



ANNEX C1bis: Twinning Light Fiche ¹

Project title: Strengthening the capacity of Financial Inspection and Anti-Fraud Coordination Services (AFCOS)

Beneficiary administration: Ministry of Finance - Department for Public Sector Financial Inspection and Coordination for combating fraud against EU Funds

Twining Reference: MK 24 IPA FA 01 25 TWL

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EU funded project
TWINNING TOOL

¹ For Twinning Light the project Fiche should be detailed as it will form an annex to the Twinning Light Grant Contract together with the selected Member State proposal. The Twinning Light project Fiche, besides all the data and information mentioned under section 2.1.1, provide also concrete indications on how the work plan should be established, on the suggested schedule of activities, on the profile of short-term experts and on indicators and targets that should be used to ensure the timely achievement of the mandatory results.

Acronyms and Abbreviations

AFCOS	Anti-Fraud Coordination Services

1. Basic Information

- 1.1 Programme: EU Integration Facility; Annual action plan in favour of North Macedonia for 2024; CRIS IPA III/ 2024 /045-609; OPSYS ACT-62395 (JAD.1354913) (direct management)
- 1.2 Twinning Sector: Finance, Internal market and economic criteria - FI
- 1.3 EU funded budget: Maximum amount of the grant 250.000 EUR
- 1.4 Sustainable Development Goals (SDGs):
SDG 16 Peace, Justice and Strong Institutions,

2. Objectives

- 2.1 Overall Objective(s):
Enhancing the efficiency and effectiveness of financial inspections related to the spending of national and EU funds
- 2.2 Specific objective :
Strengthen the efficiency and effectiveness of financial inspections related to the spending of national and EU funds
- 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 NPAA/2023 EC Country Progress Report

The EU Annual accession report recommends in Chapter 32 - Financial control, in the field of Protection of EU financial interests the 2023 EC Report that North Macedonia should continue strengthening the capacity of the Anti-Fraud Coordination Service (AFCOS) and the 2022-2025 National Strategy for Combating Fraud and Protection of the EU Financial Interests in the Republic of North Macedonia and the corresponding Action Plan should be properly implemented. Also, in part C SUMMARY OF FINDINGS – PROTECTION OF THE EU'S FINANCIAL INTERESTS states that the cooperation with the European Commission on investigations is good, but the mandate of the national authorities for cooperating on investigations needs to be revised.

Link with IPA III (2021-2027)

The general objective of the IPA III instruments is to support the beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries to comply with Union values and to progressively align to Union rules, standards, policies and practices with a view to Union membership, thereby contributing to their stability, security and prosperity.

Link with Public Financial Management Reform Program „SMART PUBLIC FINANCES” 2022-2025

The Programme is based on the SMART public finance concept, as one of the priorities of the Government. SMART finances is based on clear strategy built on the pillars of accountability, reform-orientation and transparency. Under this system of SMART finances, public finance reforms will be implemented in terms of longer-term and better-quality planning of the budgets. Results should be sustainable and focusing on improving the transparency.

Link with sector reform strategies

The National Anti-Fraud Strategy 2022 - 2025 (NAFS)

Government of the Republic of North Macedonia adopted the 2022 - 2025 National Anti-Fraud Strategy for the Protection of the Financial Interests of the European Union in the Republic of North Macedonia and the related Action Plan for Strategy Implementation.

The development of National Anti-Fraud Strategy was necessary in order to ensure an effective and efficient protection of the EU's financial interests and the national financial interest by strengthening the legal, the institutional and the operational framework in preventing, detecting and combating irregularities and frauds when implementing the EU funds. The Strategy requires enhancement to establish efficient measures against irregularities and fraud taking into account the identified risks. Measures should consider all necessary steps for prevention, detection, treatment, reporting on irregularities and cases of suspected fraud to OLAF, as well as subsequent monitoring of reported cases, prosecuting cases of fraud, imposing sanctions and recovering improperly spent EU funds. 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.

National Strategy for Prevention of Corruption and Conflict of Interest 2021-2025

In the concept of the National Strategy 2021-2025, an integrated approach is applied directed by twelve strategic goals that relate to the: 1) Increasing the level of political responsibility and demonstrated political will; 2) Management of political influence in the public sector and prevention of political influence in the work of independent institutions and in regulated procedures by law; 3) Strengthening the integrity and accountability in the public sector; 4) Implementation of competencies in the public sector in a legal, transparent, ethical, economical, responsible and effective way; 5) Ensuring integrity and transparency in employment and policies for human resources in the public sector, based on a value system and quality criteria; 6) Strengthening the supervisory and control mechanism Digitalization of public services; 7) Reduction of corruption in public procurement and in the process of awarding concessions, grants, subsidies and other state aid; 8) Strengthening the capacities and the commitment of the institutions for implementation of law, the prosecution and the judiciary in detecting and sanctioning corruption, as well as strengthening the resistance to corruption in their ranks; 9) Supporting transparency and integrity in the private sector; 10) Raising public awareness and conducting anti-corruption education; 11) Involvement of civil society and the media in the fight against corruption in society and 12) building personal and professional integrity. The National Strategy 2021-2025 in coordination with the strategic and reform processes in the Republic of North Macedonia are general framework for a coordinated and comprehensive fight against corruption and conflict of interest.

