitive pressures and internal market forces within the European Union. Also the sustainability of this project will be ensured by establishment and functioning of insurance companies and reinsurance based on solid economic principles, adequate protection of policy holders and beneficiaries and financial stability and fair and stable markets. The implementation of the newly established legal framework harmonised with the Solvency II Directive, the increased effectiveness and efficiency in the functioning of the insurance sector participants and better secured and protected rights of policy holders and beneficiaries will add to the sustainability of the project results.

9. Cross-cutting issues

The cross-cutting issues will be addressed throughout the project. The main-streaming of the cross cutting issues is regarded on two different levels:

- Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below; and
- Ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

9.1. Civil Society development and dialogue

Civil society issues will be taken into consideration of such issues where relevant and appropriate in the project.

9.2. Environmental considerations

Any ecological friendly initiative which can be taken will have to be implemented.

9.3. Equal Opportunity and non-discrimination

Equal opportunity principles and practices in ensuring equal gender participation in the Project will be guaranteed. The competent institutions involved in the project execution will observe equal opportunity of women and men in the human resources development and capacity building activities. The beneficiary will ensure equal access of men and women to the project activities and results and all other forms of discrimination will be eliminated.

9.4. Minority and vulnerable groups

The twinning partners in formulation the proposal and implementation the contract shall ensure respect of Ohrid Framework Agreement, and “Race directive” 2000 (200/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the *EU acquis*.

Equal representation of minorities and vulnerable groups will be the guaranteed project principle. The institutions involved in the project execution will observe equal opportunity for all citizens regardless of their ethnic, religious background or other type of social risk they face, in the sphere of human resources development.

9.5. Good governance, with particular attention to fight against corruption

The Government is strongly determined to fulfil all criteria needed for EU accession and membership, and all the necessary actions are being taken to reach the aim. Through transparent policies and involvement of different stakeholders in the process of policy design the accountability and responsiveness vis-a-vis the citizens will be being strengthened.

9.6. Communication and publicity

All requirements to ensure the visibility of EU financing will be fulfilled in accordance with Regulation (EC). N. 718/2007⁷.

10. Conditionality and sequencing

10.1 Conditionality

The following conditionality predetermines the project:

1. Appointment of counterpart personnel by the beneficiaries before contract signatory;
2. Allocation of working space and facilities within the premises of the beneficiaries before contract signatory;
3. Participation by the beneficiaries in the selection process as per EU regulations;
4. Organisation, selection, appointment and participation of members of working groups, steering and coordination committees, seminars by the beneficiaries/stakeholders as per work plan of the project;
5. Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
6. Sufficient managerial, technical and human resources allocated to the relevant Departments;
7. EU procedures to be followed in all tender procedure.

10.2 Sequencing

Key milestones will be:

1. Approval of the Twinning project fiche;
2. Circulation of the Twinning Project Fiche to Member State National Contact Points;

⁷ See. Article 62 and 63. of R. (EC). N. 718/2007

3. Completion of the selection of the twinning partner;
4. Preparation of Twinning Work Plan;
5. Signature of the Twinning contract, including the Twinning Work Plan;
6. Commencement of the implementation of the twinning contract (inter alia, the arrival in the country of the Resident Twinning Adviser);
7. End of the implementation period;
8. Submission of the final report.

ANNEX 1:

Logical framework matrix in standard format

		Programme name and number: National Programme for the Beneficiary Country under the IPA Transition Assistance and Institution Building Component for 2012 CRIS number: EuropeAid/ 137- 039/IH/ACT/MK	
		Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting
		Total budget: EUR 700.000	IPA budget: EUR 665.000
Project purpose	Objectively verifiable indicators	Sources of Verification	
The purpose of this project is further approximation of the regulatory systems (legislation and related enforcement) with the <i>EU acquis</i> in order to be able to fully participate in the internal market at the time of accession. This corresponds to the Government's efforts to improve the existing regulation governing the	Fully harmonised national insurance legislation with EU standards.	EC regular report; - Annual report of the Steering Committee; - Project reports (quarterly, annual); - Monthly monitoring progress report from SPO to CFCD.	

