PRIORITIES

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

MAY 2014

Authorised for publication by Karen Hill, Head of the SIGMA Programme

These priorities have been produced with the financial assistance of the European Union. They should not be reported as representing the official views of the EU, the OECD or its member countries, or of beneficiaries participating in the SIGMA Programme. The opinions expressed and arguments employed are those of the author(s). Priorities describe preliminary results or research in progress by the author(s) and are published to stimulate discussion on a broad range of issues on which the EU and the OECD work. Comments on Working Papers are welcomed, and may be sent to SIGMA-OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.
# Table of Contents

2014-2020 SIGMA country priorities for public administration reform – explanatory note ................................................................................................................................. 2

The former Yugoslav Republic of Macedonia 2014-2020 SIGMA country priorities ................................................................................................................................. 3

Policy Making ................................................................................................................................................................................................................................... 4

Legal Framework and Civil Service Management ............................................................................................................................................................................ 8

Public Finance Management .......................................................................................................................................................................................................... 12

Public Procurement ....................................................................................................................................................................................................................... 16
Aim and structure of proposals

SIGMA has identified the following country priorities for public administration reform (PAR), which are a continuation of the 2013 and 2014 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 following priority targets are proposed for the former Yugoslav Republic of Macedonia for 2020:

1. A policy making system is in place, with a coherent medium-term planning framework, established practices and capacities for policy development, and regular analysis and monitoring of implementation, including handling the EU accession process.

2. 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.

3. 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.

4. A public procurement system, including public-private partnerships (PPPs) and 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.
POLICY MAKING

STATE OF PLAY
The legal framework has created a basic policy management system and the bodies necessary to perform the required planning and policy co-ordination tasks are in place. The structures and procedures required to perform centre of government functions such as planning and monitoring are also established in rules and procedures. The role of key co-ordination bodies within the centre of government – the Legislative Secretariat, Secretariat of European Affairs and the General Secretariat – tends to focus on the procedural aspects rather than the content of proposals. There is a weakness in the area of policy co-ordination where the General Secretariat and the Ministry of Information Society and Administration generally address the formal issues around oversight rather than substantive issues of quality control. The coherence of strategic planning needs to be increased within the ministries and at the centre of government. There is an absence of requirements to ensure that policy implementation is followed up by monitoring and analysis.

Policy planning is linked to the budget, and there are requirements for linkages both at the planning stage and the policy development stage, through Fiscal Impact Assessment and Regulatory Impact Assessment (RIA). In practice, the capacity of ministries to assess costs is insufficient as policy development structures in ministries are small. Full and thorough application of RIA as a tool for policy analysis, including for EI-related matters, remains a challenge. In addition, the capacity of ministries to ensure well-prepared drafts of laws is weak and is often challenged by the Secretariat for Legislation.

The Government has a strategy to use digital technology to increase the participation of the public in the policy making process, and many electronic initiatives have been established in the last five years to deliver the objectives of policy making, especially public consultation. This technology alone has so far not helped adherence to important procedures that embody the value of transparency, such as minimum consultation periods. The use of traditional working groups and use of non-governmental organisations remains the dominant mechanism of consultation. There are no formal interministerial processes for developing policy.

| Target 2020 | The policy making and co-ordination system is in place, with a coherent medium-term outlook, established practices and capacities for policy development, and regular analysis and monitoring of implementation, including mechanisms and capacities needed for transposing the EU acquis and handling the EU accession process. |
POLICY MAKING

The Government is capable of carrying out policy development, characterised by regular interministerial discussions and dialogue with non-governmental stakeholders, which enable implementation aspects and potential financial impacts to be taken into account when developing policies and drafting legislation.

2. MISA to report on policy initiatives and laws that are covered by the *ex post* requirement - one year and then three years after implementation in the Government’s Annual Work Programme, starting from 2015.  
3. MISA to devise performance measures for the use of the Single National Electronic Register of Regulations as the main means of consultation about proposals for draft laws, and thereafter report annually on the adherence of ministries to the requirements to publish draft laws and accompanying impact assessments. Strengthen the capability of line ministry staff to undertake high quality fiscal analysis, by having the MoF identify examples of good fiscal analysis produced by ministries and share these examples across government through training sessions and guidance.  
4. The Secretariat for Legislation to strengthen the capacity of ministries to prepare high-quality legal provisions, through additional training which addresses areas of repeated mistakes and inaccuracies. |
POLICY MAKING

5. The outcomes of the requirement for ex post analysis should be reviewed by MISA and a decision taken as to whether the process is extended to apply to all policy initiatives and laws.