Public Administration Reform Strategy 2023-2030

The aim of the Strategy is to be established professional, quality and service-oriented public administration as a key to achieving economic growth, for strengthening competitiveness, improving the quality of life and dealing with all the challenges in society. The strategy for RJA (2023-2030) is directly aimed at achieving this priority through definitions the goals that provide a strategic framework for the development of the public administration until 2030 "Modern and efficient public administration based of digitization that provides quality and fast services for citizens and business entities".

3. Description

3.1 Background and justification:

The Rulebooks on organization and on systematisation of the Ministry of Finance adopted in December 2018 established a Department for Public Sector Financial Inspection and Coordination for Combating Fraud against EU Funds for financial inspection in the public sector, which conducts ex post controls on the management of public funds. Also, within this Department it was established the EU Anti-Fraud Coordination Unit (AFCOS) in order to protect the financial interests of the European Union through the coordination of administrative and operational obligations concerning the fight against fraud of EU funds and effective cooperation with the European Office for the fight against fraud (OLAF).

The Department for financial inspection in the public sector and coordination of the fight against fraud of EU funds operates with three units, namely:

- Unit for Financial Inspection of entities at the central level,
- Unit for financial inspection of entities at the local level and
- EU Anti-Fraud Coordination Unit (AFCOS).

Considering the provisions of the new Law on Financial Inspection in the Public Sector (*) ("Official Gazette of the Republic of North Macedonia" no.19/23), the financial inspection acts continuously on submitted reports, as well as on official duty, with the aim of protecting public financial interests in the financial management of state budget funds, budgets of local self-government units and funds from other public sources as well as EU funds. The financial inspection shall determine the legality and the efficient and responsible use in accordance with the special regulations that prescribe the authority to conduct a financial inspection.

With the adoption of the new Law on Financial Inspection in the Public Sector (*), it is necessary to develop the procedure to formalize the cooperation between the AFCOS unit and Public Sector Financial Inspection. This cooperation will focus on addressing cases of irregularities in the implementation of the IPA funds, reported by the AFCOS Unit.

The Department faces a substantial volume of submitted reports on an annual basis, undercoring the need to enhance its capacity by increasing human capacities beyond current staffing level.

Additionally, there is a pressing need to improve the legal framework, develop a comprehensive methodology and strengthen the capacity of inspectors to ensure effective and efficient oversight of public finances.

As a part of this objective, enhancing the capacity of all institutions within the AFCOS network established in 2023 shall be an integral part. Specific attention should be directed towards establishing and improving cooperation with relevant institutions within the AFCOS network (Public Prosecutor's Office, Financial Police Office, State Audit Office, Ministry of Interior, competent courts, external experts etc.).

The general legal framework governing financial crime and fraud related to EU funds includes the Criminal Code, the Law on Criminal Procedure, the Law on Financial Police, the IPA Framework Agreement and other relevant legislation. 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 has been accredited by the EC since 2009 with the Decisions for conferral of management powers.

In this regard, the procedure shall cover in detail the reporting to the financial inspection, the form of the report submitted by the AFCOS Unit, the follow up of the reported case and the feedback by the financial inspection submitted to the reporting authority, the AFCOS Unit.

3.2 Ongoing reforms:

Pursuant to the adopted National Anti-Fraud Strategy on Protection of the Financial Interests of the EU (2022 - 2025), improvements are needed in several key areas: legal and institutional system for protection of the EU's financial interests; cooperation and co-ordination 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, reporting 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 (2024-2025) and could be updated annually.

The working group is working on the preparation of the new Criminal Code.

Regarding investigations, draft amendments to the Law on Financial Police have been prepared and are in parliamentary procedure. The amendments stipulate the competence of the Financial Police to conduct a criminal investigation in cases of fraud to the detriment of the funds of the European Union, in accordance with the provisions of the Criminal Code.

3.3 Linked activities:

Title: "Strengthening Budget Planning, Execution and Internal Control Functions"

Donor: EU funded

Duration: 54 months (February 2020 to July 2024)

Description: Within the framework of the IPA Twining Project MK 18 IPA FI 01 19 "Strengthening Budget Planning, Execution and Internal Control Functions", with the support of experts, a series of activities were undertaken to strengthen the role of financial inspection. In order to achieve this goal, the new Law on Financial Inspection in the Public Sector (*) was adopted, as well as several by-laws that resulted from it. A Training Program for inspectors was adopted and published in the "Official Gazette of the Republic of North Macedonia" No. 148/24. The training programme aims at constant and continuous training of inspectors. A Procedure for performing a financial inspection with attachments has also been prepared and submitted to the quality team for review. This procedure fully determines the manner of action of financial inspectors in a procedure for performing a financial inspection of entities from the public sector, in accordance with the provisions of the Law on Financial Inspection in the Public Sector (*).