establishment, operations and obligations of all insurance sector participants in the country aimed at increasing competition in the insurance market by entering new companies and expanding the supply of insurance products and services.			
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Mandatory result 1: Prepared new Insurance Law compliant with Directive 2009/138/EC and relevant by-laws This mandatory result shall be achieved through the achievement of the following intermediary results:</p> <p>1. Analysed level of harmonisation of the current national statutory framework for insurance with the EU <i>EU acquis</i>;</p> <p>2. The new Insurance Law compliant with Directive 2009/138/EC drafted;</p> <p>3. Analysis of existing secondary legislation which need to be amended prepared;</p> <p>4. By-laws compliant with Directive 2009/138/EC drafted;</p> <p>Mandatory result 2: Capacity of MoF and ISA strengthened concerning the new legislation and relevant by-laws This mandatory result shall be achieved through the achievement of the following intermediary results:</p> <p>1. Enhanced supervisory review process</p> <p>2. Draft legislation presented and discussed and reviewed by</p>	<p>- Prepared Analysis for the level of harmonisation of the current national statutory framework for insurance with the <i>EU acquis</i> with Action Plan;</p> <p>- New draft Insurance law is fully approximated with Directive 2009/138/EC</p> <p>- Tables of concordance showing the link between the provisions of the EU and the national legislation;</p> <p>- Report on assessment of the level of harmonisation of the existing secondary legislation;</p> <p>- Action Plan including the remedial measures for drafting secondary legislation adopted;</p> <p>- Secondary legislation fully approximated with Directive 2009/138/EC (in both</p> <p>- Appropriate methodology for conveying insurance supervision introduced.</p> <p>- Training Plan and Training Modules prepared;</p> <p>- Number of staff trained from the Ministry</p>		<p>- Continued commitment to the EU Accession process;</p> <p>- Commitment from national authorities in the process;</p> <p>- Availability and motivation of appropriate staff for cooperation and involvement;</p> <p>- Sufficient level of implementation of IPA Programmes;</p> <p>- Appropriate expertise is available;</p> <p>- Beneficiary institutions can make (qualified) staff available.</p>

<p>representatives of the Ministry of Finance and the ISA;</p> <p>Mandatory result 3: Awareness raised concerning policyholder protection; This mandatory result shall be achieved through the achievement of the following intermediary results:</p> <ol style="list-style-type: none"> 1. Promotion/information activities designed and organized; 2. Relevant stakeholders introduced and trained. 	<p>of Finance and the ISA;</p> <ul style="list-style-type: none"> - Number of promotion events and products delivered; - Number of representatives of relevant ministries and associate institutions trained on awareness raising. 		
Activities	Means	Costs	Assumptions
<ul style="list-style-type: none"> - Advice and coaching sessions; - Tailor made training programme; - Seminars, workshops and conferences; - Study tours; - Analysis of Legal acts, Guidelines, Manuals, procedures and check-lists; - Development; - Assessment. 	<p>Twining contract</p>	<p>Total EUR 700.000 (EUR 665 000 IPA and 35 000 national contribution)</p>	<ul style="list-style-type: none"> - Input from EU MS partner- - Continuing commitment of staff and management <p>1</p>

ANNEX II. List of relevant Laws and Regulations:

- Constitution and Amendments on the Constitution⁸
- Rules of Procedure for Operation of the Government⁹
- Law on Government¹⁰
- Rulebook for Internal organization of the MoF, 2009
- Law on public servants¹¹
- Insurance Supervisory Law¹²

⁸Official Gazette No. 52/1991, 01/1992, 31/1998, 91/2001, 84/2003, 107/2005, 03/2009;

⁹Refined text published in Official Gazette No.36/2008

¹⁰Official Gazette No.59/2000,12/2003, 55/2005, 372006, 115/2007, 19/2008, 82/2008 and 10/2010

¹¹Refined text published in Official Gazette No.76/2010

¹²Official Gazette no. 27/2002, 84/2002, 98/2002, 33/2004, 88/05, 79/07, 08/08, 88/08, 56/09, 67/10, 44/11, 45/2012, 60/2012, 64/2012, 23/2013, 188/2013 and 30/2014