6. MISA to review how new principles introduced by the Government Rules of Procedures in 2013 have contributed to improving the quality of policy discussions, and review how interministerial dialogue takes place between ministries and with the centre of government. The results should be considered and any necessary changes implemented.

7. General Secretariat and the MoF to build on the fiscal impact assessment process and introduce a wider process of policy analysis that evaluates more comprehensive issues, such as potential environmental impacts, undertaking a pilot in two line ministries to assess the analytical needs of staff and develop a training package.

8. MoF to mandate an assessment of the accuracy of fiscal estimates against the actual costs of implementation of new policies/laws, as reported in the Government’s Annual Work Programme.

9. The Assembly to develop its capacity to usefully apply the outputs resulting from the policy development process, such as Regulatory Impact Assessment and fiscal analysis, in order to strengthen its scrutiny capacity.

10. The General Secretariat and MISA to review the effectiveness of the Strategy for Co-operation of the Government with Civil Society, 2012-17 and the success of electronic mechanisms for engaging the public and NGOs in policy development.
A coherent planning framework is in place, and the planning system enables the setting of clear priorities for the Government as a whole and for individual ministries, and the incorporation of those priorities into the medium-term budgetary planning process. The system also enables the realistic planning of workloads.

| 1-2 Years | 1. General Secretariat, in co-operation with the Ministry of Finance (MoF) and the Secretariat for European Affairs, to review the strategic planning process that is managed by the GS, in co-operation with the Ministry of Finance, and prepare an options paper for simplifying and streamlining the system of strategic planning by ministries.  
2. Under the co-ordination of the General Secretariat, the development of the Annual Work Programme of the Government for 2015 and the approval of the 2015 budget to be harmonised. |
| 3-5 Years | 3. General Secretariat to review policy co-ordination practices, with a view to identifying further needs for adjusting the system that sets strategic priorities of the Government.  
4. General Secretariat, in co-operation with the MoF, to simplify and streamline the system of strategic planning by ministries.  
5. General Secretariat, in co-operation with MoF and the Secretariat for European Affairs, to establish a system for the adequate incorporation of new commitments and policy plans (including those resulting from the accession process) into the work plans of ministries and into budget proposals (with the lead institution identified).  
6. General Secretariat and the MoF to improve the use of performance information in the Government’s work planning and reporting.  
7. General Secretariat to analyse and draft proposals for the establishment of a governmental reporting system on implementation of sectoral strategies, as an integral part of the Government’s work planning and reporting on medium-term strategic documents. |
LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

STATE OF PLAY

New legislation on public employment and on civil servants has recently been adopted. In the near future the priority should be the implementation of these two laws, one of which covers the entire public sector. Their implementation will help to create momentum in building more coherent public employment and enhance the co-ordination role of the Ministry of Information Society and Administration (MISA).

A new draft Law on General Administrative Procedures is ready to be discussed and adopted. The implementation of this law will represent a big challenge both for MISA and for the Ministry of Justice.

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 | A civil service and public employment system based on merit, comparable to the systems in EU Member States, is in place. 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. Sound administrative procedures are applied offering legal certainty to citizens and businesses. |


A public service system based on merit is largely established. Integrity systems in the public service are being developed.

<table>
<thead>
<tr>
<th>1-2 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MISA to develop the public employment system by drafting secondary legislation to develop the new public employment legislation.</td>
</tr>
<tr>
<td>2. MISA to begin the implementation of the main elements of the new public service legislation.</td>
</tr>
<tr>
<td>3. MISA and AA to develop and deliver tailor made training to support the implementation of the new public service legislation and to develop guidelines and other non-binding instruments.</td>
</tr>
<tr>
<td>4. 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.</td>
</tr>
<tr>
<td>5. MISA to prepare and introduce HR planning to meet quantitative and qualitative needs of public institutions, to enhance equitable representation and to enable a better control of costs, by developing HR planning methodologies and information systems.</td>
</tr>
<tr>
<td>6. MISA to gather data and to develop adequate indicators to support strategic HRM.</td>
</tr>
<tr>
<td>7. Government to clarify the roles and co-ordination mechanisms of the Ministry of Information Society and Administration (MISA), Agency of Administration (AA) and Secretariat for the Implementation of the Ohrid Framework Agreement (SIOFA).</td>
</tr>
<tr>
<td>8. AA to develop its capacities in the management of merit-based selection processes.</td>
</tr>
<tr>
<td>9. State Commission for Prevention of Corruption (SCPC) to revise the regulations on the scope, responsibilities, public disclosure and management of asset and conflict-of-interest declarations.</td>
</tr>
<tr>
<td>10. 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.</td>
</tr>
</tbody>
</table>
## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