Additionally, within the IPA Twining Project, a legal base for full operationalization of the AFCOS Unit was developed. This legal base, beside the legal ground in the Organic Budget Law and the secondary legislation, also include the drafting of Manual of procedure for the AFCOS Unit. Within this procedure the cooperation with other administrative inspections/institutions is not covered and there is a recommendation of developing a procedure between the AFCOS Unit and the Financial inspection, in cases where a report for irregularities is reported by AFCOS to the Financial inspection.

Project Cost: *Budget: 3,700,000 EUR*

Title: Irregularity management – Usage of Irregularity Management System (IMS)

Donor: EU-Financed TAIEX Program

Duration: 3 technical missions in the period September - December 2024

Description: Technical missions will be conducted by expert from Croatia for presentation of irregularity management system's practices in Croatia, regarding usage of the tools (Irregularity management system), as the main e-tool administrated by the European Commission, classifying the types of irregularities, extracting results from the system, and drafting statistical information from it. The expert mission is envisaged not only for strengthening the capacities of the AFCOS Unit, but for the whole IPA management system, in reporting of irregularities, through improving the knowledge and the skills for reporting the irregularities through the IMS.

Title: TAIEX Study Visit on Financial Inspection in Public Sector, Sofia, Bulgaria ID: 69282

Donor: European Union

Duration: 25-27.09.2019

Description: The overall aim of the study visit was to increase the efficiency of the Financial Inspection in public sector as a part PIFC system through practical training on execution of the financial inspection in public sector and exchanging the experience from the Bulgarian Public Inspection Financial Agency.

The objective of the study visit has been met, by sharing comprehensive presentations with the good practices from the employees from each organizational unit of the PFIA Agency of Bulgaria. Taking into consideration the wide experience of the Bulgarian inspectors gained through years of working in the PFIA, created in 2006, as a legal successor of the PIFCA, a wide specter of lessons and practices were shared.

3.4 List of applicable *Union acquis*/standards:

When appropriate, indicate the correspondence with domestic legislation.

Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.

Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (amendments by Regulation (EU, Euratom) 2016/2030 of the European Parliament and of the Council of 26 October 2016 and by Regulation (EU, Euratom) 2020/2223 of the European Parliament and of the Council of 23 December 2020).

Regulation (EC, Euratom) No 2988/1995 of 18 December 1995 on the protection of the European Communities financial interests.

Regulation (EC, Euratom) No 2185/1996 of 11 November 1996 concerns on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities financial interests against fraud and other irregularities.

Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO').

Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal.

3.5 Components and results per component

The project will provide support to Department for Public Sector Financial Inspection and Coordination for Combating Fraud against EU Funds.

The project is structured in 2 (two) components reflecting the institutional structure of inspection and AFCOS Unit for sound and protection of EU Funds.

Component 1: Strengthened capacities for financial inspection and improving the efficiency and effectiveness of the financial inspections related to the expenditure of national and EU funds.

Component 2: Establishing processes of cooperation between the AFCOS unit and Public Sector Financial Inspection regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit.

The twinning project will be implemented by close co-operation between the partners aiming to achieve the following results:

Component 1: Strengthened capacities for financial inspection and improving the efficiency and effectiveness of the financial inspections related to the expenditure of national and EU funds.

Mandatory results:

- Mandatory Result 1: Improved system for prioritizing financial inspection developed.
- Mandatory result 2: Enhanced methodologies for conducting financial inspections on expenditure of national and EU funds.
- Mandatory result 3: Guidelines for cooperation with other institutions and external experts developed.
- Mandatory result 4: Training of financial inspectors for conducting financial inspections on expenditure of national and EU funds carried out.

Component 2: Establishing processes of cooperation between the AFCOS unit and Public Sector Financial Inspection regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit.

Mandatory results:

- Mandatory Result 1 : Improved reporting and communication lines between AFCOS and Financial Inspection regarding cases of irregularities in IPA funds
- Mandatory Result 2: Institutional capacity of AFCOS unit and AFCOS network strengthened

3.6 Expected activities:

The Twinning project should be implemented jointly and not be a one-way technical assistance from a Member State to a Beneficiary Country.. The selected MS shall transfer the requested hands-on public sector expertise to the Beneficiary Country, introducing and sharing EU wide best practices in connection with the EU Acquis. The Twinning assistance will be provided in the form of know-how transfer, and could be delivered through the activities that will indicatively include:

Component 1: Strengthened capacities for financial inspection and improving the efficiency and effectiveness of the financial inspections related to the expenditure of national and EU funds.

Mandatory Result 1 Improved system for prioritizing financial inspection requests developed.

Activity 1.1.1. To review the existing methodology for prioritizing of financial inspection in correlation with correspondent laws and by-laws and to prepare a report with recommendations for improvement.

Activity 1.1.2. Training for the manner of prioritizing of financial inspection with case studies.

Mandatory result 2: Enhanced methodologies for conducting financial inspections on expenditure of national and EU funds.

Activity 1.2.1. To review the existing methodological tools for conducting financial inspections on spending of national and EU funds and to prepare a report with recommendations for improvement.

