



ANNEX C1: Twinning Fiche

Project title: Strengthening budget planning, execution and internal control functions

Final Beneficiary administration: Ministry of Finance, Public Procurement Bureau, State Appeal Commission on Public Procurement

Twining Reference: MK 18 IPA FI 01 19

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EU funded project

TWINNING TOOL

1. Basic Information

- 1.1 Programme: Annual Action Programme for the Republic of North Macedonia for the year 2018 IPA 2018/040-860/01.03/MK/PFM; Direct management by EU Delegation

For British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 12.2 of the General Conditions to the grant agreement.

- 1.2 Twinning Sector: Finance, Internal market and economic criteria

- 1.3 EU funded budget: 3,700,000.00 EUR

2. Objectives

- 2.1 Overall Objective(s):

The overall objective of this project is to further improve efficiency and effectiveness of public spending through implementation of the Public Finance Management (PFM) Reform Programme.

- 2.2 Specific objective:

The specific objective of the project is to further strengthen the PFM system through:

- Improved budget system based on the new Organic Budget Law (OBL) yet to be adopted, by drafting by laws, guideline/manual/instructions and methodological tools for treasury operations, public debt and macroeconomic issues and strengthening the capacities of Ministry of Finance (MoF) and budget users;
- Further development of the Public Internal Financial Control (PIFC) system through implementation of new legislation and new PIFC Policy Paper, elaboration of methodological tools in financial management and control (FMC) and internal audit (IA), building up capacities of budget users on central and local level to manage efficiently public funds and enhancing the co-ordination and supervision role of the Central Harmonisation Unit (CHU), Ministry of Finance, enhancing the capacities of budget users in fight against fraud and corruption;
- Further alignment of Macedonian public procurement legislation and practice with the Union acquis in order to improve efficiency and transparency of procurement operations;
- Ensuring the effective and efficient protection of EU and national financial interests through improvement of the legal, institutional and operational framework in the prevention, detection and fight against irregularities and fraud.

2.3 The elements targeted in strategic documents i.e. National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy and related Action Plans

Link with AP

The Accession Partnership 2007 (AP) identifies as a medium term priority in the area of the Economic criteria to raise the quality of public spending by strengthening the public sector's capacity for medium-term planning and improving budgetary execution.

It focuses on full completion of the decentralization process, and in the area of financial control, it states that there is a need to complete the establishment of internal control and audit units in central state institutions, create similar units at municipal level where appropriate and ensure adequate staff, training and equipment.

In the field of public procurement, medium term priority is defined as to achieve fully operational public procurement structures which ensure that public procurement procedures are conducted fully in accordance with the European Commission' standards and to develop e-procurement.

The project is in line with the priorities under Justice, freedom and security, outlining the importance of continuing the implementation of a set of action-oriented measures for the fight against organized crime.

Link with NPAA/2018 EC Country Progress Report

In the area of **Chapter 17: Economic and monetary policy**, the 2018 European Commission's Progress Report assessed that the country is moderately prepared in this area and recommends to set up a medium-term budgetary framework so as to further improve fiscal discipline and transparency, and to introduce fiscal rules so as to improve public finance management.

In **Chapter 32 - Financial control, the 2018 EC's Progress Report** states that the country is moderately prepared in this area and observes that further considerable efforts are needed to embed managerial accountability in the administrative culture and ensure PIFC legislation is implemented effectively. Improved internal control over public funds and effective follow-up of audit recommendations has yet to be pursued. In addition, it is noted that the administrative capacity of the Financial Inspection Department in the Ministry of Finance is weak.

In the field of Protection of EU financial interests, the same Progress Report assesses that the national anti-fraud coordination service (AFCOS) has to strengthen its key coordination role and an efficient AFCOS network needs to be established. In this regard, **the National programme for the adoption of the acquis (NPAA) under Chapter 32 - Financial Control**, further outlines the efficient implementation of the fight against financial crime and frauds of EU funds through efficient implementation of the activities planned within the adopted National Anti-Fraud Strategy on Protection of the Financial Interests of the European Union 2019 - 2022.

In **Chapter 5**, the 2018 EC Progress Report states that the country should strengthen the administrative capacity of the Public Procurement Bureau regarding oversight and monitoring of public procurement. The **NPAA under Chapter 5 - Public Procurement**

envisages full implementation of the activities in the PFM Reform Programme. Harmonization of national procurement legislation with the acquis in the field of public procurement is set as priority. In addition to the new Law on Public Procurement harmonized with the relevant EU rules and regulations, new Law on Procurement in the fields of Defence and Security is also planned. PPB will continue to upgrade the Electronic System for Public Procurement with modules for e-plans, e-appeals and red flags. Strengthening of administrative capacities of Public Procurement Bureau (PPB) and the State Appeals Commission is also planned.

Link with Stabilisation and Association Agreement (SAA)

The Project will contribute towards the implementation of the SAA, as regards Article 68 on legal harmonisation of the public procurement law, Article 72 on opening-up of the award of public contracts on the basis of non-discrimination and reciprocity; Article 74 and Article 78 which stipulate the parties' agreement to cooperate in the fight and prevention of criminal and illegal activities organized or otherwise.

Link with IPA II Indicative Strategy Paper (ISP) 2014-2020

The IPA II Indicative Strategy Paper 2014-2020¹ recognized the commitment to strengthen the country's economic governance and modernise public financial management based on comprehensive reform programme, covering the reform needs in the relevant public finance sub-systems. Further on, the ISP identifies key priorities for IPA assistance such as budget preparation and execution, including the introduction of the integrated PFM IT System, covering all key PFM sub-systems, cash management, transparency, public procurement, debt management, public internal financial control and external audit. The project, and in more general terms the PFM reform programme, will support the country in aligning with the EU standards in the relevant accession/negotiation chapters by addressing the majority of the identified weaknesses. Thus, the project closely correlates with the ISP objectives of the Sector Democracy and Governance.

Link with sector reform strategies

Public Finance Management Reform Programme 2018 - 2021

The Project will directly support the implementation of the PFM Reform Programme 2018-2021 adopted by the Government in December 2017. All the activities under the project will contribute to the achievement of the objectives of the PFM reforms designed under the Programme.

Component 1 - Support provided for implementation of the new Organic Budget Law (OBL) is linked to the implementation of Priority 3 - Planning and Budgeting of the PFM Reform Programme, focused on maintaining overall fiscal discipline in the medium term.

Component 2 - Strengthened Public Internal Financial Control system is linked to the implementation of Priority 6: Internal Control, Measure 1: Improved PIFC (FMC and IA) legislation and methodological framework and Measure 2: Strengthened administrative

¹The IPA II Indicative Strategy Paper 2014-2020 (revised) guides the cooperation with the EU and allocation of resources to priority areas.

capacities on central and local level on FMC and IA, of the PFM Reform Programme. It is also linked to the implementation of the new PIFC Policy Paper 2019 -2021.

Component 3 - Improved legal compliance, efficiency and transparency of the public procurement system is linked to the implementation of Priority 4: Budget Execution, Measure 4, Strengthening public procurement system, of the PFM Reform Programme.

PIFC Policy Paper 2019 – 2021

The Public Internal Financial Control Policy Paper with Action Plan 2019-2021 is a strategic document aimed to define the framework of the contemporary, adequate and effective system on PIFC, including the financial management and control, internal audit, central coordination and harmonization and the public financial inspection as well as to cooperate for sound financial management of the public funds. It was adopted by the Government in March 2019.

Link with Economic Reform Programme (ERP)

The ERP, which is prepared by the Government in the frame of the European Semester - light process should strengthen the economic governance and establish a stronger link between the macro-fiscal scenario and the reform agenda through development of the institutional and analytical capacities for effective participation in the EU multilateral surveillance procedures.

National Anti-Fraud Strategy on Protection of the Financial Interests of the European Union for the period from 2019 to 2022 (NAFS)

The National Anti-Fraud Strategy (NAFS) was adopted by the government on 20 December 2018.

The development of National Anti-Fraud Strategy was necessary in order to put in place effective and proportionate anti-fraud measures, taking into account the risks identified, to take the necessary steps to prevent, detect and sanction fraud and irregularities effectively and to reimburse irregular amounts to the EU budget.

The National Anti-Fraud Strategy covers the reform in the following priority areas, corresponding to the stages of anti-fraud cycle: Legal and Institutional Framework; Fraud Prevention, Fraud Detection, Fraud Investigation and prosecution, Recoveries and Sanctions.

Link with Public Administration Reform (PAR) Strategy

Given that managing public finances is directly related and of extreme importance for effective and efficient public administration reform, priorities under PFM Reform Programme and PAR Strategy have been co-ordinated. Particular attention is given to the human resources capacity, policy planning capacities, e-services, service delivery and orientation to results coordination as regards enhancing managerial accountability, internal control environment and improving transparency. Moreover, the link between these two strategies is further strengthened by involving the Minister of Information Society and Administration in the process of monitoring and reporting on implementation of the PFM Reform Programme 2018-2021, as a member of PFM Council, thus ensuring consistency in implementation of both strategies.

Link with State Programme for Prevention and Repression of Corruption and Prevention and Reduction of Conflict of Interests with Action Plan 2016 – 2019

The implementation of the project is expected to improve the accountability and transparency in the management of the public finance, thus supporting the implementation of the anti-corruption programme in a horizontal manner through a direct impact on all budget users. The planned improvements in the budgeting process and in the budget documentation, as well as in the public contracting process and procurement information will improve the quality of the available PFM information and will allow citizens to better follow and assess key PFM processes. In addition, the efforts to enhance the managerial accountability and internal audit are expected to result into stronger management systems less prone to corruption and maladministration.