<table>
<thead>
<tr>
<th></th>
<th>3-5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>AA to enhance the capacities of selection committee members to manage merit-based selection processes.</td>
</tr>
<tr>
<td>12</td>
<td>Relevant ministries and MISA to amend the laws containing regulations on public employment, and to issue secondary legislation according to the new legal framework on public employment.</td>
</tr>
<tr>
<td>13</td>
<td>MISA to professionalise management positions in the administration by regulating the appointment of political advisors and other political positions and by exploring the feasibility of creating a senior civil service scheme.</td>
</tr>
<tr>
<td>14</td>
<td>MISA to reform the performance appraisal system so as to enhance its effectiveness and limit the risks of unfairness by amending relevant regulations.</td>
</tr>
<tr>
<td>15</td>
<td>MISA to design an effective organisational arrangement – through a public administration school or other options – for the delivery of training on horizontal issues.</td>
</tr>
<tr>
<td>16</td>
<td>MISA and Parliament to raise the awareness of citizens and politicians of 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.</td>
</tr>
<tr>
<td>17</td>
<td>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”.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>5+ Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>MISA to complete the implementation of the new public service legislation, including all secondary legislation.</td>
</tr>
<tr>
<td>19</td>
<td>MISA to conduct additional monitoring and independent assessments to identify the real impact of the reforms.</td>
</tr>
</tbody>
</table>
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 | 1. Government to adopt the draft Law on General Administrative Procedures (LGAP).  
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 common automated case management system. |
| 3-5 Years | 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, lawyers and citizens to enable smooth implementation.  
5. MISA to ensure adequate internal and social monitoring of the legal 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 | 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. |
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 Development Plan covering the period 2013-2017 will partly be implemented with external support so as to improve in particular its compliance with international standards, professionalisation, strategic approach and co-operation with Parliament.

| Target 2020 | 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. 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. 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. |
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.

| 1-2 Years | 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 pressure on expenditure.  
2. MoF to build staff capacities in the MoF and line ministries to carry out financial impact assessments.  
3. The Government to request that accurate calculation of costs accompanies 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 to provide Parliament with:  
   • The budget proposal three months prior to the start of the fiscal year;  
   • Updated fiscal data. |
| 3-5 Years | 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:  
   • 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 | 8. Improve the capacity to carry out programme budgeting and performance-oriented evaluation within MoF at the level of budget users. |
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 | 1. MoF to finalise and adopt PIFC Policy Paper and Action Plan 2014-2016, 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 a 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 | 5. MoF to prepare and the Government to launch the next stage in the establishment of managerial accountability by placing line managers by 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. |
| 5+ Years | 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 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. |
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 | 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 | 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 their own methodologies and training auditors in their application. |
| 5+ Years  | 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. |
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. Both the Public Procurement Bureau and State Appeals Commission plan to prepare new pieces of public procurement legislation in 2014 (one of the objectives being the transposition of the new EU public procurement directives).

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

- Strengthening the fiscal strategy;
- Including comparative budgetary information over several years;
- 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 | The public procurement system, including PPPs/concessions, is in place and fully operational, in accordance with EU rules and good international practice. 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. Contracting authorities, economic operators and civil society are confident in the fairness and integrity of the system. |
### PUBLIC PROCUREMENT

<table>
<thead>
<tr>
<th>1-2 Years</th>
<th>3-5 Years</th>
</tr>
</thead>
</table>
| 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.  
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.  

| 8. PPB to establish 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. |
13. PPB line ministries to improve instruments (guidelines, regulations) to promote sustainable procurement, achieve environmental and social objectives, and encourage innovation in procurement.