Activity 1.2.2. To review the existing regulative framework related to the financial inspection in the public sector (Law on Financial Inspection in the Public Sector and the correspondent by-laws and internal acts) in the correlation with the regulative framework referring to spending and control of spending of EU funds and to prepare a report with recommendations for conduction of financial inspections on EU funds spending.

Mandatory result 3: Guidelines established for cooperation with other institutions and external experts.

Activity 1.3.1. To review the existing framework regulating the work of the competent bodies – public prosecutor’s office, financial police directorate, SAO, MOI, competent courts, and prepare a report/guideline with defined processes for establishing an effective cooperation between the Financial inspection and the bodies listed.

Mandatory result 4: Trained financial inspectors for conducting financial inspections on expenditure of national and EU funds.

Activity 1.4.1. Training for conducting financial inspections on spending of national and EU funds with case studies.

Component 2 - Establishing processes of cooperation between the AFCOS unit and Public Sector Financial Inspection regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit

Mandatory Result 1: Improved reporting and communication lines between AFCOS and Financial Inspection regarding cases of irregularities in IPA funds

Activity 2.1.1. Report with written recommendations on analysis of the reporting and communication lines between the AFCOS unit and Financial Inspection regarding the cases of irregularities of implementation of the IPA funds prepared, including a comparative analysis with the selected Member state.

Activity 2.1.2. Preparing Draft internal manual of procedures and reporting lines between AFCOS Unit and FI, based on the recommendations in the assessment Report

Experts from an EU Member State will prepare procedures for establishing the cooperation between the AFCOS unit and Public Sector Financial Inspection regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit and reporting lines applicable for AFCOS Unit and FI, based on the recommendations in the Report.

Activity 2.1.3. AFCOS Unit internal procedure regarding the cases of irregularities of implementation of the IPA funds revised

Experts from an EU Member State will assist the employees of AFCOS Unit in developing internal procedure and revised regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit and key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia and will prepare recommendations for improving methodology and reporting lines between the institutions - between AFCOS Unit and the different key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia.

Activity 2.1.4. Development of the AFCOS website

For the better transparency of AFCOS and the opportunity for interested parties to be better and more simply informed and to report irregularities. This activity is expected to be subcontracted. The cost of hosting/regular maintenance of the website will be beared by MoF's budget.

Mandatory result 2: Institutional capacity of AFCOS unit and AFCOS network strengthened

Activity 2.2.1. Develop a paper with recommendations on retention policy and carry out a training needs assessment for employees of AFCOS Unit, financial inspectors and employees of the key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia

To conduct a Training needs assessment for AFCOS Unit for financial inspectors and employees of the key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia, through questionnaire and interviews, etc..

Activity 2.2.2 Design and Implementation of a training program on new processes and responsibilities under the updated legal framework to organize trainings, for practical examples for good cooperation between AFCOS Unit and Financial Inspection

Training program (in line with FI) shall be prepared which has established a cooperation between the AFCOS Service and the financial inspection. The training shall in detail give a practical view of the cooperation between the AFCOS Unit and the Financial inspection, through providing practical examples and cases, for the area of reported irregularities within the IPA funds. The duration of the training shall be 2 days in a row, with duration of 5 hours and the target group shall be consisted of the representatives of the AFCOS Unit, Financial Inspection and the leading IPA structures – National Authorizing Officer (NAO), Central Financing and Contracting Department and IPARD Agency.

Activity 2.2.3. Workshop for practical examples about good cooperation with different relevant institutions and experts (Public Prosecutor's Office, Financial Police Office, SAO, Ministry of Interior, competent courts, external experts etc.).

As the System of protection for the financial interests of the European Union in Republic of North Macedonia is consisted of not only the AFCOS Unit and the IPA structures, but also the law enforcement institutions, a workshop on establishment of cooperation with different relevant institutions in these areas shall be organized. The aim of this workshop shall be strengthening the cooperation between these institutions and the AFCOS Unit, but also taking the consideration the added value of contribution to these cases of irregularities by the Financial inspection. This workshop shall represent the possibilities of establishing and improving the cooperation between the financial inspection and the key institutions of the System of protection for the financial interests of the European Union in Republic of North Macedonia in the area of reported irregularities within the IPA funds. It shall be organized with duration of 2 days in a row, with maximum number of 20 participants, from the Financial inspection, AFCOS Unit, IPA structures, Public Prosecutor Office, Financial Police Office, Ministry of Interior, State Audit Office, State Attorney Office and representatives from the component courts.

Activity 2.2.4. Direct transfer of know-how, study visits to Member State

Direct transfer of know-how carried out, preferably throughout study visits to Member State with relevant employees (2 study visits at least 5 persons per visit from the MoF Department for Public Sector Financial Inspection and Coordination for combating fraud against EU Funds) focused on the EU best practices in the field of protection of financial interests of the EU and Financial Inspection regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit. The objective of the study visit will be to get acquainted with the best practices in similar institutions in relevant EU Member. The study visit will be useful for ensuring networking with the representatives of the national institutions of the Twinning partners, building mutual trust among the administrations as well as to see how the established systems, procedures and processes work in practice, as well as encountered specific problems.

