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The Former Yugoslav
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Priorities Report 2013

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PRIORITIES

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

MAY 2013

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Table of Contents

2013-2020 SIGMA country priorities for public administration reform – explanatory note.....	2
Former Yugoslav Republic of Macedonia 2013-2020 SIGMA country priorities	3
Civil service and administrative legal framework	4
Public finance management	8
Public procurement, including PPPs and concessions	13

2013-2020 SIGMA COUNTRY PRIORITIES FOR PUBLIC ADMINISTRATION REFORM – Explanatory note

Aim and structure of proposals

SIGMA has identified the following country priorities for public administration reform (PAR), which are a continuation of the 2013 SIGMA assessments and part of a longer-term programme of work. Priorities cover the overall PAR needs of the country, including areas which were not covered by the assessments. Priorities in areas outside the scope of SIGMA assessments are based on other analytical sources and SIGMA's practical experience of working with the country.

SIGMA proposes priority 2020 targets for the countries, sub-targets when needed, and sequenced priority activities in 1-2, 3-5 and 5+ year time perspectives. The EC may wish to use the identified priorities to feed into the planning of EU assistance, in particular for IPA II, and to inform discussions with the country on public administration reform priorities.

FORMER YUGOSLAV REPUBLIC OF MACEDONIA**2013-2020 SIGMA COUNTRY PRIORITIES**

The following priority targets are proposed for the former Yugoslav Republic of Macedonia for 2020:

1. The main elements of a civil service and public employment system based on merit, comparable to the systems in EU Member States, including the basic integrity devices, are in place. Sound administrative procedures are applied in most areas, offering legal certainty to citizens and businesses.
2. A reliable public expenditure management system is in place, contributing to an effective and efficient administration characterised by:
 - A high level of fiscal discipline and a rational allocation of budget funds based on strategic priorities;
 - Effective control and efficient use of public funds, with an understanding by public managers of the concept of value for money;
 - A functioning internal and external accountability system;
 - Effective parliamentary oversight, supported by professional external audit exercised in accordance with international standards.
3. A public procurement system, including public-private partnerships (PPPs)/concessions, is in place and fully operational, in accordance with EU rules and good international practice. Procurement operations provide value for money, are sustainable under budgetary limitations, and stimulate economic growth. The levels of fraud and corruption are low. Economic operators and civil society are confident in the fairness of the system.

CIVIL SERVICE AND ADMINISTRATIVE LEGAL FRAMEWORK

STATE OF PLAY

A new Law on Administration is a key requirement for the civil service and public employment system which is in a standby condition, with some institutions moving away from the civil/public service legislation and creating their own employment regulations, thereby increasing fragmentation in the legal framework. In this complex environment the ministry in charge, the Ministry of Information Society and Administration (MISA), created two years ago, is struggling to obtain the appropriate resources for developing its co-ordination and technical capacities to implement reforms. This law is needed to create momentum for building a public service with common principles and for re-designing its institutional structure.

The system of appealing against administrative decisions, composed by the Second-Instance Commission, the Administrative Court and the High Administrative Court, is in a transitional stage due to the recent creation of these three institutions. The whole system maintains certain incoherencies in its design and presents some shortcomings in terms of staffing, financial resources and organisational set-up.

Target 2020	<p>A civil service and public employment system based on merit, comparable to the systems in EU Member States, is in place.</p> <p>Basic integrity systems in the civil service are in place, and political authorities and public employees are aware of their obligations and of the ethical behaviour expected from them.</p> <p>Sound administrative procedures are applied offering legal certainty to citizens and businesses.</p>
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CIVIL SERVICE AND ADMINISTRATIVE LEGAL FRAMEWORK

A public service system based on merit is largely established. Integrity systems in the public service are being developed.	
1-2 Years	<ol style="list-style-type: none"> 1. MISA to develop the public employment system by developing a sound legal framework, which is then adopted by the Government including a framework law for public employment, the Law on Administration, the Law on Salaries, the Catalogue of Work Positions, and the regulation of whistleblower protection; 2. Government to revise and reform the central institutional framework for public employment, to clarify the roles and co-ordination mechanisms of Ministry of Information Society and Administration (MISA), Agency of Administration (AA) and Secretariat for the Implementation of Ohrid Framework Agreement (SIOFA); 3. AA to develop its capacities for the management of merit-based selection processes; 4. State Commission for Prevention of Corruption (SCPC) to revise the regulations on the scope, responsibilities, public disclosure and management regarding asset and conflict-of-interest declarations; 5. SCPC to train its staff to provide guidance on ethics and to enhance the capacities of public institutions to develop and implement their own integrity plans.