3. Description

3.1 Background and justification:

Development and implementation of a New Organic Budget Law (OBL) is one of the priorities of the Government and one of the activities included in Public Finance Management Reform Programme.

Ministry of Finance in cooperation with International Monetary Fund and World Bank experts in the past period, i.e. during 2018 intensively worked on detailed and comprehensive identification of areas for future improvement of PFM, preparation of structure, content and scope of the new Organic Budget Law, as well as development of proposals for certain areas included in the law (medium-term fiscal strategy, budget document structure, organizational structure, register of public sector entities and fiscal rules).

Ministry of Finance in cooperation with the World Bank and the Government of the United Kingdom during 2019 intends to work on the preparation of by-laws, guidelines, manuals etc. aimed at operationalization of the Organic Budget Law, further improvements of the PFM system, development of detailed plan of all working processes in the Ministry of Finance and their mapping, as well as on preparation of a detailed technical specification for Integrated Financial Management Information System (IFMIS).

The first version of the Draft Organic Budget Law was delivered by the WB expert at the end of 2018. This draft law will serve as a basis for further internal revising and drafting the law by responsible departments in the MoF during 2019. The adoption of the Law is expected in 2019 (according to the Action Plan defined in PFM Reform Programme). Due to the scope and complexity of the Law, further support is needed for efficient implementation of the law, secondary legislation and methodological tools as well as for enhancing overall capacities of Ministry of Finance and other budget users.

The planned PIFC reforms are expected to affect the economic growth of the country in the long term by respecting the principle of good governance which basically means efficient management of public funds at all levels. The PIFC system covers three key elements - Financial Management Control (FMC), Internal Audit (IA), and Central Harmonisation Unit (CHU).

There is a need for further improvement of FMC and IA on central and local level in order to establish a modern internal financial control system. This system is essential not only to safeguard public funds, but also to ensure an appropriate level of transparency and managerial accountability.

Current legislation related to PIFC regulates the scope of PIFC i.e. the public sector entities obliged to establish decentralized FMC system and conditions for establishing IA units. Although the FMC and internal audit units at central and local level have been established and staffed, there is a need for further improvement of the capacities, working procedures, quality assessment, risk management and managerial accountability. A new PIFC Law has been drafted and PIFC Policy Paper 2019-2021 is adopted by the government on March 12, 2019. The PIFC Policy Paper has been drafted in close collaboration with SIGMA.

Therefore, the current twinning project will contribute to the improvement of the legal framework, development and efficient implementation of secondary legislation and methodological tools for FMS and IA as well as to building up capacities of budget users on central and local level.

The enhancement of capacities on both central and local level in PIFC implementation will have a positive impact of the management capacities of EU funds, and it will also improve the transparency and managerial accountability of the public administration, which will directly impact the fight against corruption.

In order to achieve a transparent, efficient and effective management of public finances, the Government has established a financial inspection in the public sector, which conducts ex post controls on the management of public funds. However, currently there are insufficient capacities to carry out budget supervision efficiently. Therefore, in September 2018 the Law on Financial Inspection in Public Sector has been amended so as to allow recruitment of additional staff of Financial Inspection Department, MoF. Furthermore, there is a need for improvement of the overall legal framework, development of secondary legislation and methodology, improvement of the capacities of inspectors.

In order to further strengthen the administrative capacities on central and local level on FMC and IA, a system of continuous training is planned to be established. In addition, a national certification system for internal auditors should be elaborated and enforced under the Public Finance School which is planned to be established by the Ministry of Finance. The School is intended to provide training to staff of key institutions in PFM sector as well as to budget users on central and local level covering main sub-areas of public finances, such as: financial management and control, budget planning and execution, internal audit, financial inspection, customs and taxation, etc. Relevant curricula and training plans/programmes have to be elaborated and implemented.

In the area of public procurement, in view of the need to address the challenges in the public procurement system, the country prepared the new Law on Public Procurement (LPP) which was adopted by the Parliament on 28th January 2019. The new LPP transposes major part of the 2014 package of EU procurement directives (directive on procurement in the defense area will be covered with a separate law), brings significant improvements in the remedies system, improves the effectiveness of the public purchase as well as introduces modern procurement concepts such as green procurement and strengthens the value-for-money selection criteria.

In view of the conclusions made in the 2018 EC's Progress Report, that the public procurement system is particularly vulnerable to corruption, substantial efforts are still needed to ensure a stable, transparent, efficient and effective public procurement system, and to prevent irregularities and corruption during the procurement cycle. The Report's recommendations entail a need for further improvements of the institutional set-up and legal alignment, efficiency of the remedies system and implementation and enforcement capacity.

Institutional set-up and legal alignment

The new Public Procurement Law was adopted on 28 January 2019, aligning legal framework on public procurement to the 2014 EU Procurement Directives, including the long discussed issues of the exclusive use of the 'lowest price' criterion (replaced by the quality contract award criteria) and the 'mandatory' e-auctions.

In addition, the Ministry of Finance with PPB should prepare an overarching strategy for development of the public procurement system in next few years: to identify key problems and recommend solutions. The draft strategy should be discussed with the key stakeholders (relevant ministries, the biggest contracting authorities from the public sector (both central and local government) and utilities, suppliers, NGOs, and relevant business organisations and professional associations. The strategy should also include the recommendations provided after the case-based peer assessment mission in the area of public procurement, organised at the beginning of April 2019.

Also, in view of the new expanded competences of the PPB introduced with the new PPL, it is necessary to further strengthen the professional capacity of the PPB.

Efficient remedies system

The structure and the independence of the legal remedy system, remains formally compliant with the *acquis*. However, full alignment with the Remedies Directive, in particular related to a standstill period and time limits, has not yet been achieved. Increasing efficiency and transparency of work of the SAC, as well as increasing the professional capacity of members and experts of the SAC is a necessity.

Implementation and enforcement capacity

The public procurement market increased and represented 10% of the country's GDP and 30% of the state budget both in 2016 and 2017. The system is vulnerable to corruption. There is mandatory publication of notices and tender documents with increased use of e-procurement and e-auctions. The share of negotiated procedures without publication is low. Use of central purchasing is limited and the number of framework agreements awarded has declined. There is no systematic risk management assessment, review of the conduct of procurement processes or contract performance. Quality manuals, guidelines, standard tender documents and other operational tools require update to align with the newly adopted LPP and in line with the good practice of EU Member States. Also, the capacities of contracting entities and private sector (suppliers) need to be enhanced, focusing on the new elements introduced by the new LPP (quality contract award criteria, etc.).

The general legal framework regulating **financial crime and frauds of EU funds** is comprised of: the Criminal Code, the Law on Criminal Procedure, the Law on Financial

Police, the IPA Framework Agreement and other laws. The detailed rules on functioning of the system for preventing, detecting, and recording and reporting of irregularities in implementation of IPA are stated in the IPA working arrangements. The system of management of irregularities concerning EU funds was accredited since 2009 by the EC with the Decisions for conferral of management powers. With the amendments to the Rulebooks on organization and on systematisation of the MoF adopted in December 2018 aimed at establishing the AFCOS Unit, the AFCOS was re-organised by transferring it from the Financial Police Office (which carried out AFCOS functions from 2007 until December 2018) to the MoF.

3.2 Ongoing reforms:

The PFM Reform Programme 2018-2021 was adopted by the Government of the Republic of North Macedonia on 19th December 2017. Starting from 2018, the national authorities are fully committed to implementing an ambitious reform agenda, the goal of which is to strengthen the public finance system, by promoting transparency, accountability, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.

The new OBL will be in line with the improvements of the PFM system, aiming to ensure framework for conducting a sound, predictable and sustainable fiscal policy and increasing the budget discipline and responsibility.

1) Important new mechanism of the law includes:

- Establishment of fiscal rules and institutionalization of fiscal council;
- Publication of a Register of Public Sector Entities;
- Medium-Term Fiscal Strategy process improvement, preparation of a baseline scenario and other new initiatives; and
- Improvement of transparency (submission of data for public enterprises, LSGUs).

2) New OBL is expected to address the critical issues identified by different assessments such as: multi-annual forecast and planning of the budget, link between the strategies, policies and the budget, fiscal discipline through implementation of fiscal rules, efficiency of the new IFMIS system to control commitments and other fiscal risks/issues.

Efficiency enhancement will be achieved through the new PFM processes that will ensure:

- Comprehensiveness and quality of the financial reporting;
- Transparency and citizens' access and use of budgetary documents;
- Effectiveness of the financial management controls and Internal Audit;
- Scope and impact of the external audit.

The ongoing reforms will ensure sound fiscal planning in short and medium term through improving both the annual and multi-annual budget process and reinforcing the compliance among them. On one hand, this approach will improve the quality of the budget process which will be linked to priorities visible for the citizens. On the other hand, it will raise the quality of the policy-making, by improving its financial viability. The reforms will also support the re-organisation of the annual budget process in compliance with the provisions of the medium-term budget framework, preparation of by-laws, guidelines, manuals etc, trainings of the Ministry of Finance employees and budget users.