3.7 Means/input from the EU Member State Partner Administration*:

The project will be implemented in the form of a Twinning Light contract envisaged to provide exchange of experience and know-how with a MS Institution with good practice in the stated project activities. The Twinning Partner shall provide an adequate team of experts – one MS Project Leader, responsible for overall coordination of project activities, Component Leaders (CLs) and a pool of Short-Term Experts (STEs) with suitable knowledge to carry out the activities described.

Profile and tasks of the PL:

Qualification and skills:

- University degree in the field relevant for this project, or equivalent experience of minimum 8 years in the relevant field;
- Proven contractual relations to a public administration or mandated body.
- At least 3 years of specific professional experience in the area relevant to the project;
- Project management experience;
- Fluency in written and oral English language;
- Computer literacy;

The main tasks of the Member State Project Leader are:

- *Conceive, supervise and coordinate the overall Twinning project;*
- *Coordinate and monitor the overall implementation of the project including coordination and direction of the MS Twinning partner;*
- *Coordinate MS experts' work and availability;*
- *Permanent contacts with the main counterpart in the BC;*
- *Ensure the backstopping functions and financial management;*
- *Guarantee from the MS administrative side, the successful implementation of the Project's Work Plan; participate in meetings of the Project Steering Committee with the BC PL;*

3.7.1 Profile and tasks of Component Leaders:

Qualifications and skills:

- University degree in the field relevant for this project, or equivalent experience of minimum 8 years in the relevant field;
- Proven contractual relations to a public administration or mandated body.
- At least 3 years of specific professional experience in the area relevant to the project;
- Project experience;
- Fluency in written and oral English language;
- Computer literacy;

Tasks:

The MS CLs will manage the project team of selected member state(s) experts and supervise and co-ordinate the implementation of project activities by components.

- assist in revision and preparation of the draft legislation.
- plan and coordinate outputs and ensure proper quality of outputs;
- together with the Project Leader, to nominate, mobilize and supervise the short term experts;
- coordinate and organize study visits, training activities, workshops and public awareness activities;
- provide detailed reports on the impact of the project.

3.7.2. Profile and tasks of other short-term experts:

Qualifications and skills:

- Proven contractual relations to a public administration or mandated body
- University degree in the field relevant for this project or equivalent experience of minimum 8 years in the relevant field;
- At least three-year experience in the field of controlling of spending of public funds or EU funds;

- Knowledge on processes related to controlling of spending of public funds and EU funds;
- Experience in managing trainings;
- Knowledge on the EU legislation in relation to EU funds issues and related data bases;
- Fluency in English.

The Short-Term experts will:

- 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/advice to relevant staff for execution of different tasks related to the project;
- Assist in key tasks, e.g. in the field of revision of by-laws and development and revision of procedures
- Preparation and reporting work, before and after missions to the Beneficiary country; and
- Address cross-cutting issues.

The number of short-term experts and their required qualifications should be identified by the Project Leader in the course of project implementation. The short-term experts are expected to have qualifications and skills as detailed here-after respectively covering the following areas Financial inspection, capacity building in Internal Controls/Financial Inspection, detection and reporting of irregularities, development of accountability systems, protection of European Union interest, development of internal manuals and reporting lines in Inspection/protection of European Interest.

4. Budget

The project will be implemented through a Twinning Contract estimated at maximum 250,000 EUR.

Twinning Contract	Total (EUR)	IPA contribution	
	250,000	EUR	%
		250,000	100

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting

The Delegation of the European Union will be responsible for tendering, contracting, accounting, monitoring and evaluating.

Mr Steffen Hudolin

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:

Mr Javier Castillo Alvarez
Programme Manager
Delegation of European Union
Sv. Kiril I Metodij 52b, 1000 Skopje
Republic of North Macedonia

5.2 Institutional framework

Main Beneficiary is the Ministry of Finance, Department for Financial Inspection in the Public Sector and Coordination for Combating Fraud against EU Funds. It is comprised of three Units:

1. Unit for Financial Inspection of Entities at Central Level, in charge of performing tasks and duties related to financial inspection of public sector entities at central level.
2. Unit for Financial Inspection of Entities at Local Level, in charge of performing tasks and duties related to financial inspection of public sector entities at local level and
3. EU Anti-Fraud Coordination Unit (AFCOS), in charge of coordinating the administrative and the operational tasks and duties and activities and proposing changes to the national legislation, all to the end of protecting the EU financial interests.

5.3 Counterparts in the Beneficiary administration:

5.3.1 Contact person:

Tatjana Trajkovska
Head of Department for Financial Inspection in the Public Sector and Coordination for Combating Fraud against EU Funds
Ministry of Finance
Address: Dame Gruev 12, 1000 Skopje
North Macedonia

5.3.2 PL counterpart

Tatjana Trajkovska
Head of Department for Financial Inspection in the Public Sector and Coordination for Combating Fraud against EU Funds
Ministry of Finance
Address: Dame Gruev 12, 1000 Skopje

6. Duration of the project

The overall execution period of the Twinning contract is 11 months.