CIVIL SERVICE AND ADMINISTRATIVE LEGAL FRAMEWORK

3- 5 Years	<ol style="list-style-type: none"> 6. MISA to begin the implementation of the main elements of the new public service legislation; 7. MISA and AA to develop and deliver training to support the implementation of the new public service legislation and tailor-made training and AA to enhance the capacities of the selection committees' members to manage merit-based selection processes ; 8. MISA to enhance its skills and capacities for training in HRM to support the new law by delivering training programmes for HR professionals and line managers and acting in an advisory capacity; 9. MISA to prepare and introduce HR planning to meet quantitative and qualitative needs of public institutions and to enable a better control of costs, by developing HR planning methodologies and information systems ; 10. MISA to professionalise management positions in the administration by regulating political advisors and other politically appointed positions and by exploring the feasibility of creating a senior civil service scheme; 11. MISA to further develop and implement the legal framework on public employment by amending the laws containing regulations on public employment, issuing secondary legislation according to the new legal framework, and developing guidelines and other non-binding instruments; 12. MISA to reform the performance appraisal system so as to enhance its effectiveness and limit the risks of unfairness by amending relevant regulations ; 13. MISA to design an effective organisational arrangement – through a public administration school or other options – for the delivery of training on horizontal issues; 14. MISA and Parliament to raise the awareness of citizens and politicians on the advantages of the merit system, by conducting surveys to monitor perceptions, developing awareness-raising activities, and providing opportunities for the exchange of information of Macedonian MPs and other politicians with their counterparts in EU Member States; 15. SCPC and MISA to create capacities for managing integrity in selected public institutions by providing methodologies for the elaboration of “integrity plans” and the training of “integrity managers”.
5 + Years	<ol style="list-style-type: none"> 16. MISA to implement completely the new public service legislation, including all secondary legislation; 17. MISA to conduct additional monitoring and independent assessments to identify the real impact of the reforms.

CIVIL SERVICE AND ADMINISTRATIVE LEGAL FRAMEWORK

Common sound administrative procedures have been regulated by law and are applied in most areas, offering legal certainty to citizens and businesses.	
1-2 Years	<ol style="list-style-type: none"> 1. MISA to draft a new Law on General Administrative Procedures (LGAP) according to EU principles and seeking the adequate participation of public institutions; 2. Judicial Council and Administrative Court to generate reliable data to measure the quality and efficiency of administrative justice, by developing quantitative and qualitative indicators concerning the performance of administrative courts and the enforcement of their decisions, in connection with the courts' common automated case management system.
3-5 Years	<ol style="list-style-type: none"> 3. MISA to draft secondary legislation to implement progressively the new LGAP; 4. MISA to prepare sector-targeted action plans, including training and awareness-raising actions, for the Administration, the judiciary, the lawyers and the citizens to enable a smooth implementation; 5. MISA to ensure adequate internal and social monitoring of the law implementation process; 6. MISA to conduct independent assessments to identify the real impact of the reforms in this area: LGAP implementation, system of appeals against administrative decisions (Second-Instance Commission, Administrative Court and High Administrative Court) and the 2006 freedom of information act; 7. MISA to reform the institutional framework for appeals against administrative decisions by enlarging the scope of action of the Second-Instance Commission.
5 + Years	<ol style="list-style-type: none"> 8. MISA to implement completely the LGAP, including all secondary legislation; 9. MISA to develop one-stop shops and e-administration; 10. MISA to develop a citizen-focused administration and public services; 11. MISA to develop quality management in ministries and public bodies.

PUBLIC FINANCE MANAGEMENT

STATE OF PLAY

The public expenditure management system meets most of the essential preconditions for an effective and efficient administration characterised by a high level of fiscal discipline and control of public funds. However, the staff concerned are not sufficiently encouraged to accept responsibility. Quite often the staff in budget users do not understand the importance of soundly based data and projections and ignore the fact that inefficient expenditure can have a serious impact on the economy, business and the general public.

Strategic planning is lacking. Budget users generally do not respect top-down expenditure ceilings and do not attach any importance to medium-term expenditure projections, focusing solely on securing as much funding as possible for the upcoming year. Insufficient emphasis is placed on the costs of new current and capital proposals, and in-depth analysis is lacking in many cases.

For the reform of public internal financial control (PIFC), the legal basis is in place but its implementation is slow and so far limited to the control of public spending against the budget, not yet addressing purposeful, economic, efficient and effective spending.

The supreme audit institution, the State Audit Office (SAO), has a good legal basis for external audit, but this authority is not anchored in the Constitution. The SAO has updated its Development Plan 2013-2017 and intends to implement it partly with external support so as to improve in particular its compliance with international standards, professionalisation, strategic approach and co-operation with Parliament.