Pursuant to the objectives of the PFM Reform Programme under Priority 6 - Internal Control, further improvement of the legal and methodological framework for PIFC is planned following the adoption of a new PIFC Policy Paper (2019-2021) in March 2019. In 2018, activities to strengthen the internal control system in the public sector continued through the development of a sound and efficient financial management and control system and internal audit. A new draft PIFC Law is under preparation, supported with assistance provided under the twinning light project "Further Improvement of the Internal Control System". The law will ensure the improvement of FMC and IA by developing a sound and efficient system of decentralized managerial responsibility for using public funds among the entities, the scope of implementation of the provisions related to FMC and IA will be expanded, and simplification of the organization and operation of smaller budget users is foreseen.

In addition, as part of the activities for establishing a system of continuous and systematic training of staff in the area of public finances, the Ministry of Finance will set up a Public Finance School that will deliver training and organize exams.

The new LPP introduces an obligation for publishing the annual public procurement plans and for publishing the concluded public contracts and their amendments, which is in line with increasing transparency. Also, a module for E-appeal and for integrity-related reports with procurement performance indicators and governance (anti-corruption) red flags have been developed in the Electronic system for public procurement (ESPP) according to the provisions of the new LPP.

Pursuant to the adopted National Anti-Fraud Strategy on Protection of the Financial Interests of the EU (2019 - 2022), improvements are needed in the following areas: legal and institutional system for protection of the EU's financial interests; cooperation and coordination among key bodies involved in the anti-fraud process, administrative capacities of the national authorities for protection of the EU funds; awareness raising on fraud prevention, detection and corrective measures of the authorities for management, implementation and control of the EU funds; capacity to ensure proportionate and dissuasive penalties, appropriate financial corrections and deterrence a case of irregularities and fraud; transparency in the process of protecting the national and the EU's financial interests. The Action plan under the Strategy covers a period of two years (2019-2020) and could be updated annually.

3.3 Linked activities:

1. Title: "Strengthening the Capacity of the Ministry of Finance for Macroeconomic Analysis and Policy Formulation"

Donor: EU - IPA TAIB 2009

Duration: 6 December 2012 - 10 December 2014 (24 months)

Description: The twinning project has improved economic analysis and forecasting skills of the Ministry of Finance (MoF) staff for designing a coherent medium and long-term macro-fiscal framework, through further development of the capacity for macroeconomic and tax revenues modeling, cost-benefit and fiscal analysis and improvement of the budget planning process.

Project Cost: EUR 950.000

2. **Title:** "Strengthening the medium term budgeting for effective public financial management"
Donor: EU - IPA TAIB 2011
Duration: 01 December 2015 – 20 November 2017
Description: The twinning project has improved the effectiveness of medium-term budget planning (accuracy of the fiscal projections), programme budgeting and budget classification (through development of new budget programme classification), and improved the capacities for fiscal reporting in accordance with EU standards.
Project Cost: EUR 1.100.000

3. **Title:** TA – Developing proposals for implementation of contemporary integrated information system for public finance management
Donor: EU-TAIB2011
Duration: 20 January 2016 - 19 January 2017
Description: Under the project, an analysis and assessment of the current situation of the MoF IT systems for PFM were conducted and based on that, proposals were developed for implementation of contemporary integrated information system for public finance management, with the aim of improving the efficiency of the working processes. Plan for minimizing additional costs related to maintenance and improvement of the chosen solution (IT system) and a change management plan for the entire process were delivered. Also, PFM IT Strategy and MoF IT Department Strategy were developed.

4. **Title:** STE Visits on preparation of the new draft OBL
Donor: EU-Financed IMF TA Program
Duration: 3 technical missions in the period December 2017 - February 2018
Description: Technical missions were conducted by the IMF for providing assistance in further developing the draft Organic Budget Law (OBL), which will replace the current Law on Budget (LOB) and assistance in revising the draft new Budget Law. In advance of the mission, the draft amendments to the draft new Budget Law were provided to the Ministry of Finance (MoF) on the basis of the recommendations of the December 2017 mission on the Organic Budget Law. Also, assistance was provided for further assessing the possibility of implementing a fiscal rule as part of fiscal strategy and creating a fiscal council as an independent monitoring institution.

5. **Title:** TA for further developing the draft OBL
Donor: UK, Contractor - World Bank
Duration: April 2018 - December 2019
Description: The objective of the TA was to support the preparation of the new OBL: drafting the register of public entities and developing the draft organizational classification of budget users; Defining general structure of OBL with identification of all relevant articles in the new OBL and finding links with other relevant laws (accounting, PIFC, financial inspection, asset management, public dept, public procurement, LGU financing etc); assist in the preparation of the draft Organic Budget Law (OBL) and prepare version of draft law, initiate discussions on the impact of OBL on business processes, clarify the current status of PFM information systems, discuss the project team's plans for change management activities. Furthermore, in the framework of this project, technical specification for new integrated financial management information system (IFMIS) should

be prepared. The process started with assessing the current processes, followed by designing and mapping of business processes in public financial management and should finalise with a detailed technical specification for IFMIS prepared. Consequently, there would be considerable improvements in the efficiency of the management of public funds as well as in the accountability of policymakers and transparency to the public. To date, two reports have been delivered under the project: Assessment of existing PFM information systems and budget processes mapping (As-Is) and Integrated financial management information system model and options.

6. Title: “Further improvement of internal control system”

Donor: European Union Integration facility 2014; IPA 2014 twinning light project

Duration: 15 October 2018 to 15 June 2019 (8 months)

Description: The project is expected to provide support for further development of PIFC system through improvement of legislation, elaboration of methodological tools in financial management and control (FMC) and internal audit (IA), building up capacities of budget users on central and local level to manage efficiently public funds and enhancing the co-ordination and supervision role of the Central Harmonisation Unit (CHU) within Ministry of Finance.

Project Cost: EUR 250,000

7. Title: Ongoing cooperation with EC/OECD SIGMA program in area of PIFC

Donor: EC/OECD SIGMA

Duration: During 2016 -2018

Description: A horizontal audit of the efficiency and effectiveness of FMC systems in public sector entities was carried out. In cooperation with SIGMA, preparatory meetings and workshop were organized, where the engaged internal auditors took part. Following the finalisation of the audit, a workshop was held to present the findings and recommendations.

In cooperation with SIGMA during the course of 2016/17, a revision of the Financial Management and Control Manual was made. At the end of 2017 and during 2018, joint activities for the preparation of the PIFC Policy Paper 2019-2021 has been implemented.

8. Title: Project for Enhancing the Implementation of Public Procurement in the Republic of North Macedonia

Donor: EU under the SAFE Trust Fund, administered by the World Bank

Duration: 1 January 2017 – 31 December 2018 (24 months)

Description: The project has enhanced the performance and transparency of the national public procurement by improving existing e-procurement system functionalities, developing performance indicators for monitoring the performance of the public procurement system; and building capacity of the PPB. The assistance targeted two main areas - public procurement and anti-corruption - resulting in strengthening efficiency and transparency in public procurement. It developed performance indicators by making various cross-references of data, so that future trends and patterns could be projected. The assistance served as a support for strengthening the countries capacities as well as to increase the use of country system in terms of fiduciary aspects for present and/or future projects.

Project cost: EUR 253,900

9. Title: SIGMA assistance in public procurement

Donor: EU

Duration: Ongoing - annually

Description: For many years SIGMA provides regular assistance in the area of PFM, including public procurement. In 2017-2018 SIGMA's efforts have been focused on assistance to development of new legislative framework (new LPP) in line with the EU standards. In the area of capacity building, SIGMA has provided guidance to the MoF on new topics to be implemented by the new LPP. SIGMA delivered a comprehensive manual on application of non-price contract award criteria (with several practical examples) in August 2018.

10. Title: "Further support for efficient prevention and fight against fraud and irregularities of EU funds

Donor: EU - IPA TAIB 2011

Duration: 10 months (20nd November, 2015 – 19th September, 2016)

Description: The project purpose was to improve the strategic, legislative, institutional framework and methodology for more efficient fight against fraud and irregularities of EU funds. The results achieved were: Improved national legal framework for fight against fraud and irregularities of EU funds; strengthened capacity of the national institutions for fight against fraud and irregularities of EU fund, and strengthened cooperation within the system for fight against fraud and irregularities of EU funds.

Project Cost: EUR 250,000

3.4 List of applicable *Union acquis*/standards/norms:

- Budgetary Frameworks Directive (2011/85/EU);
- Fiscal Compact (TSCG);
- Two Pack Regulation (Reg EU 473/2013);
- Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 (OJ L 94, 28.3.2014, p. 1);
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65);
- Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243);
- Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts (OJ No L 395, 30.12.1989, p. 33);
- Council Directive 92/13/EC of 25 February 1992 coordinating the laws, regulations and administrative provisions relating to the application of Community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors (OJ L 76, 23.3.1992, p. 14–20);
- Directive 2007/66/EC of the European Parliament and of the Council of 11 December 2007 (OJ L 335, 20.12.2007, p. 31);

- Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76);
- Directive 2014/55/EU of the European Parliament and of the Council of 16 April 2014 on electronic invoicing in public procurement (OJ L 133, 6.5.2014, p. 1);
- Directive 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law adopted by the European Parliament and the Council on 5th July 2017.

3.5 Components and results per component

Mandatory Result 1 (Component 1): Support for implementation of the new OBL provided

In the context of Mandatory Result 1, the following indicative sub-results will be achieved:

1. Assessment of various laws linked to the new OBL;
2. Bylaws and methodological tools for treasury operations, public debt management, macroeconomic issues in accordance with the new Organic Budget Law developed;
3. Capacities of the MoF and budget users related to the new organic budget law and treasury, public debt management and macroeconomic operations strengthened.