The **implementation period of the Action will last 8 months**, taking into account the comprehensive set of activities envisaged within the project and the necessity for their realisation in order to achieve substantial progress in the field of free access to public information. 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. Sustainability

The project will be implemented in alignment with strategic objectives, laws, and guidelines to enhance the effectiveness of financial inspection in the public sector and EU anti-fraud coordination. Key activities will focus on refining the methodology for inspecting national and EU funds, improving coordination in combating EU fund fraud, and strengthening capacities through experience gained from Twinning partners.

With a strong emphasis on capacity building, the project aims to contribute to the sustainability of public administration by establishing standardized processes for long-term application. This includes the development of accessible documentation, such as procedures, guidelines, and tools, for future use by the beneficiary administration.

The achievements of the Twinning project will serve as a permanent asset for the beneficiary administration, ensuring that mechanisms are in place to disseminate and consolidate results post-project. Specifically, the cooperation between the AFCOS Unit and the Public Sector Financial Inspection in addressing IPA fund irregularities will have a lasting impact on safeguarding both the EU and national funds.

The project will also implement a procedure based on Member State best practices for cooperation between the AFCOS Unit and Financial Inspection, enhancing capacities for detecting, reporting, and recovering irregularities in IPA fund implementation. Training workshops will further strengthen the system for protecting the financial interests of the EU, improving the ability to manage irregularities and enhance budget protection.

For sustainability, especially in projects supporting the development of sector policies, strategies, or legislative amendments, proposals should be supported by impact assessments and stakeholder consultations. Adequate time for preparatory work and careful adoption procedures are essential to ensure successful implementation and enforcement. The beneficiary must also plan for the allocation of necessary resources to sustain results in their budget planning.

8. Crosscutting issues

Equal opportunity

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Ministry of Finance is committed to promote equality of opportunity for women and men in terms of employment, service delivery and involvement. This project should ensure adequate representation of women in the activities of the project.

Environment

The environmental impact of this project will be limited. It will not have a negative impact on the environment nor jeopardise environment, health and security in the future. The project will be delivered in the most environmentally friendly way possible, including the recycling of paper and the reduction of paper-based activities to the absolute minimum, including through distribution of project materials through uploading them on intranet/internet. The project has no negative effect on the environment.

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 which has the potential to bring more powers and responsibilities to women, traditionally occupying lower management levels.

Another important opportunity to enhance the equal opportunities between men and women is Strategy for gender equality 2022-2027 adopted by a Government.

9. Conditionality and sequencing

This Project is a whole new initiative and it is not dependent for outcomes of other actions. Furthermore, in future terms, part of these objectives (for example workshop or pilot inspection where AFCOS reports a case of irregularity to Financial inspection), can be followed up with some TAIEX initiative.

10. Indicators for performance measurement

Definition of project specific, realistic, verifiable targets and indicators complementing point 9.

Indicators under Component 1

Activity 1.1.1: Existing methodology for prioritizing of financial inspection requests in correlation with correspondent laws and by-laws reviewed and a report with recommendations for improvement prepared.

Activity 1.1.2: Training for the manner of prioritizing of financial inspection requests with case studies organised.

Activity 1.2.1. Existing methodological tools for conducting financial inspections on spending of national and EU funds reviewed and a report with recommendations for improvement prepared.

Activity 1.2.2. Existing regulative framework related to the financial inspection in the public sector (Law on Financial Inspection in the Public Sector and the correspondent by-laws and internal acts) in the correlation with the regulative framework referring to spending and control of spending of EU funds reviewed and a report with recommendations for conduction of financial inspections on EU funds spending prepared.

Activity 1.3.1. Existing framework regulating the work of the competent bodies – public prosecutor's office, financial police directorate, SAO, MOI, competent courts reviewed and a report/guideline with defined processes for establishing an effective cooperation between the Financial inspection and the bodies listed prepared.

Activity 1.4.1. Training for conducting financial inspections on spending of national and EU funds with case studies organised.

Indicators under Component 2

Activity 2.1.1

Assessment report with written recommendations on analysis of the reporting and communication lines between the AFCOS unit and Financial Inspection prepared

Activity 2.1.2

Procedures for establishing the cooperation between the AFCOS unit and Public Sector Financial Inspection prepared

Activity 2.1.3

Revised internal procedure regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit

Activity 2.1.4.

AFCOS website is developed

For the better transparency of AFCOS and the opportunity for interested parties to be better and more simply informed and to report irregularities, the twinning could subcontract a company for the website development but the cost of hosting/regular maintenance of the website should be embedded within MoF's budget.

Activity 2.2.1.

Training needs assessment conducted for employees of AFCOS Unit, financial inspectors and employees of the key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia

Activity 2.2.2

Design and implementation of the training program

Activity 2.2.3

Organised workshop with practical examples about good cooperation with different relevant institutions and experts

Activity 2.2.4

2 study visits at least 5 persons per visit from the MoF Department for Public Sector Financial Inspection and Coordination for combating fraud against EU Funds carried out.