Target 2020	<p>The public expenditure management system meets the requirements of the EU Directive on the budgetary framework, and high-level fiscal discipline and rational allocation of budget funds are based on strategic priorities.</p> <p>The PIFC framework meets internationally agreed and EU-compliant PIFC principles, standards and methods, which apply to the internal control systems of the entire public sector, including the control of spending of EU funds.</p> <p>An operationally and financially independent supreme audit institution – the SAO – is working in accordance with international standards. Effective parliamentary oversight is supported by the SAO.</p>
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PUBLIC FINANCE MANAGEMENT

<p>An improved public expenditure management system is in place, with better budget documentation, including a clearly defined, overall budget and economic strategy framework. The strategy is being implemented by appropriately qualified staff assuming responsibility and taking a more analytical approach, while respecting the targets that have been set.</p>	
1-2 Years	<ol style="list-style-type: none"> 1. Ministry of Finance (MoF) to improve fiscal discipline and increase respect for top-down expenditure ceilings by making ceilings binding and non-negotiable at later stages due to increased expenditure pressure; 2. MoF build staff capacities in the MoF and line ministries to carry out financial impact assessments; 3. The Government should require the accurate calculation of the costs of new policy proposals; 4. MoF to strengthen budget planning through training and enhancement of MoF staff qualifications and capacities to analyse and challenge budgetary projections and their underlying assumptions; 5. The Government will provide Parliament with: <ul style="list-style-type: none"> • The budget proposal three months prior to the start of the fiscal year; • Updated fiscal data.
3-5 Years	<ol style="list-style-type: none"> 6. MoF to improve budget documentation to aid in the elaboration of a clearly defined, overall budget and economic strategy framework, along with the basic strategies and objectives of the Government's expenditure proposals, by: <ul style="list-style-type: none"> • Strengthening the fiscal strategy; • Including comparative budgetary information over several years; 7. MoF to strengthen staff capacity for the management of public investments by developing guidelines for the appraisal and management of capital investments, complemented by project management training programmes.
5 + Years	<ol style="list-style-type: none"> 8. Improve the capacity to carry out programme budgeting and performance-oriented evaluation within MoF at the level of budget users.

PUBLIC FINANCE MANAGEMENT

For public internal financial control, all public organisations have clearly defined objectives linked to the budget, together with time scales and performance standards, and internal control instruments are increasingly used to reach those objectives.	
1-2 Years	<ol style="list-style-type: none"> 1. MoF to finalise and adopt PIFC Policy Paper and Action Plan 2013-2015, which provides an explicit vision of PIFC as part of the process of improving the quality of public expenditure management; 2. Through the effective use of monitoring mechanism, the Central Harmonisation Unit (CHU) to ensure that current arrangements for the delegation of authority to managers are put into practice and that managers take responsibility for their decisions; 3. CHU to propose amendments to existing legal requirements for the PIFC structure (in relation to financial affairs units, internal audit units) in view of the limited resources of small organisations; 4. Audit Authority to increase knowledge of the specifics in auditing EU funds through the exchange of experiences with the audit authorities of EU Member States, training events, etc.
3-5 Years	<ol style="list-style-type: none"> 5. MoF to prepare and the Government to launch the next stage in the establishment of managerial accountability by placing line managers in their area of competence and setting clear objectives and timelines for their achievement in order to complement the public expenditure management objective of sharpening the focus on improving results or outputs; along with appropriate accountability arrangements, delegate to managers the authority to manage all or most budgets, with a view to achieving their objectives in the most efficient and effective manner, and to authorise actual payments to be made; 6. MoF to establish financial and performance information systems that enable line managers to deliver objectives efficiently and effectively rather than just controlling spending against a budget; 7. MoF to accompany these information systems with the substantive development of risk management, with the responsibility for operational risks falling on line managers and the head of the organisation being responsible for strategic risks; 8. MoF to strengthen its monitoring role of budgetary management and control processes of budget users obliging them to explain in detail to the MoF any deviations.

PUBLIC FINANCE MANAGEMENT

5 + Years	<ol style="list-style-type: none">9. All public institutions to strengthen the capacities of their financial affairs units to support line managers with financial advice and to provide the head of the entity and with strategic, long-term financial advice through training and pilot exercises;10. MoF to review the current centralised payment control system, with a view to developing a system that will enable line managers to gradually take full responsibility for payments.
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PUBLIC FINANCE MANAGEMENT

The SAO complies with international standards in its audit work and has increased its impact through the institutionalised follow-up of audit reports by Parliament.	
1-2 Years	<ol style="list-style-type: none"> 1. SAO to improve the strategic approach to programming of audits through the training of auditors and audit managers; 2. SAO to assess its compliance with international audit standards, using the i-cat; 3. SAO to develop clear procedures for referring suspected misdemeanours or criminal offences.
3-5 Years	<ol style="list-style-type: none"> 4. SAO to develop methods and procedures to analyse and report, in the annual report or special reports, on generic and systemic issues (including PIFC issues) emanating from individual audits; 5. SAO to improve communication with key stakeholders through regular top-level meetings on issues of common interest and develop more informal contacts, joint training and consultations; 6. SAO to assess and adjust the functioning of the audit quality control system; 7. SAO to ensure that audits are carried out in accordance with the new International Standards for Supreme Audit Institutions (ISSAIs) by adapting own methodologies and training auditors in their application.
5 + Years	<ol style="list-style-type: none"> 8. SAO to monitor the adaptation of the audit methodologies to comply with the ISSAIs; 9. Parliament to ensure that a reference to the SAO is included in the Constitution.