Measurable indicators regarding Mandatory Result 1:

- Assessment report on relevant legal framework linked to OBL prepared;
- Secondary legislation linked to the new OBL elaborated;
- Guidelines/manual for treasury operations prepared;
- Methodological tools and procedures for public debt management developed;
- Methodological tools for macroeconomic issues developed;
- Training Needs Assessment (TNA) conducted and training program and training plan for MoF staff and budget users prepared;
- Training plan for budget users on central and local level implemented through seminars, workshops, internships, on-job-training;
- Direct transfer of know-how carried out through maximum 2 study visits organised to EU MS with relevant employees (approximately 10 persons from MoF, for maximum 5 days, per study visit) on exchange of experience and knowledge on key budget and treasury processes public debt and macroeconomic issues for building up capacities of MoF staff;
- Minimum one conference organised for increasing public awareness on budgetary reforms.

Mandatory Result 2 (Component 2): Strengthened Public Internal Financial Control system through efficient implementation of PIFC Policy Paper

In the context of Mandatory Result 2, the following indicative sub-results will be achieved:

1. Regulations and methodological tools in FMC and IA improved;
2. Administrative capacities of institutions on FMC and IA on central and local level developed on the basis of improved managerial accountability, risk management, control activities in financial management, information, communication and monitoring (through workshops, seminars, internships, pilot audits, study visits);
3. Capacities of CHU, MoF to carry out its tasks (incl. reporting, supervision of PIFC system, co-ordination and dissemination of methodological tools) efficiently enhanced;
4. Capacities of financial inspection in public sector strengthened.

Measurable indicators regarding Mandatory Result 2:

- Assessment report of the legal framework linked to internal control with proposals for harmonisation prepared;
- Existing methodological tools reviewed and improved according to new PIFC Law and new rulebooks;
- New Manual for Financial Management and Control (FMC) and new Manual for Internal Audit (IA) according to new PIFC Law developed;
- Improved system for data collection and quality review/analysis (of this data) for Annual Report of CHU and its structure;
- Developed control activities for financial management (written procedures for achieving objectives, preventing fraud and corruption in public procurement, and preventing further creation of arrears);
- TNA and training program and plan for MoF and budget users based on the new PIFC Policy paper and new PIFC Law developed;
- Training program and plan implemented through workshops, on-the job trainings, seminars, round table discussions, pilot audits;
- Concept of national certification programme for internal auditors designed and introduced (training manuals and curricula developed and exam program elaborated for certification of internal auditors in public sector);
- Minimum/Maximum number of trainings held and exam for certification of internal auditors organised by the PFM school;
- Cascade model of goals established in strategic and annual plans in at least 5 institutions;
- Decentralised managerial accountability system implemented in at least 5 institutions;

- At least 3 conducted reviews by the CHU on the quality of the internal audit and financial management and control operations in the public institutions;
- At least 5 pilot audits that involved internal auditors of budget users on central and local level (performance audit, compliance audit, system based audit, finance audit, IT audit and EU funds audit);
- Concept for the establishment of Public Finance School designed incl. assessment of equipment needs;
- Technical specifications for the hardware and software equipment needed for the PFM school prepared;
- Curricula, training program and plan and other methodological tools developed for target institutions of the PFM school;
- At least 20 trainers trained in various PFM sub-areas through train-the-trainers courses;
- Assessment report of the legislative framework for financial inspection in public sector (Law on Financial Inspection in the Public Sector and other relevant laws) with recommendations for improvement prepared;
- Planning Document for Development of Financial Inspection in Public Sector for the period from 2020 to 2025 and the accompanying Action Plan drafted;
- Amendments of the legislation for financial inspection in public sector drafted;
- Comparative analysis prepared based on lessons learned from previous experience of the Financial Inspection in the Ministry of Finance and on best practices in EU MSs;
- Methodological tools (procedures/operational instructions/guidelines) for application of analytical and inspection techniques and tools for financial inspection in public sector drafted;
- Methodology for gathering and processing statistical data with indicators for monitoring, measuring and assessing the effectiveness of financial inspection in public sector elaborated;
- Concept of receiving a license for financial inspector designed and introduced (training manuals, curricula and exam program/guidance drafted);
- TNA and training program and plan for financial inspectors prepared;
- Training plan implemented through seminars, workshops, internships, on-job-training;
- At least 3 financial inspections carried out based on the new legal framework and methodological tools;
- Direct transfer of know-how carried out, preferably throughout maximum 2 study visits to Member State with relevant employees (approximately 15 persons from MoF (10 persons from CHU (5 persons working on FMC and 5 persons working on IA) and 5 persons from financial inspection, for maximum 5 days, for each study visit), focused on EU best practices in implementation of FMC and IA and financial inspection (the exact topics will be determined upon agreement with the selected MS).

Mandatory Result 3 (Component 3): Improved legal compliance, efficiency and transparency of the public procurement system

In the context of Mandatory Result 3, the following indicative sub-results will be achieved:

1. Legal framework for public procurement aligned with the EU acquis and methodological tools, guidelines, standard templates and other documents developed;
2. An overall Strategy for the Development of the Public Procurement System drafted and assistance provided for its implementation;
3. Roadmap for implementation of new e-procurement tools (dynamic purchasing system, electronic catalogues, small-value procurements, e-market etc.) developed;
4. Legal practice in decision making of SAC improved. Guidelines and case-law developed for decision both in the area of public procurement and concessions and public-private partnerships;
5. Administrative capacity of PPB and SAC, as well as of the contracting authorities and the economic operators further developed.

Measurable indicators regarding Mandatory Result 3:

- Guidelines and manuals fully drafted/updated, and approved by the PPB;
- Draft Strategy for development in the public procurement system for the period 2020-2024 prepared and publicly consulted with the key stakeholders;
- Trainings for the PPB staff conducted (at least 6 training sessions organised with at least 10 persons from the PPB (per training) trained);
- Training on the new elements of the public procurement system (based on the updated manuals and guidelines) organised and conducted (at least 5 training sessions organised for at least 20 participants from contracting authorities/ economic operators, with minimum 75% participants evaluated the training positively);
- Report on the internal organisation and working procedures of the SAC, with recommendations for improvement of efficiency, effectiveness and transparency prepared and approved by SAC;
- The website of the SAC improved to match the good practice of similar institutions from the EU Member States;
- Trainings for the SAC staff conducted (at least 3 workshops organised for at least 12 persons from the SAC (per workshop));
- Direct transfer of know-how carried out, preferably throughout maximum 2 study visits to Member State with relevant employees (approximately 15 persons from the PPB and the SAC, for maximum 5 days, for each study visit), focused on the EU best practices in public procurement (the exact topics will be determined upon agreement with the selected MS).

Mandatory Result 4 (Component 4): Improved system for protection of financial interests of the EU through efficient implementation of the National Anti-Fraud Strategy for Protection of the Financial Interests of the European Union

In the context of Mandatory Result 4, the following indicative sub-results will be achieved:

1. National Anti-Fraud Strategy for Protection of the Financial Interests of the European Union and its Action plan improved;
2. Legal framework and methodological tools of the system for protection of financial interests of the EU improved;
3. Administrative capacities of the key institutions of the system for protection of financial interests of the EU improved;
4. Irregularity reporting and management improved.

Measurable indicators regarding Mandatory Result 4:

- Assessment report of the Action Plan 2019-2020 for implementation of the National Anti-Fraud Strategy (NAFS) with recommendations for revision prepared;
- Action Plan for the period 2020-2021 drafted and support on implementation provided;
- Assessment report with written recommendations for transposition of the Directive 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law into the national legal acts prepared;
- Amendments to the national regulations and other legal acts drafted, based on the prepared assessment report for transposition of the Directive 2017/1371;
- Secondary legislation and working arrangements for the functioning of AFCOS, AFCOS network and where appropriate, other bodies involved in protection of financial interests of the EU, drafted;
- Training needs assessment conducted of the key institutions in the system (AFCOS staff, AFCOS network, IPA bodies, IPA Audit Authority);
- Training program (incl. on fraud risk assessment) prepared and implemented through workshops, seminars, on-the-job training, internships, round table etc;
- Direct transfer of know-how carried out, preferably throughout maximum 2 study visits to Member State with relevant employees (approximately 15 persons (8 from the MoF and 7 from other relevant institutions), for maximum 5 days, for each study visit), focused on the EU best practices in the field of protection of financial interests of the EU and irregularities management and reporting (the exact topics will be determined upon agreement with the selected MS);
- The Manual of Procedures and cooperation arrangements among all actors of the EU funds administration system in irregularities management processes (preventing, detection, investigation, decision making, recovering unduly paid funds and reporting) reviewed, adapted and further improved;

- The Manual of Procedures on risk assessment reviewed and new Guidelines on Fraud Risk Assessment developed;
- Fraud risk assessment conducted in the IPA bodies² and set up of anti-fraud measures;
- Annual Report on Lessons to be learnt from the cases of suspected fraud and irregularities detected/reported at national level prepared and round table discussion organised in order to present it;
- Web-site of the AFCOS designed and reviewed;
- Conference with the national authorities and/or final beneficiaries/civil society/media services to increase the awareness for protection of the EU and national financial interests organised;
- Evaluation report on the implementation of the NAFS prepared;
- Revised NAFS for the period 2021 - 2024 drafted.