11. Facilities available

The beneficiary will provide the MS Twinning partner with appropriate office space, meeting rooms, and necessary equipment for expert activities and training as outlined in the Twinning fiche.

For expert missions and roundtables, the Ministry of Finance will offer its meeting rooms and office spaces. For training sessions, the nearby Parliamentary Club, equipped with conference rooms, technical facilities, and catering services, will be utilized.

ANNEXES TO PROJECT FICHE

Logical framework matrix as per Annex C1b (compulsory)

Organigram <https://finance.gov.mk/wp-content/uploads/2022/12/Organogram-na-MF.pdf>

Law on the Financial Inspection in the Public Sector (*)

<https://finance.gov.mk/%D0%B7%D0%B0%D0%BA%D0%BE%D0%BD%D0%B8/>

Strategic plan of the Ministry of Finance 2024-2026

chrome-extension://efaidnbmnnnibpcajpcgclcfndmkaj/https://finance.gov.mk/wp-content/uploads/2024/02/Strateski-plan-MF-2024-2026.pdf

Annex C1b: Simplified Logical Framework

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	Enhance the efficiency and effectiveness of financial inspections related to the spending of national and EU funds	<p><i>Progress made toward fulfilment of EU accession criteria (steady progress in related Chapter 32)</i></p> <p><i>Baseline: The country is moderately prepared in the area of financial control and has made limited progress.</i></p> <p><i>Target: The country makes some progress under the Chapter 32 in the annual accession report</i></p>	<i>EC Progress Report and other relevant external assessment reports</i>	<p><i>Lack of awareness and commitment from high-level officials</i></p> <p><i>Lack of commitment by variety of institutions related to the spending of national and EU funds</i></p>	Prudent fiscal discipline

<p>Specific (Project) Objective(s)</p>	<p>Strengthen the efficiency and effectiveness of financial inspections related to the spending of national and EU funds</p>	<p>Improvements in the administrative capacity and methodological guidance of Financial Inspection and AFCOS Baseline: The country is moderately prepared in the area of financial control and has made limited progress. Target: There is progress under chapter 32 in the annual accession report</p>	<p>Annual report on the Work of the Financial Inspection in the Public Sector</p> <p>Annual report on the implementation of the National Anti-Fraud Strategy on Protection of the Financial Interests of the European Union</p>	<p>Continuous outflow of staff</p>	<p>Professional commitment and openness to adopt new working processes/methods</p> <p>Ensured continuity of the appointed and trained staff</p>
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<p>Mandatory results Component 1</p>	<p>The capacity of financial inspection bodies to oversee the expenditure of national and EU funds strengthened, resulting in more efficient, effective, and timely inspections. Improved detection of irregularities, ensured greater compliance and accountability, and established sustainable processes through training, digital tools, and enhanced monitoring systems</p>	<p>1.Improved system for prioritizing financial inspection developed.</p> <p>Baseline: The current system for prioritization does not offer a solution to reduce the very large backlog of cases</p> <p>Target: New criteria for prioritization is developed to reduce the number of pending cases.</p> <p>2.Enhanced methodologies for conducting financial inspections on expenditure of national and EU funds.</p> <p>Baseline: Existing methodology only cover national funds, not EU funds</p> <p>Target: Revised methodology to cover EU funds developed.</p> <p>3.Guidelines for cooperation with other</p>	<p>Copy of guidelines/methodological tools</p> <p>Attendance sheets</p>	<p>Rotation of staff</p>	<p>Political engagement to reinforce human resources and adopt the revised methodologies/guidelines</p>
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		<p>institutions and external experts developed.</p> <p>Baseline: Guidlines are inexistent</p> <p>Target: New guidelines are developed and adopted.</p> <p>4.Training of financial inspections for conducting financial inspections on expenditure of national and EU funds carried out.</p> <p>Baseline: 0</p> <p>Target: 7 (Head Department, 4 inspectors, junior collaborator and senior collaborator)</p>			
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<p>Mandatory results component 2</p>	<p>Administrative capacities of AFCOS Unit and key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia enhanced, including Reporting and communication lines between the AFCOS unit and, Public Sector Financial Inspection regarding the cases of irregularities of implementation of the IPA funds</p>	<p>1. Report with written recommendations on analysis of the reporting and communication lines between the AFCOS unit and Financial Inspection developed Baseline: No formal guidelines for internal communications exist in AFCOS Target: formal procedures of communications between AFCOS stakeholders developed.</p> <p>2.Strengthened institucional capacity of AFCOS Unit and AFCOS network Baseline: 0 Target: At least 2 workshops organized for AFCOS network Paper with recommendations on retention policy developed.</p>	<p>Copy of guidelines/methodological tools developed</p>	<p>Limited capacity of AFCOS units/rotation of staff</p>	<p>Political engagement to reinforce human resources and adopt the revised methodologies/guidelines</p>
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		2 study tours organized			
Activities Component 1	Activity 1.1.1. To review the existing methodology for prioritizing financial inspection requests in correlation with correspondent laws and by-laws and to prepare a report with recommendations for improvement.	Prepared report with recommendations for improvement the existing methodology for prioritizing of financial inspection requests	Copy of final report	Lack of quality external expertise Lack of awareness and commitment from high-level officials	Political engagement to reinforce human resources
	Activity 1.1.2. Training for the manner of prioritizing of financial inspection with case studies.	Carried out training	Copy of training material/ training attendance sheets	Rotation of staff	Ensured continuity of the appointed and trained staff