PUBLIC PROCUREMENT, INCLUDING PPPS/CONCESSIONS

STATE OF PLAY

The public procurement system in the former Yugoslav Republic of Macedonia is rooted in sound foundations: the legal framework has been almost fully harmonised with the EU *acquis*. The public procurement institutional set-up has been stabilised in recent years. The central procurement agencies, such as the Public Procurement Bureau (PPB) and the State Appeals Commission (SAC), have developed into mature and proactive institutions, which are willing to and capable of further developing the system. The area of concessions and public-private partnerships (PPPs) remains a matter of concern, as the implementation of the new PPPs/Concessions Law has been extremely delayed.

A number of ongoing key problems need to be tackled, with a long-term perspective in mind. These problems are:

- Insufficient professional skills of both the contracting authority and the bidder, in particular with the proposed introduction of new working methods, such as more centralised procurement, framework agreements, dynamic purchasing systems and e-auctions;
- Insufficient operational tools, including procurement models and standard documents;
- Corruption: ongoing support at the government level, in both practical and financial terms, of the implementation of reform measures will be critical.

Target 2020	<p>The public procurement system, including PPPs/concessions, is in place and fully operational, in accordance with EU rules and good international practice.</p> <p>Public procurement operations provide value for money, are sustainable under budgetary limitations and projections, and stimulate economic growth. The level of fraud and corruption has been significantly lowered.</p> <p>Contracting authorities, economic operators and civil society are confident in the fairness and integrity of the system.</p>
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PUBLIC PROCUREMENT, INCLUDING PPPS/CONCESSIONS

1-2 Years	<ol style="list-style-type: none"> 1. PPB and the PPP unit in the Ministry of Economy (MoE) to fully implement the PPPs/Concessions Law and ensure effective institutional leadership for the PPP/concessions reform; 2. PPB and the PPP unit in the Ministry of Economy (MoE) to review the feasibility of integrating administrative structures (PPB and the PPP unit in the Ministry of Economy – MoE) responsible for implementing and monitoring the public procurement and PPPs/concessions systems; 3. PPB and Ministry of Defence to draft and adopt the legislative framework regulating defence and security procurement, transposing EU Directive 2009/81; 4. PPB to develop standard tender documents for PPPs/concessions, supplies, services and works; 5. PPB to promote quality-based criteria for tender evaluations and other elements of sustainable procurement aimed at achieving better value for money by organising training and issuing practical guidelines and manuals; 6. PPB to promote a partnership approach between the public and private sectors by including all stakeholders in a consultative body (forum) overseeing the implementation of the system; 7. PPB to develop and promote implementing tools, including manuals and guidelines, for both public contracts (works, services and supplies) and PPPs/concessions.
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PUBLIC PROCUREMENT, INCLUDING PPPS/CONCESSIONS

3- 5 Years	<ol style="list-style-type: none"> 8. PPB to establish the legal, technical and institutional infrastructures through the development of primary and secondary legislation, enabling the use of modern procurement tools and techniques, including electronic procurement, dynamic purchasing systems, framework agreements and centralised purchasing ; 9. PPB to develop and implement sector-specialised (e.g. IT services and supplies, health supplies, road construction and office supplies) operational tools (model tender documents, standard technical specifications, and methodologies for tender evaluation based on the most economically advantageous tender criteria); 10. PPB and Chambers of Commerce to further promote SME access to the public procurement market as well as to research and development (R&D) opportunities by establishing help desks(s) (in co-operation with chambers of commerce), issuing practical guidelines, and incorporating representatives of business into an advisory board of the PPB ; 11. PPB to maintain and update curricula, manuals and guidelines; 12. PPB to ensure the continuous monitoring of legislative changes on the EU level, appropriate harmonisation and subsequently the effective fulfilment of EU accession requirements with regard to public procurement procedures, concessions, remedies, defence procurement and electronic procurement.
5 + Years	<ol style="list-style-type: none"> 13. PPB line ministries to improve instruments (guidelines, regulations) to promote sustainable procurement, achieve environmental and social objectives, and encourage innovation in procurement.