3.6 Means/input from the EU Member State Partner Administration(s)*:

The project will be implemented in the form of a Twinning contract between the final beneficiary country and EU Member State(s). The implementation of the project requires one Project Leader (PL) with responsibility for the overall coordination of project activities and one Resident Twinning Adviser (RTA) to manage implementation of project activities, Component Leaders (CLs) and pool of short-term experts (STEs) within the limits of the budget. It is essential that the team has sufficiently broad expertise to cover all areas included in the project description.

Proposals submitted by Member State shall be concise and focussed on the strategy and methodology and an indicative timetable underpinning this, the administrative model suggested, the quality of the expertise to be mobilised and clearly show the administrative structure and capacity of the Member State entity/ies. Proposals shall be detailed enough to respond adequately to the Twinning Fiche, but are not expected to contain a fully elaborated project. They shall contain enough detail about the strategy and methodology and indicate the sequencing and mention key activities during the implementation of the project to ensure the achievement of overall and specific objectives and mandatory results/outputs.

The interested Member State(s) shall include in their proposal the CVs of the designated PL and the Resident Twinning Advisor, as well as the CVs of the potentially designated component Leaders-CLs.

The Twinning project will be implemented by close co-operation between the partners aiming to achieve the mandatory results in sustainable manner.

The set of proposed activities will be further developed with the Twinning partners when drafting the initial work plan and successive rolling work plan every three months, keeping in mind that the final list of activities will be decided in cooperation with the

² The IPA bodies composed of: National Authorising Officer/Management Structure, National IPA Coordinator, Operating Structure (CFCD and 6 IPA structures within line ministries), IPARD Agency and Managing Authority.

Twinning partner. The components are closely inter-linked and need to be sequenced accordingly.

3.6.1 Profile and tasks of the PL:

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2);
- At least a University degree³ in law/economics/public administration or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of specific experience in PFM - related matters;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Fluent written and spoken English.

Tasks:

- Conceive, supervise and coordinate the overall Twinning project;
- To provide strategic advice on high level reforms supported by the Twinning;
- Coordinate and monitor the overall implementation of the project including coordination and direction of the MS Twinning partner;
- Co-ordinate MS experts' work and availability;
- Communicate with the final beneficiary and EUD;
- Ensure the backstopping functions and financial management;
- Guarantee from the MS administration side, the successful implementation of the project;
- Participate in quarterly meetings of the Project Steering Committee with the BC PL;
- Participate in preparation of the initial and subsequent work plans.

3.6.2 Profile and tasks of the RTA:

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body (see Twinning Manual 4.1.4.2)
- At least a University degree⁴ in economics/law or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of specific experience in PFM - related matters;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Experience in working in teams;
- Fluent written and spoken English.

Tasks:

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

²For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

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

- Provide technical advice and assistance to the administration or other public sector bodies in the BC in the context of a predetermined work-plan;
- Coordination of all project activities and experts inputs in the country;
- Ensuring day-to-day implementation of the Twinning project in the country;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- Preparation of the materials and documentation for regular monitoring and reporting;
- Preparation of side letters;
- Together with the Project Leader, to nominate, mobilize and supervise the Short-Term experts.

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 in line with the Twinning Manual rules (see point 4.1.6.10) 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 for providing translation and interpretation services on a daily basis.

Full-time translator / interpreter:

For the purpose of the project and for cost effectiveness the Twinning Project foresees a part or full-time translator / interpreter who should be selected through an open call. 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.

3.6.3 Profile and tasks of Component Leaders:

The Component Leaders will be responsible for achievement of project results under each of the components, ensuring the activities for the co-operation and information exchange between the RTA and the final beneficiary side and ensuring that all the required support of the management and staff of the EU side are available.

Component Leader 1 (Component 1: Support for implementation of the new OBL provided)

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁵ in economics or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of specific experience in budget/treasury operations;
- Experience in implementing at least one international or EU funded project with

³For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

similar nature, will be considered as asset;

- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

Component Leader 2 (Component 2: Strengthened Public Internal Financial Control system through efficient implementation of PIFC Policy Paper)

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁶ in law/economics or another relevant discipline or equivalent professional experience of 8 years;
- At least 3 years of specific experience in PIFC-related matters;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

³For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

Component Leader 3 (Component 3: Improved legal compliance, efficiency and transparency of the public procurement system)

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁷ in law/economics/public administration or another relevant discipline or equivalent professional experience of 8 years;
- At least 3 years of specific experience in public procurement;
- Experience in implementing at least one international or EU funded project with similar nature, will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

Component Leader 4 (Component 4: Improved system for protection of financial interests of the EU through efficient implementation of the National Anti-Fraud Strategy for Protection of the Financial Interests of the EU)

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Proven contractual relation to a public administration or mandated body;
- At least a University degree⁸ in law/economics/public administration or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of specific experience in the field of implementing EU legislation in the area of protection of EU financial interests,
- Experience in implementing at least one international or EU funded project in the area of fight against financial crime and frauds of EU funds, will be considered as asset;
- Strong initiative, analytical and team working skills;
- Fluent written and spoken English.

⁷For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

⁸For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

Tasks:

- Provide practical expertise/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, in the field of drafting legislation and by-laws, training, preparing guidelines for strategic use and management of training and providing training;
- Contribute to the project reporting, to drafting the notes and other documents and reports on their missions;
- Address cross-cutting issues;
- Provide technical advice, support and assist the BC institution in the context of the project's components;
- Prepare analyses of the existing guidelines, instructions and manuals regarding procedures and working practices;
- Participate in preparation of both interim and final reports.

3.6.4 Profile and tasks of other short-term experts:

Qualifications and skills:

- University degree⁹ in economics/law/public administration or similar discipline relevant to the project or equivalent professional experience of 8 years;
- At least 3 years of working experience in the field of fiscal area matters/public debt management/macroeconomics/PIFC/public procurement/fight against fraud and irregularities of EU funds;
- Be fluent in written and spoken English.

A pool of short term experts is required to implement the project activities covering the following indicative subjects:

- 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 and transfer knowledge to relevant staff for execution of all activities related to the results and objective required within the project;
- Provision of practical support, advice, recommendations and reports as foreseen under the Project in close cooperation and coordination with the relevant institution;
- Address cross-cutting issues.

4. Budget

Twinning Contract	Total (EUR)	IPA Community contribution		National Public contribution	
		EUR	%	EUR	%
	3,700,000.00	3,700,000.00	100	/	/

⁹ For reference on equivalent qualification see: EPSO website-Annex 1 (http://europa.eu.int/epso/on-line-applications/pdf/guide-1242-171104_en.doc)

5. Implementation Arrangements

5.1 The Delegation of European Union will act as a Contracting Authority for the project, which will be responsible for all aspects for the project's tendering, contracting and payments.

Nicola Bertolini
Head of Cooperation
Delegation of European Union
Sv. Kiril I Metodij 52b, 1000 Skopje
Republic of North Macedonia

The contact person on behalf of the EU Delegation is:

Paulina Stanoeva
Programme Manager
Delegation of European Union
Sv. Kiril I Metodij 52b, 1000 Skopje
Republic of North Macedonia

5.2 Institutional framework

Main institutions involved in the management and implementation of the project are:

- Ministry of Finance;
- Public Procurement Bureau;
- State Appeal Commission upon Public Procurements;

The Ministry of Finance is the backbone of the PFM system. The following MoF departments and institutions assigned with responsibilities for PFM are involved in the project:

- The Budget and Funds Department is responsible for creation of fiscal policy, public finance management and improvement of the budgetary process. In this regard, the basic responsibility of the Budget and Funds Department is preparation of the Draft Budget as a whole and its submission to the Government.
- The Treasury Department is responsible for collecting and managing public revenues, and execution of the budget expenditures. It maintains central control of cash, monitors the collection of public revenues in the national Budget and their distribution by budget user and consolidates the government's cash position at the end of each day.
- The International Financial Relations and Debt Management Department manages the general government debt, issues debt on behalf of the Government, issues sovereign guarantees to the public debt issuers and makes financial surveillance before the borrowing by the municipalities, public enterprises and state owned companies.
- The Public Internal Financial Control Department on behalf of the Minister of Finance is acting as Central Harmonization Unit responsible for coordinating the development, establishment, implementation and maintenance of the public internal financial control.
- The Macroeconomic Policy Department is responsible for creation of the macroeconomic policy, which is part of the Fiscal Strategy of the MoF, preparation of

regular monthly, quarterly and annual reports on main economic developments, forecasting of macroeconomic indicators, as well as preparation of the Economic Reform Programme of the country within the European Semester Light process and it is working with Budget Department on design of fiscal rules.

- Department for Public Sector Financial Inspection and Coordination for Combating Fraud against EU Funds in the Ministry of Finance is responsible for protection of the financial interests of the public sector entities from serious mismanagement, fraud and corruption and protection of the financial interests of the European Union in the country. The AFCOS unit within the Department is responsible for coordinating administrative and operational obligations and activities and proposing amendments to the national legislation in order to protect the financial interests of the EU, leading the activities for the preparation and implementation of the national anti-fraud strategy to protect the financial interests of the EU, facilitating effective cooperation and exchange of information with OLAF and national administration, identifying possible weaknesses in national systems for managing EU funds, ensuring sufficient human resources capacity for these tasks and training of staff to prevent financial fraud.

Other institutions involved in the project activities under the Component 4 will be: the IPA bodies, the working group for the National Anti-fraud Strategy and other relevant entities.