	Activity 1.2.1. To review the existing methodological tools for conducting financial inspections on spending of national and EU funds and to prepare a report with recommendations for improvement.	Prepared report with recommendations for improvement	Copy of final report	Lack of quality external expertise	Political engagement to reinforce human resources and adopt the revised methodologies/guidelines
	Activity 1.2.2. To review the existing regulative framework related to the financial inspection in the public sector (Law on Financial Inspection in the Public Sector and the correspondent by-laws and internal acts) and the regulative framework referring to spending and control of spending of EU funds and to prepare a report with recommendations for conduction of financial inspections on EU funds spending.	Prepared report with recommendations for conduction of financial inspections on EU funds spending	Copy of report	Lack of quality external expertise	Political engagement to reinforce human resources and adopt the revised methodologies/guidelines

	Activity 1.3.1. To review the existing framework regulating the work of the competent bodies – public prosecutor’s office, financial police directorate, SAO, MOI, competent courts, and prepare a report/guideline with defined processes for establishing an effective cooperation between the Financial inspection and the bodies listed.	Existing framework regulating the work of the competent bodies – public prosecutor’s office, financial police directorate, SAO, MOI, competent courts reviewed and a report/guideline with defined processes for establishing an effective cooperation between the Financial inspection and the bodies listed prepared.	Copy of report/guidelines.	Lack of quality external expertise	Political engagement to ensure continuity and implementation of the documents prepared
	Activity 1.4.1. Training for conducting financial inspections on spending of national and EU funds with case studies.	Training for conducting financial inspections on spending of national and EU funds with case studies organised.	Copy of training material/attendance sheets	Lack of quality external expertise Rotation of staff	Political engagement to reinforce human resources

Activities Component 2	Activity 2.1.1. Report with written recommendations on analysis of the reporting and communication lines between the AFCOS unit and Financial Inspection regarding the cases of irregularities of implementation of the IPA funds prepared, including a comparative analysis with the selected Member state	Assessment report prepared with written recommendations on analysis of the reporting and communication lines between the AFCOS unit and Financial Inspection	Copy of assessment report	Lack of quality external expertise	
	Activity 2.1.2. Preparing Draft internal manual of procedures and reporting lines between AFCOS Unit and FI, based on the recommendations in the assessment Report	Prepared procedures for establishing the cooperation between the AFCOS unit and Public Sector Financial Inspection	Copy of procedures	Untimely Prepared procedures	
	Activity 2.1.3. AFCOS Unit internal procedure revised regarding the cases of irregularities of implementation of the IPA funds revised	Revised internal procedure regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit	Copy of the revised internal procedures	Untimely Prepared revised internal procedures	
	Activity 2.1.4. Development of the AFCOS website	The website of the AFCOS developed to match the good practice of similar institutions from the EU Member States	website of the AFCOS developed	Untimely Development of the AFCOS website	

	Activity 2.2.1. Carry out a training needs assessment of for employees of AFCOS Unit, financial inspectors and employees of the key institutions of the System for protection of the financial interests of European Union in Republic of North Macedonia	Prepared /Conducted Training needs assessment	Copy of training needs assessment report	Incomplete and untimely feedback from the public sector regarding training needs research Untimely Prepared Training needs assessment	
	Activity 2.2.2. Develop a paper with recommendations on retention policy and design and Implementation of a training program and Staff trained on new processes and responsibilities under the updated legal framework to organize trainings, for practical examples for good cooperation between AFCOS Unit and Financial Inspection	Paper with recommendations on retention policy developed Design and implementation of the training program	Copy of training program, material/attendance sheets	Untimely Prepared Annual Training Program Incomplete implementation of the Annual Training Program (cancellation or postponement of certain trainings)	

	Activity 2.2.3. Workshop for practical examples about good cooperation with different relevant institutions and experts (Public Prosecutor's Office, Financial Police Office, SAO, Ministry of Interior, competent courts, external experts etc.).	Organised workshop	Copy of presentations and attendance sheets	Low level of interest and response to the specific training, lack of commitment by variety of institutions	
	Activity 2.2.4. Direct transfer of know-how, study visits to Member States	Organized 2 study visits to Member States with relevant employees (at least 5 persons per visit from the MoF Department for Public Sector Financial Inspection and Coordination for combating fraud against EU Funds focused on the EU best practices in the field of protection of financial interests of the EU and Financial Inspection regarding the cases of irregularities of implementation of the IPA funds, reported by the AFCOS Unit	Agenda and Report of study visits	Lack of awareness and commitment from high-level officials	