Also, the Prime Minister's Office and the Ministry of Information Society and Administration are expected to ensure the support needed for successful implementation of the Component 2 (on PIFC).

The Public Procurement Bureau (PPB) is a separate legal entity within the MoF with responsibility to ensure proper functioning of the public procurement system at national level. The administrative capacity of the PPB is sufficient for performing its responsibilities. The PPB is duly supported by financial means to act effectively and efficiently according to all legal competences assigned. In the regular annual report on the functioning, the PPB informs the Government for acting within all the legal competences.

The State Appeals Commission upon Public Procurement (SAC) is an independent state authority with capacity of a legal person, responsible for review procedure for all contracting authorities and entities above and below EU thresholds with capacity of a legal person. It has also other responsibilities prescribed in the Law on public procurement.

All institutions in PFM system are operational and functional, adequately equipped in terms of human and technical resources to perform all assigned responsibilities. Although they have enough capacity to execute current functions, there is still place for further improving the efficiency and effectiveness in their performance, as well as in view of the future developments of the PFM system.

Coordination of the implementation of the project will be carried out through the Project Steering Committee (PSC) which will be established at the beginning of the project, comprising senior representatives of the final beneficiary Institutions, the Delegation of the European Union, the Secretariat for European affairs and other relevant BC institutions and will be co-chaired by the MS PL and BC PL.

5.3 Counterparts in the final beneficiary administration:

5.3.1 Contact person:

Mrs. Tatjana Trajkovska, Cabinet Officer for Issues Related to Financial System
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

5.3.2 PL counterpart

Mrs. Tatjana Trajkovska, Cabinet Officer for Issues Related to Financial System
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

5.3.3 RTA counterpart

Mr. Mite Mitevski, Head of Unit for Harmonisation of Internal Audit
Department for Public Internal Financial Control
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

5.3.4 Component Leader counterpart

Component 1: Support for implementation of the new OBL provided

Ms. Maja Argirovska, Assistant Head of Budget Department
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

Component 2: Strengthened Public Internal Financial Control system through efficient implementation of PIFC Policy Paper

Ms. Andriana Stepanoska, Advisor for Harmonisation of Financial Management
Unit for Harmonisation of Financial Management and Control
Department for Public Internal Financial Control
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

Component 3: Improved legal compliance, efficiency and transparency of the public procurement system

Mr. Aleksandar Argirovski, State Advisor
Public Procurement Bureau
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

Component 4: Improved system for protection of financial interests of the EU through efficient implementation of the National Anti-Fraud Strategy for Protection of the Financial Interests of the European Union

Ms. Divna Najdovska, Head of AFCOS Unit
Department for Public Sector Financial Inspection and Coordination for Combating Fraud against EU Funds
Ministry of Finance
Dame Gruev 12, 1000 Skopje,
Republic of North Macedonia

6. Duration of the project

The overall execution period of the Twinning project is **39 months** with an implementation period of **36 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).

7. Management and reporting

7.1 Language

The official language of the project is the one used as contract language under the instrument (English / French). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements *via-à-vis* the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

The twinning project is embedded in the PFM Reform Programme 2018 - 2021 and its implementation ensures the achievement of the objectives and targets of the PFM Reform Programme. The governmental commitment and institutional support for the PFM reform is an important sustainability factor which guarantees the use of the results obtained under the Project in long-term perspective. Another element of sustainability is the link between the PFM reform and the PAR as the synergy created will multiply the benefits of the two reforms. The successful implementation of the PFM Reform Programme and the Project will establish standards and processes which will be applied in the years ahead. The project has a strong capacity building element, which is an investment in the social capital in the country and contributes to the sustainability of the public administration in general.

The final beneficiary administration is fully committed to ensuring long term impact of the Twinning project. The MS Twinning partners shall transfer the necessary knowledge to achieve the mandatory results to the final beneficiary administration. During the project, the twinning partners should develop documents/handouts, guidelines, manuals that will be easily accessible for later use by the final beneficiary administration. Final beneficiary institutions will ensure that staff benefiting from trainings/study visit shall transfer acquired knowledge further on, through subsequent training to their colleagues by on the job training. Moreover, final conference at the end of the implementation which capitalises and presents the concrete results with practical implications for further follow up will add to the sustainability of results.

Furthermore as outlined in the specific objective and mandatory results, the project results will go on and create numerous and varied benefits due to the improvement in the overall PFM and budget system.

The Project will be fully implemented in line with strategic objectives, law and guidelines defined in order to contribute for improvement of sound financial management and internal control system. Activities would lead to further analysis of the Concept of Managerial accountability at all levels of given responsibilities according to standards and best practices in the EU Member States.

9. Crosscutting issues

Equal opportunities and gender mainstreaming:

The country has put in place the legal framework to ensure gender equality through the adoption of the Law on equal opportunities for women and men and the Law on prevention of and protection from discrimination. Particularly important in this aspect is the process of enhancing the managerial accountability and the delegation and sub-delegation of powers to downwards the administrative pyramid (Activities related to Component 2), which has the potential to bring more powers and responsibilities to women, traditionally occupying lower management levels. Further on, horizontal promotional activities will be implemented for greater recognition of the growth-enhancing effects of reducing inequality.

Another important opportunity to enhance the equal opportunities between men and women is provided through Gender Responsible Budget concept. In 2012, the country adopted a Strategy for Gender Responsible Budgeting. Accordingly, the Ministry of Finance amended the budget instructions in view of introducing gender budget analysis and is continuously implementing different gender budget initiatives. The Project is expected to further support this process.

Minorities and vulnerable groups:

All sector activities will support the Ohrid Framework Agreement and “Race directive” 2000 (2000/43/EC of 29 June 2000), in particular local governance and local economic development, in accordance with the principles of subsidiarity and participatory development, as well as social cohesion and good inter-community relations, based on the principles of mutual tolerance. The implementation of the Ohrid Framework Agreement has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the *acquis*.

Simultaneously, equal representation of minorities and vulnerable groups will be the guaranteed principle. The institutions involved in the execution of the activities 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.

Engagement with civil society:

The civil society but also social partners, employers' organisations, trade unions, academia and media have been engaged in the design of the PFM Reform Programme through the policy dialogue. The partners will continue playing an important role in the sector dialogue and in the implementation of sector reform activities as their involvement is guaranteed by:

- (1) The PFM Reporting and monitoring mechanism, which envisages regular consultations on the PFM reforms with the business and donor community, academia and civil society .
- (2) The implementation of the sector approach, which positions the sector working groups as a main fora for policy dialogue involving donors and civil society as observers along with public administration,
- (3) The measures promoting PFM transparency i.e. regular publication of the Citizens Budget; or application of transparency standards in the public administration (particularly the Ministry of Finance and related bodies) or the investments in the e-procurement system and e-services, which will guarantee live access to PFM information.

Environment and climate change:

The Project, although not directly focused on addressing environment or climate issues, will, still promote respect to the principles of environmental suitability. The new Law on Public Procurement, transposing the 2014 EU package of procurement directives, introduces also green procurement in the legal basis and is expected to strengthen the principle of most economically advantageous tender thus creating an opportunity for contracting authorities to select in future tenders that provide environment-friendly services and goods and respect the international agreements on climate change.

10. Conditionality and sequencing

Conditionality

- Appointment of counterpart personnel by the final beneficiary before the launch of the call of proposal and guaranteeing the continuity of the appointed and trained staff;
- Allocation of working space and facilities by the final beneficiary within the premises of the final beneficiaries before contract signature;
- Participation by the final beneficiary in the selection process as per EU regulations;

- Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiaries.
- Use and application of project outputs

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;
- 3) Completion of the selection of the twinning partner;
- 4) Signature of the Twinning contract;
- 5) Commencement of the implementation of the twinning (inter alia, the arrival in the country of the Resident Twinning Adviser);
- 6) End of the implementation period;
- 7) Submission of the final report;
- 8) Twinning review mission (6 to 12 months after end of the project).

11. Indicators for performance measurement

See section 3.5.

12. Facilities available

The key final beneficiary institution, the Ministry of Finance, commits itself to make available free of any charge for the project:

- Office facilities for the RTA and the RTA assistant(s) for the entire duration of their secondment, with a level of equipment at least comparable to that in use in the final beneficiary administration;
- Adequate conditions for the short-term experts to perform their work while on mission to the final beneficiary;
- Training and conference venues and presentation and interpretation equipment.

ANNEXES TO PROJECT FICHE

ANNEX I - The Simplified Logical framework matrix

ANNEX II - Existing donor coordination framework

ANNEX III - The project/sector monitoring framework

ANNEX IV - Project/sector relevant publically available Conclusions/agreements between EU and the final beneficiary resulting from the political dialogue

ANNEX I - Simplified Logical Framework

	Description	Indicators	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	The overall objective of this project is to further improve efficiency and effectiveness of public spending through implementation of the Public Finance Management (PFM) Reform Programme.	Progress made toward fulfillment of EU accession criteria (steady progress in related Chapters 5, 17, 32)	EC Progress Report and other relevant external assesment reports		Continuing adherence to agreed policy objectives Economic and fiscal stability Prudent fiscal discipline
Specific (Project) Objective(s)	The specific objective of the project is to further strengthen the PFM system through: – Improved budget system based on the new Organic Budget Law (OBL) yet to be adopted, by drafting by laws, guideline/manual/instructions and methodological tools for treasury operations, public debt and macroeconomic issues and strengthening the capacities of Ministry of Finance (MoF) and budget users; – Further development of the Public Internal Financial Control (PIFC) system through implementation of new legislation and new PIFC Policy Paper, elaboration of	Number of bylaws/methodological tools for implementation of the new OBL prepared; Number of implemented measures defined in the PIFC Policy Paper Action Plan; Reduction of the number of accepted lawsuits and annulled decisions of SAC, in front of the competent court; Number of anti-fraud measures (from NAFS 2019-2022) implemented; Competition rate: - Percentage of one bid tenders in electronic procedures is less than 25% (Baseline: 25% (2016)); - Average No of tenderers per tender is above 3 (Baseline: 2.97 (2016)).	EC Progress Report and other relevant external assesment reports Reports/data provided from relevant national institutions (MoF, PPB SAC) Reports on implementation of the PFM Reform Programme Annual report on the implementation of the National Anti-Fraud Strategy on Protection of the Financial Interests of the European Union	Lack of awareness and commitment from high-level officials Continuous outflow of staff Failure to adopt legal acts (OBL and PIFC Law) by the Parliament as planned Lack of commitment by variety of institutions involved on implementation of the anti-fraud measures	Continuing adherence to agreed policy objectives Continued political commitment Professional commitment and openness to adopt new working methods Timely adoption of the new legislation (OBL and PIFC Law) - before start of project activities

	<p>methodological tools in financial management and control (FMC) and internal audit (IA), building up capacities of budget users on central and local level to manage efficiently public funds and enhancing the co-ordination and supervision role of the Central Harmonisation Unit (CHU), Ministry of Finance, enhancing the capacities of budget users in fight against fraud and corruption;</p> <ul style="list-style-type: none"> - Further alignment of Macedonian public procurement legislation and practice with the Union acquis in order to improve efficiency and transparency of procurement operations; - Ensuring the effective and efficient protection of EU and national financial interests through improvement of the legal, institutional and operational framework in the prevention, detection and fight against irregularities and fraud. <p>-</p>				
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<p style="text-align: center;">Mandatory results/outputs by components</p> <p style="text-align: center;">Sub-results per component</p>	<p>Mandatory Result 1 (Component 1): Support for implementation of the new OBL provided</p> <p>In the context of Mandatory Result 1, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> 1. Assessment of various laws linked to the new OBL; 2. Bylaws and methodological tools for treasury operations, public debt management, macroeconomic issues in accordance with the new Organic Budget Law developed; 3. Capacities of the MoF and budget users related to the new organic budget law and treasury, public debt management and macroeconomic operations strengthened. 	<ul style="list-style-type: none"> • Assessment report on relevant legal framework linked to OBL prepared; • Secondary legislation linked to the new OBL elaborated; • Guidelines/manual for treasury operations prepared; • Methodological tools and procedures for public debt management developed; • Methodological tools for macroeconomic issues developed; • Training Needs Assessment (TNA) conducted and training program and training plan for MoF staff and budget users prepared; • Training plan for budget users on central and local level implemented through seminars, workshops, internships, on-job-training; • Direct transfer of know-how carried out through maximum 2 study visits organised to EU MS with relevant employees (approximately 10 persons from MoF, for maximum 5 days, per study visit) on exchange of experience and knowledge on key budget and treasury processes public debt and macroeconomic issues for building up capacities of MoF staff; • Minimum one conference organised for increasing public awareness on budgetary reforms. 	<p>Documents (reports, legal acts, action plans, methodological tools, technical specifications etc.) produced</p> <p>Archive and web site of MoF, PPB and SAC</p> <p>Training/seminars materials, attendance lists</p> <p>IT system of the MoF, PPB and SAC</p> <p>Data published by the relevant institutions (MoF, PRO, CARNM)</p>	<p>Lack of awareness and commitment from high-level officials</p> <p>Internal resistance to modernization processes</p> <p>Continuous outflow of staff</p>	<p>Continuing adherence to agreed policy objectives</p> <p>Continued political commitment</p> <p>Good and continuous interaction between the stakeholders</p> <p>Professional commitment and openness to adopt new working processes/methods</p> <p>Timely adoption of the new legislation (OBL and PIFC Law) - before start of project activities</p> <p>Presence of qualified personnel in the project implementation</p> <p>Ensured continuity of the appointed and trained staff</p>
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	<p>Mandatory Result 2 (Component 2): Strengthened Public Internal Financial Control system through efficient implementation of PIFC Policy Paper</p> <p>In the context of Mandatory Result 2, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> 1. Regulations and methodological tools in FMC and IA improved; 2. Administrative capacities of institutions on FMC and IA on central and local level developed on the basis of improved managerial accountability, risk management, control activities in financial management, information, communication and monitoring (through workshops, seminars, internships, pilot audits, study visits); 3. Capacities of CHU, MoF to carry out its tasks (incl. reporting, supervision of PIFC system, co-ordination and dissemination of methodological tools) efficiently enhanced; 4. Capacities of financial 	<ul style="list-style-type: none"> • Assessment report of the legal framework linked to internal control with proposals for harmonisation prepared; • Existing methodological tools reviewed and improved according to new PIFC Law and new rulebooks; • New Manual for Financial Management and Control (FMC) and new Manual for Internal Audit (IA) according to new PIFC Law developed; • Improved system for data collection and quality review/analysis (of this data) for Annual Report of CHU and its structure; • Developed control activities for financial management (written procedures for achieving objectives, preventing fraud and corruption in public procurement, and preventing further creation of arrears); • TNA and training program and plan for MoF and budget users based on the new PIFC Policy paper and new PIFC Law developed; • Training program and plan implemented through workshops, on-the job trainings, seminars, round table discussions, pilot audits; • Concept of national certification programme for internal auditors designed and introduced (training manuals and curricula developed and exam program elaborated for certification of internal auditors in public sector); 			
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	<p>inspection in public sector strengthened.</p>	<ul style="list-style-type: none"> • Minimum/Maximum number of trainings held and exam for certification of internal auditors organised by the PFM school; • Cascade model of goals established in strategic and annual plans in at least 5 institutions; • Decentralised managerial accountability system implemented in at least 5 institutions; • At least 3 conducted reviews by the CHU on the quality of the internal audit and financial management and control operations in the public institutions; • At least 5 pilot audits that involved internal auditors of budget users on central and local level (performance audit, compliance audit, system based audit, finance audit, IT audit and EU funds audit); • Concept for the establishment of Public Finance School designed incl. assessment of equipment needs; • Technical specifications for the hardware and software equipment needed for the PFM school prepared; • Curricula, training program and plan and other methodological tools developed for target institutions of the PFM school; • At least 20 trainers trained in various PFM sub-areas through train-the-trainers courses; • Assessment report of the legislative framework for financial inspection in 			
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		<p>public sector (Law on Financial Inspection in the Public Sector and other relevant laws) with recommendations for improvement prepared;</p> <ul style="list-style-type: none"> • Planning Document for Development of Financial Inspection in Public Sector for the period from 2020 to 2025 and the accompanying Action Plan drafted; • Amendments of the legislation for financial inspection in public sector drafted; • Comparative analysis prepared based on lessons learned from previous experience of the Financial Inspection in the Ministry of Finance and on best practices in EU MSs; • Methodological tools (procedures/operational instructions/guidelines) for application of analytical and inspection techniques and tools for financial inspection in public sector drafted; • Methodology for gathering and processing statistical data with indicators for monitoring, measuring and assessing the effectiveness of financial inspection in public sector elaborated; • Concept of receiving a license for financial inspector designed and introduced (training manuals, curricula and exam program/guidance drafted); • TNA and training program and plan for financial inspectors prepared; 			
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		<ul style="list-style-type: none"> • Training plan implemented through seminars, workshops, internships, on-job-training; • At least 3 financial inspections carried out based on the new legal framework and methodological tools; • Direct transfer of know-how carried out, preferably throughout maximum 2 study visits to Member State with relevant employees (approximately 15 persons from MoF (10 persons from CHU (5 persons working on FMC and 5 persons working on IA) and 5 persons from financial inspection, for maximum 5 days, for each study visit), focused on EU best practices in implementation of FMC and IA and financial inspection (the exact topics will be determined upon agreement with the selected MS). 			
	<p>Mandatory Result 3 (Component 3): Improved legal compliance, efficiency and transparency of the public procurement system</p> <p>In the context of Mandatory Result 3, the following indicative sub-results will be achieved:</p> <p>1. Legal framework for public procurement aligned with the EU acquis and methodological tools, guidelines, standard templates and other documents</p>	<ul style="list-style-type: none"> • Guidelines and manuals fully drafted/updated, and approved by the PPB; • Draft Strategy for development in the public procurement system for the period 2020-2024 prepared and publicly consulted with the key stakeholders; • Trainings for the PPB staff conducted (at least 6 training sessions organised with at least 10 persons from the PPB (per training) trained); • Training on the new elements of the public procurement system (based on the updated manuals and guidelines) 			

	<p>developed;</p> <p>2. An overall Strategy for the Development of the Public Procurement System drafted and assistance provided for its implementation;</p> <p>3. Roadmap for implementation of new e-procurement tools (dynamic purchasing system, electronic catalogues, small-value procurements, e-market etc.) developed;</p> <p>4. Legal practice in decision making of SAC improved. Guidelines and case-law developed for decision both in the area of public procurement and concessions and public-private partnerships;</p> <p>5. Administrative capacity of PPB and SAC, as well as of the contracting authorities and the economic operators further developed.</p>	<p>organised and conducted (at least 5 training sessions organised for at least 20 participants from contracting authorities/ economic operators, with minimum 75% participants evaluated the training positively);</p> <ul style="list-style-type: none"> • Report on the internal organisation and working procedures of the SAC, with recommendations for improvement of efficiency, effectiveness and transparency prepared and approved by SAC; • The website of the SAC improved to match the good practice of similar institutions from the EU Member States; • Trainings for the SAC staff conducted (at least 3 workshops organised for at least 12 persons from the SAC (per workshop)); • Direct transfer of know-how carried out, preferably throughout maximum 2 study visits to Member State with relevant employees (approximately 15 persons from the PPB and the SAC, for maximum 5 days, for each study visit), focused on the EU best practices in public procurement (the exact topics will be determined upon agreement with the selected MS). 			
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	<p>Mandatory Result 4 (Component 4): Improved system for protection of financial interests of the EU through efficient implementation of the National Anti-Fraud Strategy for Protection of the Financial Interests of the European Union</p> <p>In the context of Mandatory Result 4, the following indicative sub-results will be achieved:</p> <ol style="list-style-type: none"> 1. National Anti-Fraud Strategy for Protection of the Financial Interests of the European Union and its Action plan improved; 2. Legal framework and methodological tools of the system for protection of financial interests of the EU improved; 3. Administrative capacities of the key institutions of the system for protection of financial interests of the EU improved; 4. Irregularity reporting and management improved. 	<ul style="list-style-type: none"> • Assessment report of the Action Plan 2019-2020 for implementation of the National Anti-Fraud Strategy (NAFS) with recommendations for revision prepared; • Action Plan for the period 2020-2021 drafted and support on implementation provided; • Assessment report with written recommendations for transposition of the Directive 2017/1371 on the fight against fraud to the Union’s financial interests by means of criminal law into the national legal acts prepared; • Amendments to the national regulations and other legal acts drafted, based on the prepared assessment report for transposition of the Directive 2017/1371; • Secondary legislation and working arrangements for the functioning of AFCOS, AFCOS network and where appropriate, other bodies involved in protection of financial interests of the EU, drafted; • Training needs assessment conducted of the key institutions in the system (AFCOS staff, AFCOS network, IPA bodies, IPA Audit Authority); • Training program (incl. on fraud risk assessment) prepared and implemented through workshops, seminars, on-the-job training, internships, round table etc; • Direct transfer of know-how carried out, 			
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		<p>preferably throughout maximum 2 study visits to Member State with relevant employees (approximately 15 persons (8 from the MoF and 7 from other relevant institutions), for maximum 5 days, for each study visit), focused on the EU best practices in the field of protection of financial interests of the EU and irregularities management and reporting (the exact topics will be determined upon agreement with the selected MS);</p> <ul style="list-style-type: none"> • The Manual of Procedures and cooperation arrangements among all actors of the EU funds administration system in irregularities management processes (preventing, detection, investigation, decision making, recovering unduly paid funds and reporting) reviewed, adapted and further improved; • The Manual of Procedures on risk assessment reviewed and new Guidelines on Fraud Risk Assessment developed; • Fraud risk assessment conducted in the IPA bodies and set up of anti-fraud measures; • Annual Report on Lessons to be learnt from the cases of suspected fraud and irregularities detected/reported at national level prepared and round table discussion organised in order to present it; • Web-site of the AFCOS designed and 			
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		<p>reviewed;</p> <ul style="list-style-type: none">• Conference with the national authorities and/or final beneficiaries/civil society/media services to increase the awareness for protection of the EU and national financial interests organised;• Evaluation report on the implementation of the NAFS prepared;• Revised NAFS for the period 2021 - 2024 drafted.			
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ANNEX II - Existing donor coordination framework

The process of donor coordination in PFM is channelled through the monitoring and coordination structures established under the PFM Reform Programme 2018 - 2021. PFM donor coordination is carried out on the following two levels:

1. Policy level - PFM Council. One of the main tasks of the PFM Council is to facilitate the policy dialogue with relevant institutions and donors.
2. Technical level - PFM Sector Working Group - directly related to the working groups established for the development and monitoring of the PFM subsystems strategies and policy papers. Also, separate donor coordination meetings on operational level are organised with regard to the implementation of specific PFM sub-areas measures.

ANNEX III - The project/sector monitoring framework¹

For the purpose of monitoring of the progress in implementation of the PFM reforms, priority outcomes with outcome indicators and activity outputs with output indicators for each priority/activity are defined in the log-frame of the Programme.

In addition, the annual Action Plans set up indicators and targets per year for each activity planned. The system of monitoring and reporting on the progress in implementation of the PFM reforms is based on the management and coordination framework elaborated in the PFM Reform Programme 2018 - 2021, which consists of the following structures established at all hierarchical levels of decision-making:

- PFM Council
- PFM Working Group
- Coordinators per Priorities
- Measure Leaders

The PFM Council has been established by the Government in February 2018, comprising heads of the key institutions involved in the PFM system reforms, chaired by the Minister of Finance (Deputy Prime Minister for economic affairs, Deputy Prime Minister for European affairs, Minister of Information Society and Administration, Minister of Economy, Auditor General of State Audit Office, Director of State Statistical Office, Director of Customs Administration, Director of Public Revenue Office, Director of Public Procurement Bureau, Director of State Appeal Commission for Public Procurement). The main tasks of the Council are to monitor the implementation of the Program and Annual Action Plans in terms of achievement of the identified results, indicators and targets, to make decisions with regard to overcoming critical bottlenecks during its implementation and to pursue a high-level policy dialogue with donors and other stakeholders on the implementation, financing and scope of public finance reform.

The Sector Working Group (SWG) for PFM has been established in June 2015 for the purpose of preparation of the PFM Reform Programme. However, in April 2018 and January 2019, the Minister of Finance adopted new Decision for establishing the new structure of the SWG for PFM, with inclusion of the donor community and civil society, thus ensuring the good practise to maintain an inclusive and open dialogue on PFM policies with all stakeholders, during implementation of the reforms. SWG comprises representatives from all relevant PFM and other related institutions (Ministry of Finance, State Audit Office, State Statistical Office, Customs Administration, Public Revenue Office, Public Procurement Bureau, State Appeal Commission for Public Procurement, Ministry of Economy, Secretariat of European Affairs, Ministry of Information Society and Administration, Cabinet of the Deputy Prime Minister for Economic Affairs), as well as observers from donor community and civil society organisations. The Decision appoints priority coordinators and measure leaders for each priority and measure from the Programme, giving them certain tasks in the system for monitoring and reporting.

Priority Coordinator monitors fulfilment of indicators under the respective priority and report on the progress in reforms on priority level to the PFM Working Group.

Measure Leader monitors the fulfilment of indicators under his measure and prepare summary reports on reform execution to the Priority Coordinator.

¹ More information can be found on the following link: <https://www.finance.gov.mk/en/node/7867>

The IPA and NPAA Unit within the Ministry of Finance represents the Coordination Unit, acting as a technical secretariat to support functioning of the PFM Working Group and PFM Council. In general, its tasks will comprise of technical preparation of the meetings of the PFM Council and PFM Working Group and preparation of compiled reports on progress in implementation of the reforms under each priority and compiled annual action plans, based on the input provided by the Priority Coordinators and Measure Leaders.

These working bodies also ensure the necessary coordination among all PFM sub-system strategies and policies (PIFC Policy Paper) as well as the other related national strategies, such as the Public Administration Reform Strategy.

ANNEX IV - Project/sector relevant publically available Conclusions/agreements between EU and the Final Beneficiary resulting from the political dialogue

Conclusions of the conducted PFM Policy Dialogues can be found on the following link:
<https://www.finance.gov.mk/en/node/7867>

List with abbreviations

AFCOS	Anti-fraud coordination service
AP	Accession Partnership
BC	Beneficiary Country
CARNM	Customs Administration of the Republic of North Macedonia
CHU	Central Harmonisation Unit
CLs	Component leaders
CV	Curriculum Vitae
EC	European Commission
ERP	Economic Reform Programme
EU	European Union
EUD	European Union Delegation
FMC	Financial Management Control
GDP	Gross domestic product
IA	Internal Audit
IFMIS	Financial Management Information System
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IPARD	EU Instrumet for pre-accession (IPA) Rural Development Programme
ISP	Indicative Strategy Paper
IT	Information technology
LPP	Low on Public Procurement
LSGUs	Local Self-Government Units
MoF	Ministry of Finance
MS	Member State
NAFS	National Anti-Fraud Strategy
NAO	Nacional authoriyng officer
NGOs	Non-governmental organizations
NPAA	National Programme for the Adoption of the Acquis
OBL	Organic Budget Law
OECD	Organisation for Economic Cooperation and Development
OLAF	European Anti-Fraud Office

PAR	Public Administration Reform
PFM	Public Finance Management
PIFC	Public Internal Financial Control
PL	Project Leader
PPB	Public Procurement Bureau
PSC	Project Steering Committee
RTA	Resident Twinning Advisor
SAA	Stabilization and Association Agreement
SAC	State Appeals Commission
SAFE	Strengthening Accountability and the Fiduciary Environment
SIGMA	Support for Improvement in Governance and Management
STEs	Short-term experts
SWG	Sector Working Group
TA	Technical assistant
TAIB	Transition Assistance and Institution Building
TNA	Training needs assessment
TWF	Trwinning Fiche
WB	World Bank